

Same Service, Same Price:

Promoting Policies that Curb Unfair Billing Practices and Increase Price Transparency for Health Care Services

Rising prices for everyday goods and services are burdening American households, and health care services are no exception, with more than 100 million Americans impacted by medical debt.¹ The high and rising cost of health care and surprise medical bills can be attributed in part to inequities in cost for the same services and procedures performed at different medical facilities. Concern is growing that hospital-owned doctor's offices are driving up insurance premiums and out-of-pocket costs for consumers by charging more for standard care than an independent doctor's office.

One way to address this problem is through site-neutral payment reforms, or policy solutions to ensure that insurers and consumers pay the same price for the same service—regardless of the site or where the care is delivered.

Spotlight On the Issue: Cost Implications of Health Care Consolidation

Site-specific payment policies allow hospital-owned doctor's offices to charge patients more than they would be charged for the same exact service in an independently-owned office. These payment differences drive up health care prices and premiums without evidence of a higher quality of care.^{2,3} This has led to a large shift in the amount of simple, low-complexity medical procedures that are now provided at hospital-owned doctor's offices that would otherwise be offered at an independent doctor's office at a much lower cost.

- Between 2012 and 2018, the number of independent doctor's offices acquired by hospitals increased from 35,700 to more than 80,000 through consolidation, with **44 percent of US doctors employed by hospitals or health systems by the end of that time.**⁴
- As one example, **the share of chemotherapy administration services provided to Medicare beneficiaries in hospital-owned doctor's offices grew from 35% in 2012 to 51% in 2019.**⁵ Similarly, for private insurance, the share of level 5 drug administration visits in hospital-owned doctor's offices doubled between 2009 and 2017.⁶

The Impact of Adopting Site-Neutral Payment Reform: Saving Our Health Care System Billions and Discouraging Consolidation

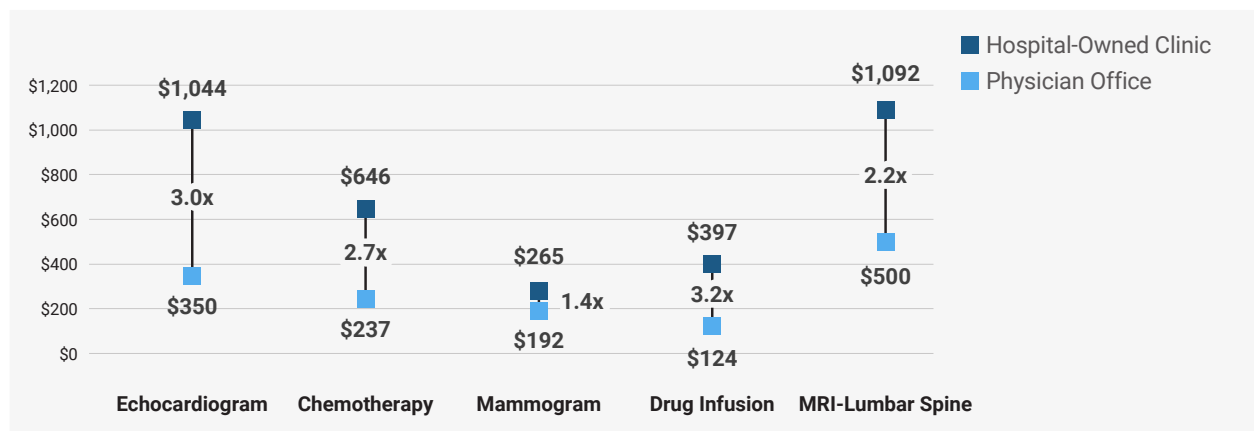
Implementing site-neutral payment reform could have significant cost savings to our health care system. Here is a look at the impact on the commercial insurance market over the next decade:

- **Reduce total national health expenditures by \$458 billion³**
- **Reduce commercial premiums by \$386 billion and patient cost sharing by \$73 billion³**
- **Reduce the federal budget deficit by \$117 billion³**
- **For Medicare, it's estimated that these reforms could save taxpayers nearly \$140 billion** over the next ten years.³ The adoption of these reforms would also help counteract hospital-related pricing growth by disincentivizing the purchasing and consolidation of independent doctor's offices.

Cost in Context: Examples of Inequitable Pricing for Common Services and Procedures

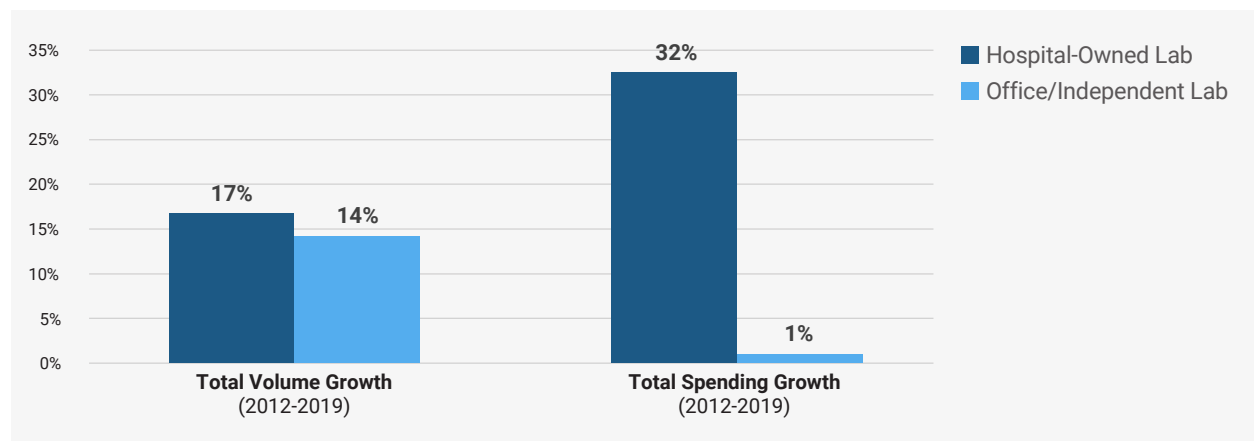
Many services are safely and effectively performed in a doctor's office, including these examples. In the case of drug infusions, **the price markup is over three times higher in a hospital-owned doctor's office** compared to an independent doctor's office.

Examples of Median Price Differentials Based On Site of Service In the Commercial Market⁷



Blood tests to help prevent, diagnose, or monitor a range of medical conditions are some of the most used health care services. By their nature, they are standardized to be the same regardless of the setting in which they are administered. However, **total spending on lab tests grew over 30% from 2016-19 due almost entirely to price growth in hospital-owned doctor's offices.**

Price Growth for Lab Services In Hospital-Owned Settings⁸



Protecting Access to Affordable Care Regardless of Geography

It is critical that any policy reforms account for the unique needs of patients in rural areas who typically have more complex health needs, are more likely to be uninsured or reliant on public programs, and who rely on rural critical access hospitals to receive a range of health care services. Site-neutral payment policy reforms would protect patients in rural areas from the same unfair billing practices as consumers in non-rural areas. The impact of these policies would also be nominal, as rural hospital-owned doctor's offices make up a small share (7%) of office-based care settings overall.⁹

States Are Providing a Roadmap to Inform Policy Change at the Federal Level

States have also been active in protecting consumers from site-specific payment through the regulation of facility fees, or add-on fees hospitals and hospital-owned doctor's offices charge patients to cover operational expenses in the commercial insurance market. These fees, which are often included in site-specific payments, are separate from the professional services provided by health care providers and lead to higher out-of-pocket costs and higher premiums. The increased prevalence of facility fees has led to growing concern among employers, consumers, and state policymakers, leading many states to implement facility fee reforms to require increased transparency in prices and, in some states, prohibit facilities entirely on certain common services.



Legislative Solutions: Advancing Site-Neutral Payment Reform Policies

Congress has the power to take action on site-neutral payment reform. Several pieces of federal legislation are being proposed, aiming to regulate site-specific payment policies for Medicare and curb facility fee billing. While there remains significant progress to be made, these provisions would be a critical step toward protecting consumers and lowering overall healthcare costs. West Health is committed to advancing commonsense solutions like these moving forward.

¹ Levey, Noam N. "100 Million People in America Are Saddled With Health Care Debt - KFF Health News." KFF Health News, 10 Jan. 2023, [kffhealthnews.org/news/article/diagnosis-debt-investigation-100-million-americans-hidden-medical-debt](https://www.kffhealthnews.org/news/article/diagnosis-debt-investigation-100-million-americans-hidden-medical-debt) ; ² Karyn Schwartz, et al, "What We Know About Provider Consolidation," September 2020, <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/> ; ³ Committee for a Responsible Federal Budget (2023, February 14). Moving to Site Neutrality in Commercial Insurance Payments. Retrieved February 16, 2024, from <https://www.crfb.org/papers/moving-site-neutrality-commercial-insurance> ; ⁴ Physicians Advocacy Institute, "Updated Physician Practice Acquisition Study: National and Regional Changes in Physician Employment 2012-2018," February 2019, https://www.heartland.org/_template-assets/documents/publications/021919-Avalere-PAIPhysician-Employment-Trends-Study-2018-Update.pdf ; ⁵ Medicare Payment Advisory Commission, "June 2022 Report to the Congress: Medicare and the Healthcare Delivery System," June 2022, Chapter 6, https://www.medpac.gov/wp-content/uploads/2022/06/Jun22_MedPAC_Report_to_Congress_v2_SEC.pdf ; ⁶ John Hargraves and Julie Reiff, "Shifting Care from Office to Outpatient Settings: Services are Increasingly Performed in Outpatient Settings with Higher Prices," Health Care Cost Institute, April 2019, <https://healthcostinstitute.org/in-the-news/shifting-care-office-to-outpatient> ; ⁷ Health Savers Initiative analysis of large- and small-group commercial claims data from 2019. CPTs: Echocardiogram-Transthoracic: Chemotherapy Infusion-1 hr.; Mammogram-Bilateral Screening; IV Infusion-Single or First Drug; MRI-Lumbar Spine w/o Contrast ; ⁸ Health Care Cost Institute, West Health. (2022, July). Price Markups for Clinical Labs: Employer-based Insurance Pays Hospital Outpatient Departments 3X More Than Physician Offices and Independent Labs for Identical Tests. [Issue Brief]. https://healthcostinstitute.org/images/pdfs/HCCl_labprices_brief_051223.pdf ; ⁹ Bulat, FSA, MAAA; Brake, Ryan, ASA, MAAA "Sizing Medicare Off-Campus Hospital Outpatient Departments Site Neutrality Proposals." Actuarial Research Corporation, 3, Jan. 2023, Sizing-Medicare-Off-Campus-HOPD-Site-Neutrality-Proposals-2024.01.03.pdf ; ¹⁰ Monahan, C.H., Davenport, K., & Swindle, R. (2023, July). *Protecting Patients from Unexpected Outpatient Facility Fees: States on the Precipice of Broader Reform*. Georgetown University Center on Health Insurance Reforms & West Health. <https://georgetown.app.box.com/v/statefacilityfeereport>