



The Daily Briefing

News for Health Care Executives

Obama wants to equalize payments for doctors inside and outside of hospitals

Experts say the president's proposal could become a reality

February 09, 2015

Hoping to discourage physicians from selling their independent practices to hospitals and to save Medicare billions of dollars over the next decade, the Obama administration has recommended eliminating discrepancies in how Medicare reimburses private practices and hospitals.

Currently, Medicare pays higher reimbursement rates to physicians who work for hospitals than those who are employed at private practices—even if the doctors are performing identical procedures. It's part of the reason why an increasing number of physicians are selling their practices to hospitals.



[The field guide to hospital partnership and affiliation models](#)

However, the administration's proposal, which was included in Obama's [proposed budget](#) for fiscal year 2016, would effectively equalize payments between providers in different settings, meaning physicians who work inside and outside a hospital would receive the same amount for any visit, test, or procedure. The budget asks Congress to "encourage efficient care by improving incentives to provide care in the most appropriate ambulatory setting."

According to estimates from the administration, the plan could save Medicare \$30 billion over the next decade—more than the agency would save if it raised the eligibility age to 67.

Eric Zimmerman, a partner at **McDermott Will & Emery**, says the issue could become of one Congress' top priorities because "the list of available offsets is dwindling."

How the players are reacting

Hospitals say altering reimbursement rates would hurt their bottom lines and argue that running a medical practice is more expensive for a hospital than it is for an independent practitioner.

[Private cancer docs say they're getting forced out of business](#)

For instance, hospitals note that they are required to stay open 24 hours a day, seven days a week, continuously operate EDs, and comply with a variety of federal and state regulations. Rich Pollack, EVP of the **American Hospital Association** (AHA), says, "You can't just convert it and be exactly the same. You have to meet the requirements."

[CMS tells hospitals: If you want Medicare money, you need to post your prices](#)

Robert Berenson, a doctor and senior fellow at the **Urban Institute**, says the proposal lacks detail but that it could be effective, especially given the wave of mergers and affiliations driven by Medicare's disparate pay policies. He says, "If hospitals are going to employ physicians, it should be done for the right reasons, not the wrong reasons."

Meanwhile, the **Medicare Payment Advisory Committee** says the pay disparities should be reduced, but only for a limited number of medical services and procedures in which there is virtually no difference between the service offered at a hospital and the one offered at a private practice (Sanger-Katz, "[The Upshot](#)," *New York Times*, 2/6).

The takeaway: Presidential budget proposals are often dismissed as wishful thinking, but this is a proposal that could have teeth as Congress continues to find ways to reduce Medicare spending. And if it becomes law, it could have huge implications for hospitals.