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# OIG NEWS

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## **UNIFORM RATES FOR OUTPATIENT SERVICES COULD SAVE MEDICARE \$1 BILLION ANNUALLY**

Medicare expenditures could be reduced by more than \$1 billion annually if the program's reimbursement rules were changed to establish uniform payments for outpatient services provided in hospital outpatient departments and ambulatory surgical centers, according to HHS Inspector General Janet Rehnquist.

The Inspector General said that under current law, Medicare reimbursement rates for hospitals are different from those for ambulatory surgical centers for many of the same outpatient services, and the rates vary by as much as 200 percent.

It is estimated that \$1 billion could be saved annually by lowering the reimbursement rates that are higher for hospital outpatient departments to the ambulatory surgical center rates. Another \$100 million could be saved by bringing the payment rates that are higher for ambulatory surgical centers into parity with the hospital rates.

“In the absence of a compelling reason for a payment differential, the amount Medicare pays for a procedure should be based on the service and not the setting,” Inspector General Rehnquist said. “Our studies show that reimbursement disparities between facilities for outpatient services unnecessarily cost Medicare as much as \$1.1 billion a year, and we are calling for immediate action to correct this imbalance by establishing greater parity in the payment rates.”

The disparity in reimbursement rates and recommendations for creating uniformity are detailed in a new Office of Inspector General (OIG) report entitled, *Payment for Procedures in Outpatient Departments and Ambulatory Surgical Centers*, which is available on the Internet at <http://oig.hhs.gov/oei/reports/oei-05-00-00340.pdf>. Among other things, the report proposes that the Centers for Medicare and Medicaid Services (CMS), which administers the Medicare program, seek authority from Congress to set reimbursement rates that are consistent across sites and reflect only costs that are necessary for the efficient delivery of needed health services.

The OIG study looked at 453 of the approximately 2,500 procedure codes for outpatient services that may be performed either in a hospital outpatient department or an ambulatory surgical center. For 279 of the codes, Medicare reimburses an outpatient department more than if the same service is provided in an ambulatory surgical center. For the remaining 145 codes, Medicare reimburses an ambulatory surgical center more than an outpatient department. The range of difference for all codes was \$3.18 to \$1,383.18, with 16 procedure codes differing by more than 200 percent. The 453 codes included in the study accounted for 95 percent of the volume of services billed in 1999 under one of the 2,500 procedure codes for services that can be performed in an ambulatory surgical center.

Nearly half of the estimated \$1.1 billion in savings, or about \$466 million, would come from changes in charges for eye procedures. Another \$233 million would come from adjusted payments for endoscopies. In the category of eye procedures, more than \$330 million could be saved annually by equalizing at the lower end the reimbursement for cataract surgery entailing the insertion of an intraocular lens. Medicare pays hospital outpatient departments about \$1,333 for that procedure and ambulatory surgical centers \$949. Some 844,000 of those procedures were performed in hospital outpatient departments and approximately 802,000 in ambulatory surgical centers in 1999.

Inspector General Rehnquist said Medicare could achieve additional savings if ambulatory surgical centers were no longer reimbursed for procedure codes that meet federal criteria for removal from the ambulatory surgical center list of 2,500 covered procedures. According to an OIG analysis, 72 of the codes should be deleted by CMS and payment made only if the services are provided in either a hospital outpatient department or a physician's office, which have lower reimbursement rates for the services. Medicare would save an estimated \$8 million annually if the services were provided in a hospital outpatient department rather than an ambulatory surgical center and as much as \$14 million if they were provided in a physician's office.

Medicare, which provides health benefits for about 40 million elderly and disabled Americans at an annual cost of more than \$240 billion, reimbursed hospitals and ambulatory surgical centers \$17.7 billion and \$1.6 billion, respectively, for outpatient services in 2001.

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