

Are Provider-Based RHCs Subject to Site-Neutral Policies?

Legal Distinction Important to Understand



An important bi-partisan goal of healthcare policy in this country is to shift payment from volume to value across all payers. The concept involves paying providers proactively for keeping their patients healthy, rather than paying providers every time their patients get sick, which will ideally lead to a healthier population and lower healthcare costs.

As more and more policies are created with this “value-based” approach in mind, we have seen a shift in reimbursement dollars available from inpatient and emergency services towards outpatient services. Hospitals have recognized this shift and as a result are purchasing more and more Hospital Outpatient Departments (HOPDs) because reimbursement policy continues to push more money to the outpatient side of the ledger.

Of course for Rural Health Clinics, the shift from independent to provider-based status comes with additional payment and operational ramifications and an increasing number of RHCs have decided to make that transition. We have seen a significant shift in ownership status in the RHC program in the last two decades which went from almost universally independent in the 1990s to roughly two-thirds provider-based today.

That is all to say we have a large number of provider-based RHCs today.

Effective January 1, 2017 CMS implemented rules for new HOPDs that change the way and the amount they get paid. This is sometimes referred to as a “site-neutral” payment policy. Naturally, there have been questions if these new rules affect provider-based RHCs in any way. The short answer is no. While the new policy does affect “department(s) of a provider” provider-based RHCs are explicitly excluded from that definition. Instead RHCs are defined as provider-based “entities” not departments and these new payment policies do not affect provider-based “entities.”

Right now, the “site-neutral” payment policies only affect newly established “departments of a provider” but in the future, Congress could expand this policy to affect a wider array of HOPDs in more ways. However, for any such policies to affect provider-based RHCs, the laws and rules would need to directly mention “provider-based entities.” This distinction is an important one to make and one which the decision-makers at your hospital should be made aware.

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