The Alliance to Fight for Health Care

Advancing employer-provided coverage

October 18, 2023

The Honorable Sheldon Whitehouse
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Chuck Grassley
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear: Chairman Whitehouse, ranking member Grassley, and other members of the Senate Budget Committee,

The **Alliance to Fight for Health Care** thanks the Committee for holding the hearing, "Improving Care, Lowering Costs: Achieving Health Care Efficiency," to examine and discuss rising health care costs.

The **Alliance to Fight for Health Care** is a diverse coalition comprised of businesses, patient advocates, employer organizations, unions, health care companies, consumer groups and other stakeholders that support employer-provided health coverage. Together, we are working to ensure that employer-provided coverage remains an available and affordable option for working Americans and their families.

Employer-provided health care coverage is the backbone of the U.S. health care system— covering nearly 180 million workers and their families. More people receive health insurance through an employer than all other sources of coverage combined—Medicare, Medicaid, Marketplace, Tricare and the Department of Veterans Affairs. Employer-provided coverage produces substantial return on the federal government's investment in it—both economically and when it comes to our health. For every tax dollar invested in employer-sponsored coverage, employers pay nearly $5 toward their workers' health benefits. Research also finds that employer-provided coverage provides significant economic, social, and public health benefits. According to a National Bureau of Economic Research working paper, employer-provided coverage delivers significant value – at least $1.5 trillion in social value annually beyond the cost of insurance borne by businesses, workers, and government tax exemptions, at nearly $10,000 per person.

Health care costs continue to be a significant barrier to care for patients. A Morning Consult poll on health care issues conducted on behalf of the Alliance found **health care costs are the No. 1 concern among insured Americans**. What's more, 57% of insured adults said **reducing health care costs should be Congress' top priority**.

Rising health care costs also continue to be a top concern for both employers and employees. Health spending is increasing across all payers, and now exceeds 18% of U.S. gross domestic product. And the data continue to show that rising medical prices, not increased utilization, are driving these growth rates: From 2017 to 2021, the 21.2% per person spending growth in the employer market was caused primarily by a nearly 14% increase in average medical prices, which is being driven by rising hospital prices.

The Alliance is dedicated to pursuing policies that increase competition and transparency to bring meaningful change — and cost savings — to our health care system and patients everywhere. That is why we strongly urge the Committee to explore policy solutions that can reduce health care spending for patients, employers, and the federal government. The Alliance supports provisions to lower health care costs included in several Senate bills, including:

1. **The SITE ACT (S.1869), which includes provisions to expand site-neutral payment reforms to prevent patients from paying hospital prices for doctors' office visits and to require providers to identify the location where care is provided on their bills.**
2. **The Bipartisan Primary Care and Health Workforce Act (S. 2840), which includes provisions to ban anticompetitive terms in hospital and insurance contracts that limit access to higher quality, lower cost care.**
3. **The Chronic Disease Management Act (H.R. 3800 / S. 655), which allows greater flexibility to offer pre-deductible coverage for chronic disease prevention.**
4. **The Telehealth Expansion Act (H.R. 1843 / S. 1001), which makes permanent the flexibility for plans to offer telehealth pre-deductible.**

We provide more detail on these vital, cost-savings policy solutions below.

Expand site-neutral payment reforms.

Hospital prices are the No. 1 driver of increased costs for patients and CMS' actuaries concluded that "hospital spending growth is the principal reason for Medicare's faster growth." If we want lower health care costs for both the federal government, employers, employees and patients, we must address undesirable market dynamics that are increasing our costs.

Site-neutral payment reform corrects a Medicare payment anomaly that enables hospital outpatient departments (HOPDs) to get paid more for the same service as freestanding facilities and is encouraging hospitals to purchase doctors' offices (where care is less expensive) to turn them into HOPDs where they bill more—increasing costs for the federal government and for patients. In fact, Medicare Payment Advisory Commission (MedPAC) data suggest hospital acquisitions of standalone physician's offices have accelerated: the share of office visits billed under the hospital outpatient payment system grew from 9.6% in 2012 to 12.8% in 2021, while the share of chemotherapy administration billed under the hospital outpatient payment system grew from 35.2% in 2012 to 51.9% in 2021. This drives up costs for patients and taxpayers without increasing quality or improving outcomes for patients.

Please consider the following situation: A patient visits their physician's office in March; if the visit is $100, the beneficiary's 20% coinsurance is $20. In April, the physician's office is purchased by a local hospital and, for billing purposes, turned into a HOPD. When the patient returns in May to the same office and the same physician, the same service could be $141 and the beneficiary's 20% coinsurance is now $28.20. These numbers can add up quickly if beneficiaries are receiving a series of cancer or other higher-cost treatments.

The higher price for the visit also raises the amount the insurer or employer is spending on the visit, increasing overall health care spending and premiums. **Site-neutral payment reforms will reduce costs for patients and the federal government**. MedPAC estimates up to $6.6 billion in annual

savings for the Medicare program and $1.7 billion in savings from lower cost-sharing for Medicare beneficiaries from expanding site-neutral payments. The potential for savings expands beyond Medicare. New research by University of Minnesota economist Steve Parente conducted on behalf of the Alliance estimates that expanding site-neutral payment reform could result in nearly $60 billion in savings annually if adopted in the commercial market.

We urge the Committee to consider policies to build on the Bipartisan Budget Act of 2015, such as:

- The bipartisan SITE Act (S 1869), which would sunset exceptions to the BBA's site-neutral payment requirements.
- Section 203 of the bipartisan Lower Costs, More Transparency Act (HR 5378), which aligns Medicare payments for physician-administered drugs in off-campus HOPDs and freestanding physician offices.

The Alliance views the bipartisan House proposal as an important first step toward protecting patients from paying hospital-level prices for care delivered at doctor's offices and lessens financial incentives driving consolidation among health care providers. We also urge the Committee to explore more expansive site-neutral payment proposals, such as those included in the SITE Act and recommended by MedPAC.

These policies can all be designed to protect vulnerable rural or safety-net hospitals, while protecting patients from climbing costs and consolidation. There is significant support for site-neutral payment reform. The aforementioned Morning Consult poll found 86% of insured adults, across political parties, believe health care costs should remain the same regardless of where the service is received.

Enact policies to require unique identifiers for off-campus facilities.

We also urge the Committee to explore proposals that would require off-campus HOPDs owned by a Medicare provider to obtain and use a unique national provider identifier (NPI) on billings for claims for services. As noted above, the Alliance supports honest billing provisions in the following bills:

- The bipartisan SITE Act (S 1869)
- The Bipartisan Primary Care and Health Workforce Act (S. 2840)
- Section 204 of the bipartisan Lower Costs, More Transparency Act (HR 5378)

This specificity of documentation is important because current Medicare and private health insurance hospital billing practices make it difficult to tell whether a service was provided at a hospital or in an outpatient setting like a doctor's office, where care may be less expensive. Hospitals that own outpatient facilities often will use the main hospital's NPI and address on all claim forms -- even when care is provided outside the hospital at a hospital-owned doctor's office or facility. This makes it look like the care was provided within the hospital's walls even if the care was provided at an off-campus HOPD miles away from the main hospital.

By requiring off-campus HOPDs owned by a Medicare provider to obtain and use a unique NPI, the legislation will ensure patients and payers have the data necessary to fairly negotiate payments and, when necessary, dispute erroneous fees, unfair add-on costs, or hospital upcharges that should not apply.

Consider additional cost-reduction measures.

In addition to advancing the above policies to address Medicare payment disparities in outpatient care, the Alliance also strongly encourages Congress to advance other cost-reduction policies, including continuing the move toward value-based payments by:

- Encouraging collaboration between public and private providers and payers and creating more opportunity for commercial sector participation in CMS Innovation Center models.
- Giving employers the flexibility to design programs to address chronic conditions and improve health outcomes by enacting:
    - The Chronic Disease Management Act (S. 655 and House companion H.R. 3800), which allows greater flexibility to offer pre-deductible coverage for chronic disease prevention.
    - The Telehealth Expansion Act (H.R. 1843 / S. 1001), which makes permanent the flexibility for plans to offer telehealth pre-deductible.
    - Legislation that allows employers to provide more robust services, like primary care and care at onsite medical clinics pre-deductible without charging cost-sharing (these provisions included in H.R. 5688).
- Eliminating anti-tiering and anti-steering clauses in facility and insurance contracts that limit competition and access to higher quality, lower cost care by enacting The Bipartisan Primary Care and Health Workforce Act (S. 2840).

The Alliance looks forward to working together to find solutions to lowering health care costs for employers and patients and we strongly urge the Committee to show their support for policies, such as those mentioned above, that generate federal savings and protect patients from unfair high health care costs.

Respectfully,

The Alliance to Fight for Health Care