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# Assessing payment adequacy: hospital inpatient and outpatient services

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We fully support MedPAC to realign service payments such that they are the same regardless of the place of service. Significant healthcare delivery aberrations that are being caused by facility fee and place of service payment discrepancies. In addition, Medicare is paying a premium for

> I believe this is a huge factor in the increase in cost of our healthcare delivery system, since the place of service is being driven to the facility type which can obtain the highest reimbursement.
>
> In addition this is the driving force behind the loss of private physician practices and their employment by hospitals.

An article, our organization (Health Watch USA), has written on this topic can be found in the June issue of the Bulletin of the American College of Surgeons. http://www.facs.org/fellows_info/bulletin/2011/kavanagh0611.pdf

The ACS Bulletin article describes how the shifting of ENT surgery to an acute care facility results in a massive increase in reimbursement for tonsil and tube surgery.

The same is true for office visits. Once a physician becomes employed by a facility, a facility fee is charged with the doctor's visit. Even if the visit is held in the physicians original office. This also affects private insurance. For example for one of my doctors, a level II outpatient visit asking price is $50. However, the Humana Insurance discount price is $20 for the doctor and $63 for the facility.

Needless to say, the same service should be paid the same regardless of location or employment structure, otherwise services and employment will be incentivized to change in order to generate the maximum amount of reimbursement.

We believe that payment discrepancies should not only be corrected for E & M visits but also for procedure fees. As more surgeons and proceduralists are being employed by hospitals we believe the same effect will take place, outpatient procedures will shift to the inpatient setting.

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