



Location, Location, Location: The Impact of Site of Treatment on Health Care Costs

EBRI Webinar

November 8, 2023

Background

- EBRI has conducted a series of studies related to site neutrality of payments
- Why is this important?
 - Care has shifted from physician offices (POs) to hospital outpatient department (HOPDs). In 2004, 94% of chemotherapy infusions were administered in POs. By 2014, only 57% administered in POs.
 - The same physician is administering the service
 - Prices for HOPDs increased 25% between 2007-2014. Physician prices increased only 6%.
 - Employers and workers ultimately bear the brunt of these cost differences

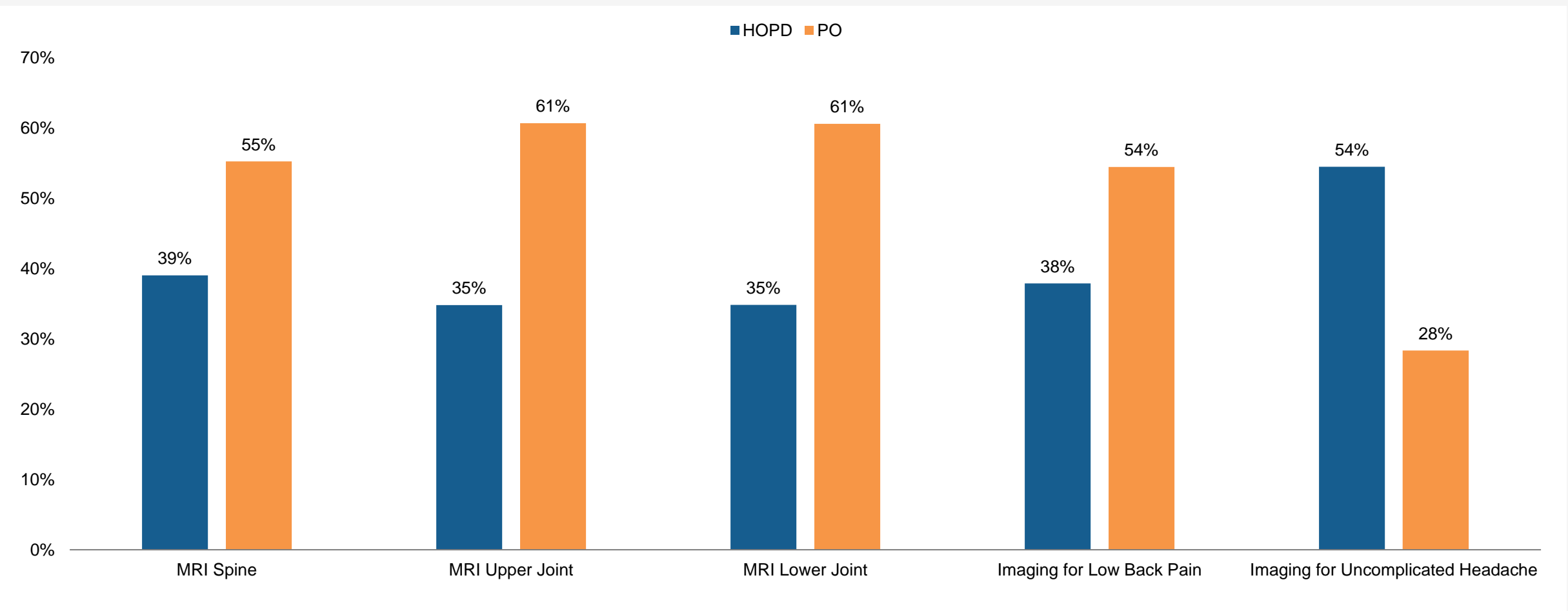
Oncology Medications

- Payments from third-party payers for infused oncology medicines are higher when care is provided in hospital outpatient departments (HOPDs) compared with physician offices (POs)
- HOPD prices for the top 37 infused cancer drugs averaged 86% more per unit than in POs
- The mean annual reimbursement to providers per user of infused cancer drugs was \$13,128 in POs and \$21,881 in HOPDs
- Had HOPD prices matched PO prices, holding drug mix and treatment intensity constant, we found that payers would have saved \$9,766 per user of these medicines in 2016, a savings of 45 percent

Study on 25 Health Care Services

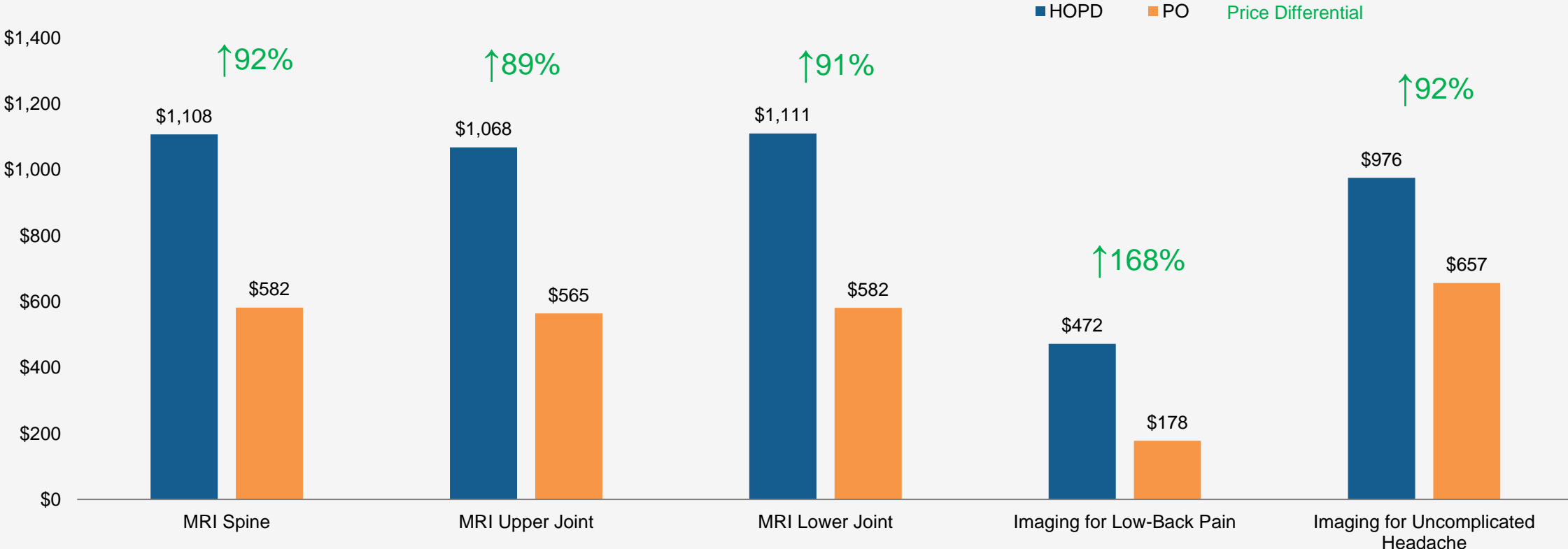
- Extend oncology analysis to 25 outpatient health care services:
 - Imaging
 - Lab
 - Specialty medications, for conditions such as multiple sclerosis, rheumatoid arthritis and other inflammatory disorders

Distribution of Various MRI Services, by Site of Service



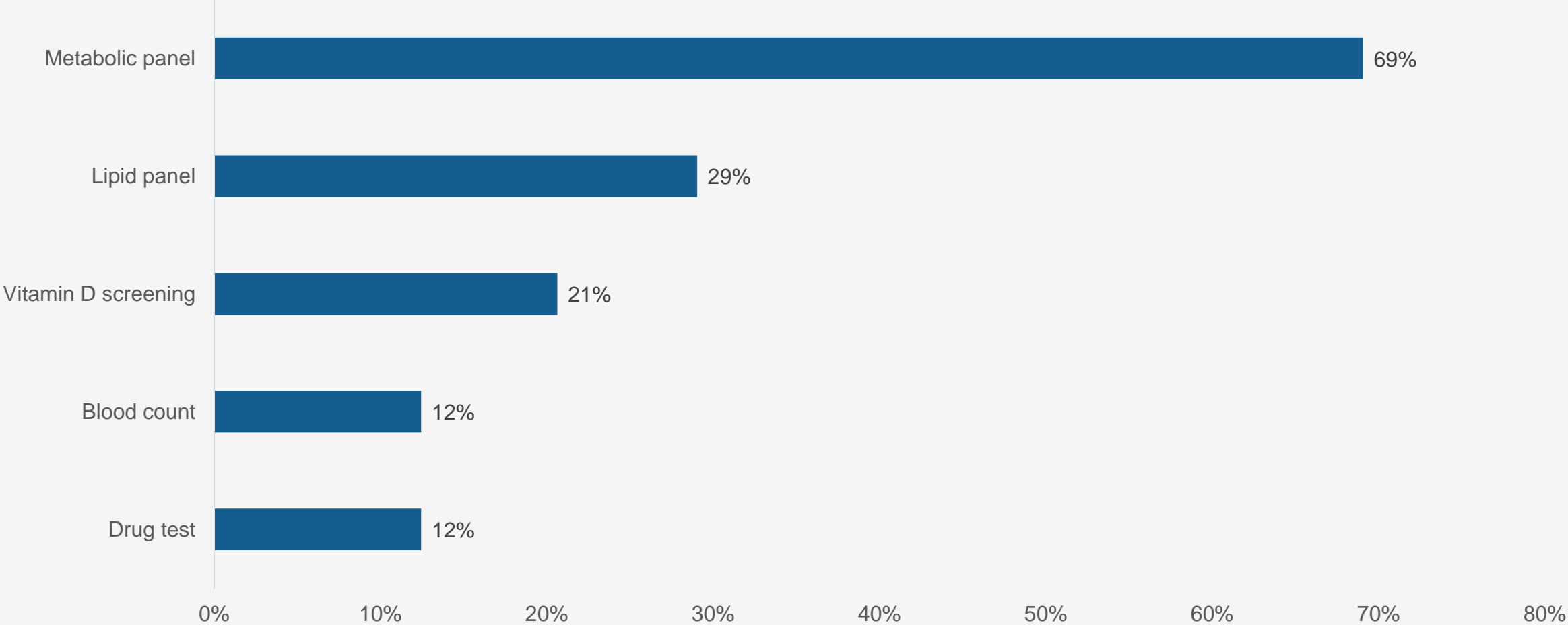
Notes: HOPD=hospital outpatient departments; PO=physician offices. Numbers do not add to 100% because sites of service coded as "other" are not shown.

Average Allowed Charge by Site of Service and Weighted Percentage Price Differential for Various MRI Services

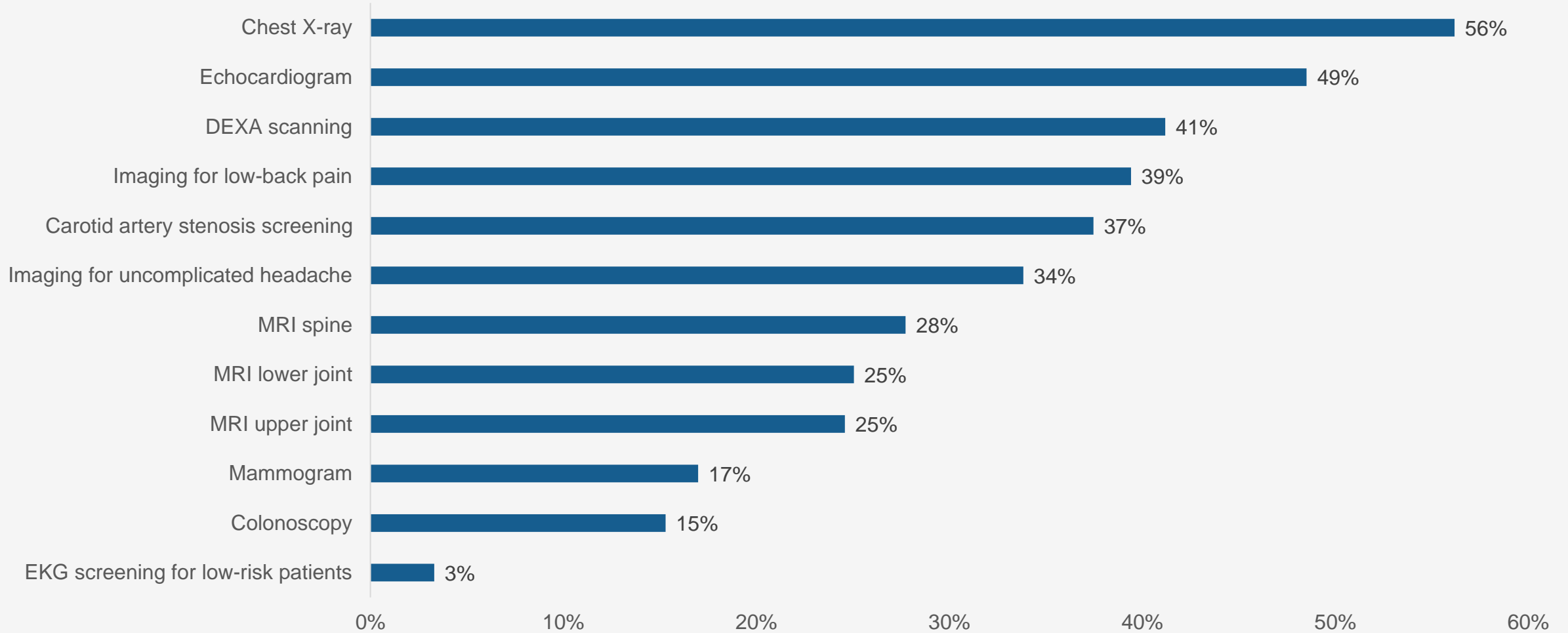


Notes: HOPD=hospital outpatient departments; PO=physician offices.

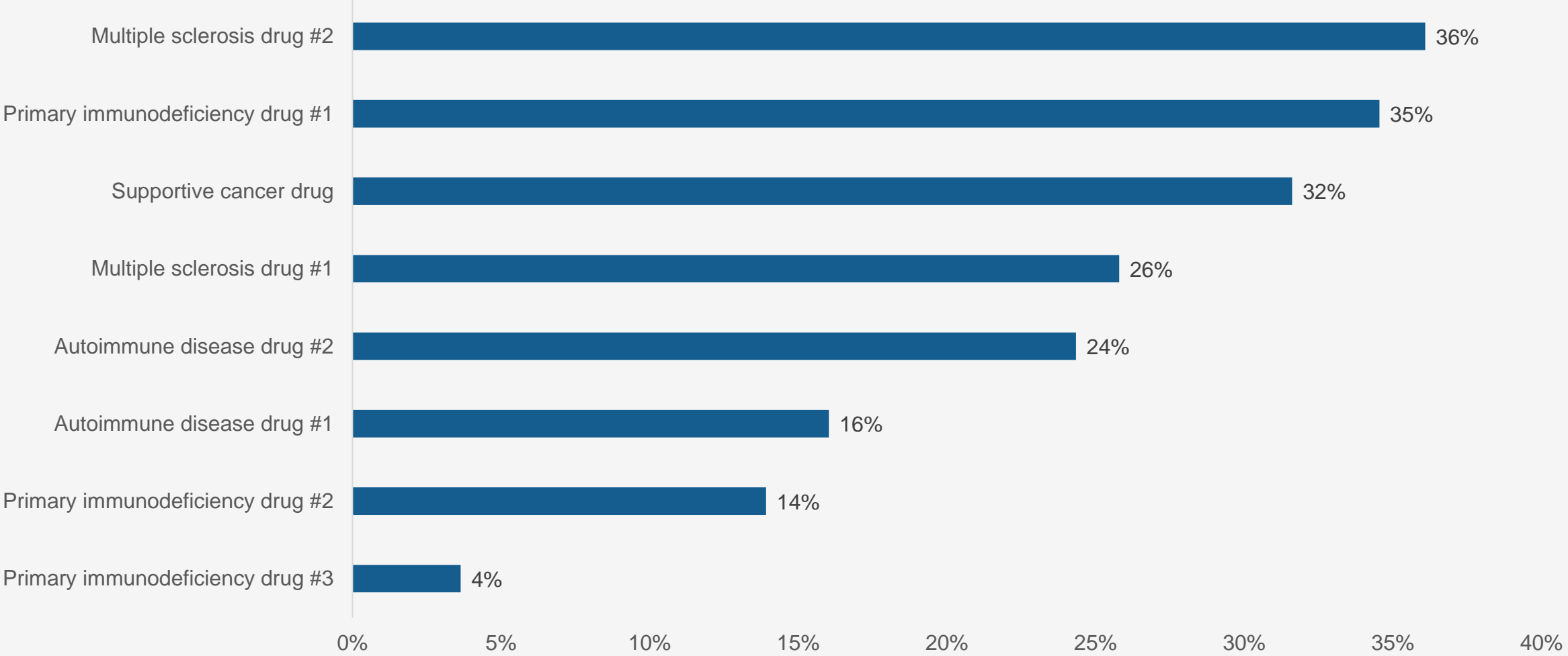
Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Lab Services



Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Imaging Services



Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Specialty Medications



Implications of Findings

- Potential savings on specific health care services are substantial.
- In aggregate, \$11 billion is not much compared to the \$1 trillion spent on health benefits for workers and their families
- However, analysis is based on only 25 health care services
- Employers could cut costs by 1 percent simply by shifting patients away from more costly HOPD settings or by negotiating site-neutral pricing for the 25 health care services

Other EBRI Studies

Physician Administered Outpatient Drugs (PAODs)

- In the aggregate, employers and workers would collectively save \$14.1 billion annually if price differentials between HOPDs and POs were eliminated for all physician administered outpatient drugs (PAODs).
- On a per-member, per-year basis, savings would be \$110.03 if price differentials for PAODs between HOPDs and POs were eliminated.

Biologics/Biosimilars

- Savings from biosimilars may not be fully realized
- Biosimilar markups in HOPDs averaged 87 percent in 2019 and 101 percent in 2020. In 2022, HOPD markups ranged from 59 percent to 141 percent.