

September 11, 2023

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Hakeem S. Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader Schumer, Leader McConnell, Speaker McCarthy, and Leader Jeffries:

High and rising health care prices are putting an unsustainable burden on consumers, employers, and state and federal taxpayers. A significant driver of these higher prices stems from the fact that **different prices are charged for the same service simply because they are delivered in different types of facilities.** This creates market inefficiencies that, if addressed, would save consumers, employers, and the federal government and taxpayers billions of dollars.

We're a non-partisan group of organizations that represent patients, consumers, employers, and physicians who are working together to make high-quality health care more affordable. We promote action to protect consumers and employers from predatory pricing, and advance policies that prevent powerful health systems from engaging in business tactics that stifle competition and lead to higher prices. We believe that making health care more affordable for consumers, employers, and taxpayers is an economic and societal imperative.

A routine trip to the doctor should cost patients the same regardless of whether their doctor is at a hospital outpatient facility or community-based physician's office. The exact same biopsy shouldn't cost patients hundreds to thousands more because they had it done at a hospital outpatient department versus at a freestanding doctor's office. And that ultrasound shouldn't come with a higher price tag because of a hospital-imposed facility fee. **Patients should be charged the same price when they receive the same routine medical service, no matter where they get it.** But today, patients, employers, and taxpayers are charged billions more simply because of where they receive care.

Site-specific payment differences incentivize care delivery in higher-cost hospital outpatient departments rather than lower-cost physician offices. Some hospital outpatient departments bill as if routine services were provided in the hospital to charge even higher prices for the care they provide. This shift to higher-cost care settings contributes to higher spending on less complex health care services, such as office visits and imaging, that can be safely delivered in a doctor's office. Ultimately, patients face higher prices and pay more out-of-pocket for the same care.

Paying more for the same service when delivered in an outpatient facility rather than a community-based physician's office creates a financial incentive for hospitals to purchase physician practices and rebrand them as off-campus hospital outpatient departments (HOPDs) to command higher payments. This contributes to vertical consolidation as big hospital systems buy up doctors' practices,

increasing hospitals' market power and allowing them to charge higher prices. On average, when a physician's office is acquired by a hospital system, the prices [increase by more than 14%](#).

As of 2022, more than [half](#) of physicians were employed by hospitals and health systems. This rapid consolidation has left patients with fewer low-cost options as care has shifted from physician offices to hospital outpatient departments. Hospital systems can increase the prices patients pay at their doctor's office simply because the hospital has purchased the practice. Hospitals can also tack on exorbitant "facility fees" in addition to what the physician charges for routine services, [increasing patient costs](#) by hundreds or even thousands of dollars. [Research](#) shows that when the logo on the door changes, patients pay more for routine services like a regular check-up or an MRI.

Faced with exorbitant prices, soaring out-of-pocket costs, and limited choices, many patients are forced to forgo necessary care altogether. Around [40%](#) of adults say they have delayed or gone without medical care in the last year due to cost, according to a 2022 survey.

These payment differences in Medicare and the [commercial market](#) lead to higher bills for patients, employers, and taxpayers. In the commercial market, site-based payments drive vertical consolidation between hospitals and physicians, reducing competition and increasing prices. The higher prices for services in hospital-owned facilities not only lead to higher out-of-pocket costs for patients, they increase health insurance premiums for employers and consumers with [no meaningful improvement](#) in quality or safety.

One [study](#) examined the price differences for individuals with employer-sponsored insurance by site of service for seven commonly performed services. The study found that across all services, prices at the hospital outpatient departments were significantly higher than prices at a doctor's office. The increase in price differentials combined with a shift to provide services in higher-cost settings (like HOPDs) was associated with a 44% increase in total spending.

Medicare beneficiaries and the Medicare program also pay more. [Reports](#) from the Medicare Payment Advisory Commission (MedPAC) show Medicare pays between 106% and 217% more for the same service delivered in a hospital outpatient department than in a doctor's office. This increases Medicare spending and means Medicare beneficiaries face higher premiums and cost-sharing.

It's time for policymakers to advance legislation that would protect patients from being charged more for services based on where they receive them. Expanding site-neutral payment policies and enacting site-of-service billing transparency could save billions for patients, employers, and taxpayers.

A recent [report](#) from the Committee for a Responsible Federal Budget (CRFB) found that over the next decade, site-neutral payment reforms could reduce taxpayer spending by more than \$150 billion, save Medicare beneficiaries more than \$90 billion in lower premiums and cost-sharing, and save those in the commercial market more than \$140 billion in lower cost-sharing and premiums.

We urge Congress to advance legislation to promote site-neutral payments and site-of-service billing transparency, and we stand ready to support bipartisan efforts to address hospital prices and consolidation that lead to higher health care costs for patients, employers, and taxpayers.

Sincerely,

American Academy of Family Physicians

AARP

American Benefits Council

Arnold Ventures

The ERISA Industry Committee

Families USA

The Leukemia & Lymphoma Society

Purchaser Business Group on Health

Small Business Majority