ALLIANCE FOR
SITE NEUTRAL
PAYMENT REFORM

January 30, 2017

The Honorable Greg Walden
Chairman
Energy and Commerce Committee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Energy and Commerce Committee
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

The Honorable Michael Burgess, M.D.
Chairman
Energy and Commerce Subcommittee on Health
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Gene Green
Ranking Member
Energy and Commerce Subcommittee on Health
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Walden, Ranking Member Pallone, Chairman Burgess and Ranking Member Green,

The Alliance for Site Neutral Payment Reform is a coalition of patient advocates, providers, payers and employers, who formed in 2015 to advocate for payment parity across site of service to decrease Medicare and commercial spending, ensure patients receive the right care in the right setting, lower taxpayer and beneficiary costs, and increase patient access. Since our inception, the Alliance has worked collectively to urge Congress and regulators to advance site neutral payment policies to equalize payments across sites of service for all outpatient services.

As the new 115th Congress sets out to reform our nation's health care delivery system in the year ahead, the Alliance urges you to consider the significant savings associated with site neutral payment reforms – savings that directly and positively impact senior beneficiaries, the Medicare program, employers and American taxpayers.

Cost Differentials

The need for site neutral payment reforms is evident - payment policies supporting higher reimbursement in the hospital outpatient department (HOPD) setting have resulted in increased costs to patients, employers and taxpayers. Across the Medicare program, reimbursement rates vary significantly based solely on site of service and not the healthcare service provided. For the administration of chemotherapy drugs, for example, the payment to a hospital outpatient facility is nearly three times the rate paid to a community cancer clinic ($390 vs $136).[1] Other examples of Medicare services billed at a measurably higher

[1] Milliman, "Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy," October 2011.

rate in the HOPD include cardiac imaging ($2,078 vs. $655) and colonoscopy ($1,383 vs. $625).[2] The Government Accountability Office (GAO) found that in 2013, the total Medicare payment rate for a mid-level evaluation and management (E/M) office visit for an established patient was $51 higher when the service was performed in an HOPD instead of a freestanding physician's office.[3]

These higher costs have direct economic consequences on American patients. Among cancer patients, a Milliman study on costs by site-of-service found Medicare pays $6,500 more in annualized chemotherapy treatment costs in outpatient hospital cancer facilities versus independent community cancer clinics, which increases out-of-pocket costs for Medicare beneficiaries by $650 annually.[4]

In terms of savings to taxpayers, data suggest site neutral payment across Medicare ambulatory settings has the potential to save $29.5 billion over 10 years.

Provider Consolidation

In addition to higher costs to the healthcare system, payment policies that support higher reimbursement in the HOPD setting encourage the acquisition of office-based physician practices, further restricting patient access to care in the lower cost community setting. The Alliance warns that unless steps are taken to stem consolidation in the health care marketplace through the advancement of site neutral payment policies, healthcare spending will continue to increase while patient access to community-based care will decrease.

Data continues to demonstrate the negative effects that hospital acquisition of independent physician practices has on costs and access. A recent study by Avalere found patients will have a harder time finding independent physicians as hospital ownership of physician practices increased to 1 in 4 in 2015[5]. In the six months from July 2014 to January 2015 alone, 13,000 physician practices were acquired. Community-based cancer clinics have been hit particularly hard with a 172 percent increase in consolidation into hospitals since 2008[6].

Balanced Budget Act of 2015

In November 2015, Congress passed the Bipartisan Budget Act of 2015 (BBA), which established a site neutral payment policy for all newly acquired provider based off-campus hospital outpatient departments (HOPD). The policy excluded any newly acquired physician that does not practice on the main campus of the hospital from the Outpatient Prospective Payment System (OPPS) and aligned their payments with other physician practices paid under the Medicare Physician Fee Schedule (PFS). The Alliance advocated strongly for this provision and commended the reform as a positive first step toward leveling the playing field to ensure the exact same care is reimbursed at the same payment level despite the delivery setting.

We were, however, disappointed late last year by the inclusion of provisions in the 21st Century Cures legislation that exempt cancer hospitals and certain HOPDs from the site neutral payment policies signed in to law as part of the BBA. While the Alliance fully supports the goals of the 21st Century Cures bill, we have warned that the potential benefits of this legislation could be undermined if Congress does not continue to modernize the Medicare payment system by embracing new efficiencies.

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[2] Location, Location, Location: Hospital Outpatient Prices Much Higher than Community Settings for Identical Services, The National Institute for Health Care Reform (NIHCR): Published online June 2014.

[3] GAO, Medicare: Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, December 2015.

[4] Milliman, "Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy," October 2011.

[5] Avalere, PAI: Physician Practice Acquisition Study: National and Regional Employment Changes, October 2016

[6] Community Oncology Alliance: 2016 Practice Impact Report, October 2016

Therefore, we strongly encourage you and your colleagues in Congress to embrace commonsense changes to our healthcare delivery system that will lower costs for patients, provide savings and stability for the Medicare program and promote competition in the healthcare marketplace. To do so, we urge Congress to expand the application of site neutral payment policies to all off-campus outpatient services.

We look forward to the opportunity to work with you and your colleagues in the Energy and Commerce Committee throughout the year ahead to improve health care for all Americans and protect access to quality, cost effective community-based care.

Sincerely,

The Alliance for Site Neutral Payment Reform

Cc. U.S. Senate Leadership
U.S. House of Representatives Leadership
Senate Committee on Finance
House Committee on Ways and Means