



November 28, 2016

The Honorable Fred Upton
Chair, Energy & Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member, Energy & Commerce Committee
2322A Rayburn House Office Building
Washington, DC 20515

Chairman Upton and Ranking Member Pallone,

As members of The Alliance for Site Neutral Payment Reform, we would like to express our concerns with including provisions in the 21st Century Cures legislative package that would exempt cancer hospitals and certain Hospital Outpatient Departments (HOPDs) from site neutral payment policies signed in to law as part of the Bipartisan Budget Act of 2015 (BBA). We applaud the 21st Century Cures goal of improving our nation's healthcare system through accelerating the discovery, development and delivery of life saving and life improving therapies. However, the potential benefits of this legislation could be undermined if Congress does not continue to modernize the Medicare payment system by seeking out, and repairing, inefficiencies. We urge you to continue moving our health care system forward by rejecting efforts to roll back the BBA's site neutral payment policy.

When Congress passed the BBA, stemming consolidation in the healthcare marketplace was a key driver in the creation of the site neutral payment provision. Data continues to demonstrate the negative effects that hospital acquisition of independent physician practices has on healthcare costs and access to community-based care. Patients and Medicare pay more when the same services are delivered in the HOPD instead of independent physician practices for a wide variety of services – chemotherapy: \$390 vs. \$136¹; cardiac imaging: \$2,078 vs. \$655; colonoscopy²: \$1,383 vs. \$625; even a basic E/M visit costs \$51 more when performed in a HOPD³. The increased cost to both patients and Medicare is substantial. Over a three year period, Medicare paid \$23.29 million more for chemotherapy services solely because they were administered in the HOPD and cancer patients were out an additional \$4.05 million in out-of-pocket costs because of the higher patient co-payment.⁴

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 setting. According to a recent study by Avalere, patients will have a harder time finding independent physicians as hospital ownership of physician practices increased to 1 in 4 in 2015⁵. 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% increase in consolidation into hospitals since 2008⁶.

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

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, Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, December 2015

⁴ Berkeley Research Group, "Impact on Medicare Payments of Shift in Site of Care for Chemotherapy Administration," June 2014

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

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

As Congress explores bold initiatives to move our health care system into the 21st Century with the Cures legislation, the Cancer Moonshot, and Precision Medicine Initiative, it's imperative to be wise with our limited health care dollars. Preserving an outdated reimbursement policy that continues to drive up healthcare spending in the outpatient space is counter to Congress's goal of modernizing the Medicare system and providing patients with health care choices at less cost. Congress should be looking to advance the site neutral payment policy and expand its application to all off-campus outpatient services, not adding to the number of facilities that are able to bill patients and Medicare higher rates for the same services.

We greatly appreciate your diligence and commitment in developing the 21st Century Cures Act and applaud its mission to speed the discovery, development and delivery of cures. We ask that you continue to work towards improving our healthcare system and protecting patients by rejecting efforts to include provisions that would undermine the site neutral payment policies enacted by the BBA.

Sincerely,

The Alliance for Site Neutral Payment Reform