ALLIANCE FOR
SITE NEUTRAL
PAYMENT REFORM

February 20, 2019

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232 U.S. Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204 U.S. Capitol
Washington, DC 20515

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives
H-107 U.S. Capitol
Washington, DC 20515

The Honorable Steve Scalise
Minority Whip
U.S. House of Representatives
H-329 U.S. Capitol
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Hoyer and Minority Whip Scalise,

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 clinically appropriate outpatient services.

As the new 116th Congress sets out to lower health care costs and improve transparency in the year ahead, the Alliance urges you to consider site neutral payment reforms to achieve significant health care savings that directly and positively impact beneficiaries, the Medicare program, employers and American taxpayers as well as enhance transparency for patients.

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[1]; cardiac imaging: $2,078 vs. $655; colonoscopy: $1,383 vs. $625[2]; even a basic E/M visit costs $51 more when performed in a HOPD[3]. The increased costs 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[4].

[1] Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule and Other Revisions to Part B for CY 2018 (CMS-1676-P)
[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] Avalere, PAI: Implications of Hospital Employment of Physicians on Medicare & Beneficiaries, November 2017.

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 the hospital acquisition of independent physician practices has on costs and patient access. According to a study published in the *Journal of Health Economics*, prices for physician services provided by hospital-acquired doctors increases by 14 percent after an acquisition[5]. Unfortunately, patients will have a harder time finding independent physicians as the percentage of employed physicians has steadily increased – reaching 42 percent in 2016[6]. In the twelve months from July 2015 to July 2016 alone, 5,000 physician practices were acquired by hospitals. This consolidation impacts other aspects of patient care as physicians in integrated systems are also more likely to refer patients to the owning hospital, which can drive patients to lower-quality, high-cost facilities[7].

Congress recognized the negative consequences these unsubstantiated payment disparities have on patients, taxpayers and businesses by directing CMS to institute site neutral payments for newly acquired and newly built off-campus provider-based HOPDs. However, these reforms represent only a small step in the right direction. The majority of existing provider-based off-campus facilities and those that were mid-build were "grandfathered" and able to continue billing Medicare at the much higher rate for the same services. These exempted facilities still have a strong incentive to purchase physician practices and move them into existing HOPDs.

The implementation of "partial" site neutrality has also created confusion and ambiguity for patients. A patient's copayment amount can vary drastically depending on whether that service is provided at a "grandfathered" HOPD or a newly built or acquired HOPD or a PPS-exempt cancer hospital facility or a freestanding physician office. Medicare patients should have certainty and transparency around their care costs and not be forced to navigate an overly complex reimbursement system. Both patients and Medicare should be paying the same amount for the same service regardless of where it is performed.

Site neutral payment reforms have long had bipartisan support from policymakers, healthcare economists, regulators and MedPAC. In terms of savings, a recent projection from the Congressional Budget Office suggests site neutral payments for outpatient services have the potential to save $13.9 billion over 10 years.

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

We look forward to the opportunity to work with you and your colleagues 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
www.siteneutral.org

[5] "The effect of hospital acquisitions of physician practices on prices and spending," Journal of Health Economics, May 2018
[6] Avalere, PAI: Updated Physician Practice Acquisition Study: National and Regional Employment Changes in Physician Employment, March 2018
[7] "The Effect of Hospital/Physician Integration on Hospital Choice," Journal of Health Economics, December 2016

Cc. U.S. Senate Leadership
Senate Committee on Finance
House Committee on Energy and Commerce
House Committee on Ways and Means