



March 1, 2019

The Honorable Lamar Alexander
Chairman
Committee on Health, Education, Labor and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

Re: Solutions to address high healthcare costs

Dear Chairman Alexander:

As members of The Alliance for Site Neutral Payment Reform, we commend the Senate Health, Education, Labor and Pensions Committee's efforts to address our nation's rising healthcare costs. As the Committee reviews policy options to bring discipline and cost savings to the healthcare system, we encourage you to consider expansion of site neutral payment policies for outpatient services to help empower patients, promote competition in the healthcare marketplace and decrease costs.

The Alliance for Site Neutral Payment Reform is a coalition of patient advocates, providers, payers, manufacturers and employers, who formed in 2015 to advocate for payment parity across sites of service to decrease Medicare and commercial spending, ensure patient access to the right care in the right setting and lower taxpayer and beneficiary costs. 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.

As Chairman of the HELP Committee, you are well aware that reimbursement rates vary significantly based solely on the site of service and not the healthcare service provided. These payment disparities have direct economic consequences on America's healthcare system through higher patient, employer, taxpayer and Medicare costs. Further, these disparities are a direct outgrowth of increased consolidation of the healthcare marketplace, which further increases costs by incentivizing investment in care settings that allow for higher reimbursements. Recent progress has been made toward leveling the playing field to ensure the exact same service is reimbursed at the same payment level despite the delivery setting, but there is much more to be done.

The Alliance urges you and your colleagues to embrace site neutral payment policies as a commonsense change to our healthcare delivery system that will lower costs for patients, increase transparency and promote competition in the healthcare marketplace.

Provider Consolidation

Hospital outpatient departments (HOPDs) are paid significantly higher rates for the exact same services provided in an outpatient physician office setting. 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 hospital acquisition of independent physician practices has on patient costs and access.

- A recent analysis by Avalere found patients will have increased difficulty finding independent physicians as 44 percent of U.S. physicians are now employed by hospitals or health systems.¹
- 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.²
- A study examining price differentials for individuals with employer-sponsored insurance by site of care found price differentials, combined with a shift in volume in favor of hospital outpatient departments, was associated with a 44 percent increase in total spending.³
- Patients spent \$411 million more in out-of-pocket costs over a three-year period when certain services were delivered in a hospital-owned setting.⁴
- A Milliman study found the portion of chemotherapy infusions delivered in hospital outpatient departments increased from 15.8 percent in 2004 to 45.9 percent 2014 in the Medicare population.⁵
- According to the Government Accountability Office (GAO), the number of vertically consolidated hospitals and physicians increased from 2007 through 2013. Specifically, the number of vertically consolidated hospitals increased from about 1,400 to 1,700, while the number of vertically consolidated physicians nearly doubled from about 96,000 to 182,000.⁶

Unless steps are taken to stem consolidation in the healthcare marketplace through the advancement of site neutral payment policies, healthcare spending will continue to increase while patient access to community-based care will decrease as they are shifted to the HOPD setting.

Empower Patients

The Alliance shares your goal of empowering patients to become more active participants in their healthcare choices through increased transparency. Currently, most patients have no idea that something as simple as a common blood test can cost three times as much in a HOPD versus a freestanding physician's office.⁷

Even if a patient did want to shop around to explore care costs, the existing healthcare system is overly complex, consisting of multiple payment systems with varying amounts of cost sharing. Patients, Medicare and payers may be surprised to discover they will pay more for care delivered in the HOPD instead of an independent physician practice for a wide variety of services – chemotherapy: \$281 vs. \$136⁸; cardiac imaging: \$2,078 vs. \$655; colonoscopy: \$1,383 vs. \$625⁹; even a basic E/M visit costs \$51 more when performed in a HOPD.¹⁰ The increased costs to both patients and Medicare is substantial. Over a three-year

¹ Avalere, PAI: Updated Physician Practice Acquisition Study: National and Regional Employment Changes in Physician Employment 2012-2018, February 2019

² "The effect of hospital acquisitions of physician practices on prices and spending," *Journal of Health Economics*, May 2018

³ AJMC: National Estimates of Price Variation by Site of Care, March 2016

⁴ Avalere, PAI: Implications of Hospital Employment of Physicians on Medicare & Beneficiaries, November 2017

⁵ Milliman, "Cost Drivers of Cancer Care: A Retrospective Analysis of Medicare and Commercially Insured Population Claim Data 2004-2014," April 2016

⁶ Government Accountability Office, "Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, Government Accountability Office," December 2015

⁷ 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.

⁸ Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule and Other Revisions to Part B for CY 2018 (CMS-1676-P)

⁹ 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

¹⁰ Ibid

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.¹¹

Equalize Payments Across Care Settings

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 are 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.

The Alliance appreciates your commitment to moving toward a more patient-centered healthcare system. 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 transparency and promote competition in the health care marketplace. To do so, **the Alliance strongly urges Congress to eliminate all exemptions from the site neutral payment law to ensure payment parity across all outpatient settings.**

We welcome the opportunity to discuss these policies in more detail with you and your staff. Please contact us at info@siteneutral.org to arrange a mutually convenient date and time for a more substantive discussion. We look forward to working with you to improve healthcare for all Americans and protect access to quality, cost effective community-based care.

Sincerely,

The Alliance for Site Neutral Payment Reform
www.siteneutral.org

Cc. Senate HELP Committee Members

¹¹ Ibid