

Health Headlines

January 17, 2012

MedPAC Recommends Reduction in HOPD Reimbursement

On January 12, 2012, the Medicare Payment Advisory Commission (MedPAC) recommended that reimbursement to hospital outpatient departments (HOPDs) for evaluation and management (E&M) services be reduced to equal payment for E&M services under the physician fee schedule (PFS). According to MedPAC, hospitals have been increasing employment of physicians, and services likely will shift from free-standing practices to HOPDs. Since the hospital outpatient prospective payment system (OPPS) rates are typically much higher than the PFS rates, this shift would result in increased program spending and beneficiary cost sharing.

To ease the transition, MedPAC proposed that the payment reduction be phased in over three years. As part of the phase-in plan, Medicare payment reductions for hospitals with a disproportionate share patient percentage at or above the median level (25%) would be limited to 2% of Medicare revenue. According to MedPAC, this limitation would mean that the reductions would affect approximately 4% of hospitals in the final year.

For additional information on the MedPAC recommendations, please [click here](#).

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