The Alliance to Fight for Health Care
Advancing employer-provided coverage

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In Case You Missed It!
Washington Post to the Senate: Pass site-neutral payments

The House-passed Lower Costs, More Transparency Act "would end a longstanding, but irrational, disparity in Medicare reimbursements for certain treatments, depending on whether they are administered in doctors' offices or hospitals," a March 14 *Washington Post* editorial, *'Site-neutral' payments for chemotherapy could save Medicare billions,* states, "Before this Congress ends, the Senate should send it to President Biden for his signature."

"Under current law, Medicare pays two to three times as much for these treatments if they are given in a hospital rather than a doctor's office," the *Washington Post* editorial explains. It notes that the Lower Costs, More Transparency Act would change "how Medicare pays for drugs delivered by medical providers, such as chemotherapy for cancer or infusions used to treat autoimmune diseases" by removing that payment incentive, which is driving "hospitals to buy up physicians' practices, at which the hospitals can then charge the higher rate — and pocket the profits."

The *Washington Post* editorial notes that site-neutral payment reforms would generate savings for Medicare and private insurers – and are supported by employers. Unfortunately, the editorial states, "the measure is bogged down over concern from senators, of both parties, who say they worry it would hurt rural hospitals" – a scenario that the American Hospital Association (AHA) has warned against.

But the editorial argues that there is a path forward that accounts for the critical services our nation's rural hospitals provide. They write, "Ideally, though, federal support for hospitals would be provided directly and transparently, not via differential payments for patient services. If the needs of rural hospitals are the main impediment to passing a sensible site-neutral policy for Medicare, then they should be subsidized straightforwardly. It isn't even 100 percent clear that hospital-owned clinics that charge more for chemotherapy delivery than independent clinics actually use every dollar to offset their owners' higher costs."

The editorial continues, "Site-neutral payment policy for Medicare would not be a 'cut' to hospital funding, as the AHA and other defenders of the status quo claim. It would only do away with a payment disparity that has unintentionally caused higher costs. The House bill would be a small but significant step toward lower, more transparent Medicare payments — just as the bill's title says."

The **Alliance to Fight for Health Care** strongly supports site-neutral payment provisions included in the Lower Costs, More Transparency Act that lower health care costs by expanding site-neutral payment reform and ensuring fair billing practices for care provided by off-campus hospital outpatient departments (HOPDs). We join the *Washington Post* editorial team in urging **the Senate to quickly take up these proposals, which have broad stakeholder support representing physicians**, employers, patient advocacy groups and more, including the Alliance to Fight for Health Care, American Benefits Council, Families USA, Leukemia & Lymphoma Society, American Academy of Family Physicians, American College of Physicians, Community Oncology Alliance, US Oncology Network, National Restaurant Association, and more.

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.

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Washington Post

Opinion: 'Site-neutral' payments for chemotherapy could save Medicare billions

By the Editorial Board

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As if to prove that every rule has an exception, the usually dysfunctional Republican-majority House of Representatives has at least one sensible piece of bipartisan legislation on its record: In December it passed a health-care measure called the Lower Costs, More Transparency Act on a 320-71 vote. Also contrary to Congress's occasional practice, the bill's name is not hype. It actually would end a longstanding, but irrational, disparity in Medicare reimbursements for certain treatments, depending on whether they are administered in doctors' offices or hospitals. The savings would be more than $3.7 billion over the next decade, according to the Congressional Budget Office. And beneficiaries' co-payments would go down, too — by $40 a visit. The next thing that needs to happen is for the Senate to follow suit.

At issue is how Medicare pays for drugs delivered by medical providers, such as chemotherapy for cancer or infusions used to treat autoimmune diseases. Under current law, Medicare pays two to three times as much for these treatments if they are given in a hospital rather than a doctor's office. The medicines and the means of administering them are the same; only the price is different. In theory, the difference reflects the higher costs involved in running a full-service, 24/7 hospital as opposed to a physician's practice, that keeps weekday office hours.

In practice, though, Medicare's rules have created an incentive for hospitals to buy up physicians' practices, at which the hospitals can then charge the higher rate — and pocket the profits. In 2021, Medicare paid hospital rates for more than half of the chemotherapy services it funded, up from a little more than a third in 2012.

Indeed, research has found that consolidation among providers brings higher prices for everyone, including private medical insurers (often large corporate employers) and their beneficiaries. Larger medical systems have greater bargaining power in the health-care marketplace. This legislation would also save money for private insurers, which pay hospitals almost double the Medicare rate.

The Lower Costs, More Transparency Act would basically end these discrepancies for all drugs that must be administered by a health-care provider, as opposed to, say, taken orally at home. Instead, it aims to create "site-neutral" payments. To be sure, $3.7 billion in savings for Medicare over a decade seems small compared with the program's total projected hospital spending of more than $2.7 trillion. Yet hospitals have been fighting the change furiously, no doubt because of the precedent it would set for other medical services. In fact, that is exactly what should happen. Dozens of services cost more at hospitals, including mammograms, allergy tests, echocardiograms, epidural injections, colonoscopies and laser eye procedures. (The Medicare Payment Advisory Commission has identified 57 such services.) If all were site-neutral, Medicare would save an estimated $150 billion over 10 years.

Employers support site-neutral payments. They especially like a similar Senate bill that would require site neutrality not only for Medicare but also for commercial insurers. Unfortunately, the measure is bogged down over concern from senators, of both parties, who say they worry it would hurt rural hospitals. The American Hospital Association has said the site-neutral provisions of the House bill would cost rural hospitals $272 million over the next decade, forcing them to cut staff and services, or perhaps even close, worsening a critical shortage of care in those areas.

Ideally, though, federal support for hospitals would be provided directly and transparently, not via differential payments for patient services. If the needs of rural hospitals are the main impediment to passing a sensible site-neutral policy for Medicare, then they should be subsidized straightforwardly. It isn't even 100 percent clear that hospital-owned clinics that charge more for chemotherapy delivery than independent clinics actually use every dollar to offset their owners' higher costs. Notably, the House legislation calls for hospitals, again, to be more transparent about their prices, something they have been obviously reluctant to do. Only about one-third of hospitals are now complying with a three-year-old federal requirement to post all their charges online in an easily readable way, according to a new study by PatientsRightsAdvocate.org.

Site-neutral payment policy for Medicare would not be a "cut" to hospital funding, as the AHA and other defenders of the status quo claim. It would only do away with a payment disparity that has unintentionally caused higher costs. The House bill would be a small but significant step toward lower, more transparent Medicare payments — just as the bill's title says. Before this Congress ends, the Senate should send it to President Biden for his signature.