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THE VOICE FOR HEALTH CARE CONSUMERS

Sophia Tripoli, Senior Director of Health Policy, Families USA
Responses to Questions for the Record

House Energy and Commerce Health Subcommittee Hearing
"Health Care Spending in the United States: Unsustainable for Patients, Employers, and Taxpayers"
January 31, 2024

Thank you to Chairman Guthrie and Ranking Member Eshoo for the opportunity to testify before the Subcommittee on the important topic of the rising health care costs for consumers. After the hearing, members of the Committee submitted questions for the record, which I've answered below.

If any committee members or staff would like to discuss these issues further, please contact Jane Sheehan, Deputy Senior Director of Government Relations at Families USA [redacted]. It is an honor to support the committee's critical work to expand and improve access to high quality, affordable health care. Please don't hesitate to be in touch if there is anything more we can do to be of service to that shared mission.

Question for the Record from the Honorable Rick Allen

1. **In recent CMS data on health care spending in the United States, hospital care comprised nearly 30 percent of overall government spending in 2022. The Congressional Budget Office estimates that Lower Costs More Transparency Act provisions on site of service billing transparency hold the potential to generate approximately $4 billion in Medicare savings for the federal government on drug administrative services. According to the Actuarial Research Corporation, Medicare beneficiaries currently pay two to three times more out of pocket for certain services simply because of where the service was delivered.**
    a. **Do patients with employer-sponsored insurance also experience these billing practices? How would patients with employer-sponsored insurance be impacted if the policy also applied to patients with ESI?**

Yes, in addition to the financial harm incurred to Medicare beneficiaries by large hospital corporations taking advantage of site-specific payment differences in our health care payment system, American workers and their families with employer-sponsored insurance (ESI) also experience increased costs due to these payment differentials.

Ongoing disparities in Medicare payment based on where a service is delivered incentivize health corporations to deliver care in more expensive outpatient care settings - often with no corresponding improvement in quality or access. These payment differentials that originate in the Medicare program financially incentivize large health care corporations to buy up doctors' offices and "rebrand" them as hospital outpatient departments so they can charge more for care.[1] Since Medicare payment policy often establishes a standard that commercial payers and Medicaid then adopt, these broken payment incentives are amplified across payers, and are not exclusive to Medicare.[2] For families and individuals who rely on commercial insurance, these increasing prices mean higher premiums, cost-sharing, and out

of pocket costs including patients being charged a "facility fee" even when they receive care outside of a hospital.

We are grateful to the Energy and Commerce Committee for advancing well-vetted, bipartisan, and commonsense legislation that would begin to remedy some of the most obvious health system failings and payment distortions. The site neutral payments for drug administration services proposal in the *Lower Costs, More Transparency Act* is estimated to save the highest-need chemotherapy patients more than $1,000 on cost sharing a year, which would likely translate to ESI savings since commercial insurer contracts often follow Medicare.[3] At the end of the day, a fix to Medicare payment is in many ways also a fix for people covered by ESI. And if Congress were to enact comprehensive site neutral payment policy, savings would be even more substantial. According to certain estimates, workers and their families with employer-sponsored insurance could save over $450 billion in premiums and cost-sharing if comprehensive site neutral payment policies were enacted – underscoring the extent to which these harmful billing practices occur in the private commercial market and the extent those with ESI would stand to benefit from even the narrower site neutral payment policies included in *the Lower Costs more Transparency Act*.[4]

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[1] VAL-2023-117_Site-Neutral-Fact-Sheet.pdf (familiesusa.org)

[2] Lopez, Eric, and Gretchen Jacobson. 2020. "How Much More than Medicare Do Private Insurers Pay? A Review of the Literature." KFF. April 15, 2020. https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-privateinsurers-pay-a-review-of-the-literature/. See also, Clemens, Jeffrey, and Joshua D. Gottlieb. 2017. "In the Shadow of a Giant: Medicare's Influence on Private Physician Payments." https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5509075/.

[3] Actuarial Research Corporation, Potential Impacts of Medicare Site Neutrality on Off-Campus Drug Administration Costs, October 18, 2023. https://craftmediabucket.s3.amazonaws.com/uploads/Drug-Admin-OffCampus-Site-Neutrality-2023.10.18.pdf

[4] Moving to Site Neutrality in Commercial Insurance Payments-Tue, 02/14/2023 - 12:00 | Committee for a Responsible Federal Budget (crfb.org)