



Off-campus provider-based hospital outpatient departments: Challenges and options in 2018

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2017 was another challenging year for hospitals grappling with site-neutral payment changes for off-campus provider-based hospital outpatient departments (OCPBDs). In 2017 rulemaking, discussed below, CMS finalized its policy implementing Section 603 of the Bipartisan Budget Act of 2015 (the Budget Act), which prohibits services furnished in OCPBDs that began billing the Outpatient Prospective Payment System (OPPS) on or after November 2, 2015, (non-excepted or “new” OCPBDs) from receiving OPPS reimbursement. An exception is included for services furnished in (1) “dedicated emergency departments” and (2) locations within 250 yards of a remote location of a hospital. OCPBDs that were billing OPPS prior to that date are “excepted” and receive OPPS reimbursement. Non-excepted OCPBDs were paid under the MPFS at 50 percent of the OPPS rate in 2017.

July 13, 2017: CMS proposed Calendar Year (CY) 2018 Medicare Physician Fee Schedule (MPFS) Rule (the Proposed Rule).

Previously, CMS indicated the 50 percent payment reduction was a “transitional policy” until it had more precise data to value services provided in non-excepted OCPBDs. Although, CMS acknowledged it would not have better data until at least the end of 2017. CMS proposed a cut to 25 percent to level the playing field between hospitals and physician practices but offered it could potentially implement a 40 percent compromise.

November 2, 2017: CMS Final CY 2018 MPFS Rule (the Final Rule). In the Final Rule, CMS finalized the 2018 payment cut for services furnished in non-excepted OCPBDs to 40 percent of the OPPS rate. Overall, the OCPBD payment cuts have severely restricted hospitals’ ability to open “new” OCPBDs, because “new” OCPBDs will receive the lower 40 percent rate.

What can hospitals do in 2018?

- **Focus on on-campus expansion.** Because the OCPBD payment cuts apply only to *off-campus* PBDs, hospitals can add new PBDs “on campus” (*i.e.*, within 250 yards of any point on the main hospital buildings) and receive OPPS reimbursement, causing some hospitals to relocate or open physician offices and other PBDs “on campus.”
- **Reconfigure excepted OCPBDs.** Section 603 bars hospitals from relocating excepted OCPBDs from the United States Postal Service address, including suite number, indicated on the CMS Form 855A and in the hospital's PECOS enrollment records as of January 1, 2015, or the OCPBDs will lose OPPS reimbursement. Limited reconfiguration of an existing suite may be permitted, however. CMS also finalized a *limited* exception for relocation of excepted OCPBDs due to “natural disasters” and changes in law if hospitals submit information within 30 days of the date of “extraordinary circumstances.”
- **Add or change services at excepted OCPBDs.** CMS currently permits hospitals to expand existing services or offer new types of services at excepted OCPBDs, causing some hospitals to increase or change the types of services furnished at excepted OCPBDs.
- **Relocate to or add remote locations.** Services furnished in remote locations or locations within 250 yards of a remote location are not subject to the payment cuts, causing hospitals to explore adding remote locations, or OCPBDs, within 250 yards of remote locations.

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