**Proposed Provider-Based Rule Changes: CMS Pursues "Site Neutrality" in Payment**

July 18, 2016

On July 14, 2016, the Centers for Medicare and Medicaid Services ("CMS") proposed to restrict reimbursement for "provider-based" services. Arising in part from hospitals' purchase of physician practices, the proposed rule limits the growth of services paid under the Outpatient Prospective Payment System ("OPPS") in these new, off-campus provider-based settings. CMS will accept comments on the proposed rule through September 6, 2016.

**How this rule may affect hospitals**

CMS's proposed rule aims to reduce reimbursement rates for outpatient services, as well as dedicated emergency rooms. Rates for these outpatient hospital services generally are higher than those for the same services performed in physician offices.

The proposed rule signals a shift in the basis for reimbursement from the location of services to the nature of services. Given the impact on hospital revenues, and long timelines for hospital business planning, numerous categories of "provider-based"
services will be grandfathered into the OPPS. Hospital outpatient departments listed on the hospital’s form 855A as of November 1, 2015 are "grandfathered" into the OPPS by the proposed rule.

Beginning in 2017, however, "alternative payment systems" will be developed for off-campus services that fall into specified "clinical families" and that were not provided at enrolled locations prior to November 2, 2015. These services generally will be reimbursed under the Medicare Physician Fee Schedule. Moreover, changes in outpatient service location, ownership, clinical offerings, or other factors may cause hospital outpatient sites to lose their provider-based status.

**What action should be taken?**

Hospitals should begin planning now for the "alternative payment systems" for off-campus services identified by the proposed rule. The final rule is expected sometime in late October or early November.