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Site-Neutral Medicare Proposals Currently on the Table: Considerations for Stakeholders

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Background

Site-neutral payment policies aim to standardize payments for healthcare services regardless of the site of care. Interest in site-neutral hospital payment policies has historically been bipartisan, arising out of concerns about consolidation between hospitals and independent physician practices, and a desire to promote more efficiency in where patients receive care – and the rates paid for those services.

Proponents of past site-neutral policies argued that disparate Medicare fee-for-service payments to off-campus hospital-based outpatient departments (HOPDs) incentivized hospitals to buy independent physician practices and bill under the Outpatient Prospective Payment System (OPPS) for the same services that would otherwise be paid under the Physician Fee Schedule (PFS). While the Bipartisan Budget Act (BBA) of 2015 addressed those concerns in part, it "grandfathered" off-campus HOPDs that were already billing under the OPPS, effectively allowing the same services to be paid at either OPPS, for grandfathered off-campus HOPDs, or at PFS rates, for new off-campus HOPDs. Proponents of more recent site-neutral policies argue that such payment discrepancies are unfair to beneficiaries, who may not realize that an off-campus site is classified as an HOPD, and who pay higher coinsurance when a service is furnished in an HOPD versus a physician's office. Current Republican interest in site-neutral policies is also driven by broad interest in reducing mandatory spending, including on federal healthcare programs.

Bipartisan Budget Act of 2015 Section 603

Medicare site-neutral payment policies legislated in the last decade focus on services furnished in off-campus provider-based departments of hospitals. Before the BBA, payments for services furnished in these settings were made under the OPPS. Section 603 of the BBA changed this by excluding items and services furnished at off-campus HOPDs established after November 2, 2015, from payment under the OPPS. The BBA specified that these items and services are to be reimbursed under "the applicable payment system" other than the OPPS, which the Centers for Medicare & Medicaid Services (CMS) later defined in regulation as a payment based on the PFS. Section 603 excludes certain items, services, and settings from the policy. Dedicated emergency departments, even those that are off campus, are excluded, as are off-campus HOPDs that were "grandfathered."

Clinic Visit Policy

After initial rulemaking to implement statutory site-neutral policy changes during the Obama administration, the Trump administration expanded Medicare site-neutral policies through regulation. In the 2019 OPPS final rule, CMS used its "unnecessary increases in volume" authority to cap the OPPS payment rate at a PFS-equivalent rate for clinic visit services furnished at all off-campus HOPDs, even those that were grandfathered under Section 603 of the BBA. This policy faced legal challenges from the American Hospital Association and other stakeholders, but a federal appeals court ruled for CMS, and the Supreme Court of the United States declined to consider an appeal, so CMS ultimately prevailed.

2023 Medicare Payment Advisory Commission Proposal

A June 2023 Medicare Payment Advisory Commission (MedPAC) report addressed the issue of differing Medicare FFS payment rates across ambulatory settings, including HOPDs, ambulatory surgical centers (ASCs), and freestanding physician offices. The report suggested adjusting Medicare payments for ambulatory services predominantly provided in freestanding offices to the PFS payment rate, thereby reducing rates paid to on- and off-campus HOPDs and ASCs for these services, and reducing incentives to

shift services to these settings. MedPAC identified 57 ambulatory payment classifications (APCs) for which freestanding offices had the highest volume. For ambulatory services with the highest volume in ASCs (MedPAC identified nine such APCs), MedPAC suggested that payments to on- and off-campus HOPDs should align with ASC payment rates. For services primarily provided in HOPDs, or that could only reasonably be provided in HOPDs (such as emergency and trauma care), MedPAC advised maintaining current OPPS payment rates. MedPAC modeled these policy changes based on an assumption of current-law budget neutrality in the OPPS.

Site-Neutral Policy Consideration in the 118th Congress

In May 2023, the US House of Representatives Energy and Commerce Health Subcommittee considered various site-neutral payment policies. Then-Committee Chair Cathy McMorris Rodgers (R-WA) offered but later withdrew an amendment based on MedPAC's June 2023 site-neutral payment recommendation, but which would have captured some of the difference in payment amounts for affected services as savings to the federal government. She also offered and withdrew an amendment that would have eliminated the grandfathered status of off-campus HOPDs, to which the site-neutral policies enacted in the BBA of 2015 do not apply. The Congressional Budget Office (CBO) did not publicly issue a score for either policy. However, US President Donald Trump's FY 2021 Budget-in-Brief scored eliminating off-campus HOPDs' grandfathered status as saving $47.2 billion over 10 years.

Ultimately, the committee advanced two narrower site-neutral polices. The first would reduce Medicare Part B payment rates for drug administration services provided at off-campus HOPDs to the rate paid in physician offices. The second would require a separate identification number and attestation for each off-campus HOPD, which proponents contend would allow for greater oversight of hospitals' compliance with existing site-neutral payment policies. In December 2023, the House passed both of these provisions on a bipartisan basis as Sections 203 and 204 of the Lower Costs, More Transparency Act (LCMT). CBO estimated 10-year savings for these provisions at $3.7 billion and $403 million, respectively. The latter provision, requiring a separate identification number for off-campus HOPDs, was then included in the initial bipartisan December 16, 2024, package to fund the government for FY 2025 as Section 228 of Title II. However, this provision was dropped from the continuing resolution that Congress ultimately enacted to fund the government through March 14, 2025. Thus, no site-neutral payment provision passed the 118th Congress.

Also during the 118th Congress, Senators Bill Cassidy (R-LA) and Maggie Hassan (D-NH) released a framework on site-neutral reform. While the framework is not legislative language, it could forecast what the Senate may pursue in the 119th Congress. The framework includes two policy options:

- Eliminating the grandfathering exception from the BBA of 2015.
- Establishing site-neutral payments based on the site where a service is most commonly furnished.

The second option is based on the June 2023 MedPAC proposal, but the framework proposes pairing it with a reinvestment mechanism for rural and high-needs hospitals to minimize revenue impacts. The framework also proposes two additional reinvestment mechanisms:

- Providing a reimbursement bonus for hospitals that operate a level I or level II trauma center, obstetrics department, burn unit, or neonatal intensive care unit, or that offer emergency psychiatric services.
- Encouraging hospitals to move into two-sided risk models, such as by increasing reimbursement or providing a higher capitated payment rate for hospitals in a two-sided advanced alternative payment model or providing an opportunity to enter into a new accountable care model with a pre-site-neutrality spending benchmark that would phase out over time and transition to two-sided risk.

Recent Cost-Savings Proposals: CBO, House Budget Committee

On February 25, 2025, the House Republicans passed a budget resolution that would extend the Trump tax cuts and cut federal spending by at least $1.5 trillion. The Senate took a different approach with its initial budget resolution by focusing it on immigration, energy and defense, leaving tax cuts and significant health spending cuts for a later bill. House and Senate Republicans are now working toward a unified budget resolution to guide a reconciliation bill that will likely land somewhere in between those two approaches, with significant healthcare cuts on the table. To the extent Congressional Republicans deem it politically feasible to pursue cuts in Medicare spending, site-neutral policies may well be considered.

To provide Congress with ideas for potential policies to reduce federal spending, CBO recently released a report titled "Options for Reducing the Deficit: 2025 to 2034." CBO releases this report periodically, and the inclusion of an option does not mean it is politically feasible or will be pursued. However, scoring polices creates a starting point and provides a menu to Congress as members seek savings to offset the cost of other policy priorities. CBO included three options for site-neutral cuts in its report. The first and most drastic would pay site-neutral payment rates for most services to all on- and off-campus HOPDs, saving $157 billion. The other options would apply site-neutral payment rates to all off-campus HOPD drug administration services (saving $5.6 billion) and imaging services (saving $7.6 billion).

The House Budget Committee also recently put forth (as reported by *The New York Times*) a list of policy options for cutting federal spending. Among these is a site-neutral proposal to equalize Medicare payments among HOPDs and physician offices. The document attributes savings of $146 billion over 10 years to this policy option.

Mapping Site-Neutral Policy Options

The following chart maps each of the aforementioned policy options into three broad categories and arrays these categories based on impact, defined as estimated savings to the Medicare program. The chart lists estimated savings over 10 years, where estimates have been made available. In ranking impacts, the chart assumes that if Congress were to adopt the MedPAC proposal, it would simultaneously eliminate budget neutrality requirements in current law in order to capture the resulting reductions in Medicare spending as savings.

Implementing Site Neutrality on a Per-Service Basis	Eliminating Grandfathering	Aligning Payment Rates Based on Most Common Setting
Least Impact → Most Impact		

• Drug administration services
  ○ Passed the House in LCMT ($3.7B)
  ○ CBO report ($5.6B)
• Imaging services
  ○ CBO report ($7.6B)
	• Cassidy/Hassan site-neutral framework
	• McMorris Rodgers amendment
		• Cassidy/Hassan site-neutral framework (with reinvestment model)
		• House Budget Committee options (but does not include ASCs) ($146B)
		• CBO report (but does not include ASCs) ($157B)
		• McMorris Rodgers amendment
		• MedPAC proposal (implemented in a non-budget-neutral manner)

Considerations for Stakeholders

Stakeholders that might be impacted by changes in Medicare fee-for-service payments for ambulatory services to institutional providers should examine how each policy option discussed above could impact their operations. Topics they may wish to consider include the following:

For hospitals:

- The extent to which they furnish ambulatory services on campus, at off-campus HOPDs, or at hospital-owned ASCs.
- If they furnish ambulatory services at off-campus HOPDs, whether those facilities are "grandfathered."
- The service lines furnished in each setting and the extent to which those services have been identified as potential targets for site-neutral payments (*i.e.*, drug administration services, imaging services, and the APCs identified by MedPAC).
- The viability of maintaining service lines currently furnished at off-campus HOPD facilities.
- Whether and how off-campus HOPD facilities can be repurposed if Medicare payments for services furnished in those settings are cut.

For drug and device makers:

- The extent to which they market products that are integral to services that may be targeted for site-neutral payments.
- The extent to which Medicare makes additional payments to hospitals for furnishing services involving the product in the HOPD, or makes pass-through payments for the product.
- The extent to which site-neutral payments could shift incentives to furnish care involving the product in a different setting (for example, in an ASC versus an HOPD).

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