

What is Site-Neutral Payment Reform?

Advancing site-neutral payment policy can save patients, employers, and the health care system billions of dollars

The **Alliance to Fight for Health Care** is a broad-based 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 by **lowering the cost of health care services through policy proposals such as site-neutral payment reform**.

What is “site-neutrality” and why is it important?

At a high level, site-neutral payment is the concept of aligning payment rates for certain services across the three main sites where patients receive outpatient care – hospital outpatient departments (HOPDs), ambulatory surgical centers (ASCs), and freestanding physician offices. Current Medicare and private health insurance payment policies pay more for services provided in hospital outpatient departments. According to the Medicare Payment Advisory Commission (MedPAC), which advises Congress on Medicare payment policy, this disparity is incentivizing health care consolidation and higher-health care costs.

For example, as MedPAC recently noted in their [June 2022 report](#) to Congress, “in 2022, Medicare pays 141 percent more in an HOPD than in a freestanding office for the first hour of chemotherapy infusion.” These payment rate differences incentivize hospitals to shift sites of care from physician offices to HOPDs – and, as noted by MedPAC, “partly in response to these incentives, in recent years hospitals have acquired more physician practices, and hospital employment of physicians has increased.” MedPAC also notes the resulting increased reimbursements are not linked to improved quality of care for beneficiaries, but they are linked to increased costs for patients.

MedPAC’s June 2022 report estimated expanding site-neutral payment policies in Medicare could generate \$6.6 billion in annual savings for Medicare and taxpayers and lower cost-sharing for Medicare beneficiaries by \$1.7 billion. Effects for the commercial market are likely even greater. [New research](#) by noted 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 in the commercial market.

How does this affect patients and access to care?

Expanding site-neutral payment reform would lower patient cost-sharing and lead to more consistent care. According to MedPAC, “beneficiary cost-sharing is much higher in HOPDs than in ASCs, as coinsurance is 20 percent of the payment rate for most services in both settings.” So, if a service in a freestanding office visit is \$100, the beneficiary’s 20% coinsurance is \$20. If that same

service was provided in an HOPD (or in a freestanding office that was acquired by a hospital and is now billed as an HOPD), the same service would be \$141, and the beneficiary's 20% coinsurance would be \$28.20. These numbers can add up quickly if beneficiaries are receiving a series of cancer treatments – and can be especially problematic for seniors that operate on limited budgets.

Site-neutral payment reform aims to address this discrepancy and correct the distortion that is incentivizing consolidation.

What do voters think about this idea?

National polling sponsored by the **Alliance to Fight for Health Care** found 72% of insured Americans say the price of health care services should be the same no matter where that service is received – and the Alliance to Fight for Health Care agrees.

What are the next steps?

While Congress and the Centers for Medicare and Medicaid Services have made progress toward right-sizing payments between health care settings, the **Alliance to Fight for Health Care believes there is more to be done to lower health care costs for patients and employers and generate savings for the Medicare program.**

That is why the **Alliance to Fight for Health Care supports congressional and regulatory consideration of MedPAC's balanced suggestion to align fee-for-service payment rates across ambulatory settings and encourage adoption of these policies in the commercial market.**

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