



May 3, 2018

The Honorable Mark Walker  
Chairman, Republican Study Committee  
1541A Longworth House Office Building  
Washington, DC 20515

Dear Chairman Walker,

The Alliance for Site Neutral Payment Reform applauds the inclusion of site neutral policies in the Republican Study Committee (RSC) Fiscal Year 2019 Budget: A Framework for Unified Conservatism, which would apply site neutral payments to all off-campus outpatient care.

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.

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. 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: \$281 vs. \$136<sup>1</sup>; cardiac imaging: \$2,078 vs. \$655; colonoscopy: \$1,383 vs. \$625<sup>2</sup>; even a basic E/M visit costs \$51 more when performed in a HOPD<sup>3</sup>. The increased cost to both patients and Medicare is substantial. Over a three-year period, Medicare paid an additional \$2.7 billion on services and patients spent \$411 million more in out-of-pocket costs when services were delivered in a hospital-owned setting<sup>4</sup>.

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. 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 has steadily increased to 1 in 4 in 2015<sup>5</sup>. In the six months from July 2014 to January

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<sup>1</sup> Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule and Other Revisions to Part B for CY 2018 (CMS-1676-P)

<sup>2</sup> 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

<sup>3</sup> GAO, Medicare: Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, December 2015

<sup>4</sup> Avalere, PAI: Implications of Hospital Employment of Physicians on Medicare & Beneficiaries, November 2017.

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

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<sup>6</sup>.

The Alliance commended Congress for recognizing the negative consequences unfair payment disparities have on patients, taxpayers and businesses by directing CMS to align payments for certain provider-based off-campus HOPDs with payments to physician practices in the Bipartisan Budget Act of 2015 (BBA). However, the BBA reforms represent only a small step in the right direction. The site neutral payment policy only applies to newly acquired provider-based off-campus facilities, allowing all existing off-campus HOPDs to continue billing at the much higher OPSS rate for the same services. Compounding this issue is a provision included in the 21st Century Cures Act, which further exempts certain facilities from the site neutral payment law.

We applaud the Republican Study Committee for taking action to address this continued imbalance by calling for the expansion of site neutral policies throughout the Medicare program in the FY 2019 RSC Budget. This commonsense change to our healthcare delivery system would lower costs for patients, provide savings and stability for the Medicare program and promote competition in the healthcare marketplace.

The Alliance appreciates your leadership on this issue and looks forward to working with you and your colleagues 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. Republican Study Committee members

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<sup>6</sup> Community Oncology Alliance: 2016 Practice Impact Report, October 2016