

April 25, 2023

Dear Members of Congress:

On behalf of the undersigned organizations and individuals, we urge you to advance reforms that promote site-neutral payments in Medicare and site of service billing transparency in commercial health insurance. These commonsense reforms would end disastrous subsidies for hospital consolidation and deliver lower costs to patients.

The federal government subsidizes hospital monopolies by paying higher reimbursements to physician practices and outpatient facilities when they merge with hospitals. Medicare pays hospital-owned facilities significantly higher rates — between [106 percent and 217 percent more](#) — than independent medical practices and other outpatient facilities for the exact same services, including chemotherapy, cardiac imaging, and colonoscopies. Commercial insurers also pay higher rates for hospital-owned facilities in many cases. These higher payments create an enormous incentive for hospitals to acquire independent practices and charge patients and taxpayers high prices.

These wasteful subsidies have dramatically contributed to hospitals buying up community physician practices and reducing patient choices. Between 2013 and 2018, the share of physician practices that were hospital-owned more than [doubled](#) from 14 percent to 31 percent. By 2020, over half of physicians worked directly for a hospital or worked at a physician practice that was owned by a hospital, according to an [analysis](#) from the American Medical Association.

As hospitals buy up physician practices, they use market power and “dishonest billing” to raise prices for patients and taxpayers. “Dishonest billing” is when hospitals secretly reclassify a doctor’s office they own as a hospital-based setting in order to charge patients and taxpayers higher prices. An analysis by Northwestern University found the price of physician services [increases 14 percent](#) after a hospital purchases a physician practice.

It is crucial that Congress end pro monopoly subsidies. Lawmakers should require Medicare to reimburse hospital-owned outpatient facilities at the same rate as independent outpatient facilities for services that can safely be delivered in a physician’s office. Furthermore, Congress should promote billing transparency and address billing policies that enable hospitals to dishonestly bill patients.

Promoting billing transparency and site-neutral payments is an important step to lowering the cost of health care. The Congressional Budget Office estimates that ending Medicare’s policy of paying hospital-owned facilities higher rates than independent physician offices will save taxpayers more than \$140 billion over ten years. Doing so would also substantially reduce premiums and cost-sharing for Medicare beneficiaries, cumulatively by \$94 billion over the next ten years according to estimates from the nonpartisan Committee for a Responsible Federal Budget.

We urge you to take swift action to enhance hospital competition and ensure more patients can afford the health care they need.

Americans For Prosperity
Loren Adler, Brookings Institution*
Dr. Brian Miller, American Enterprise Institute (AEI)*
Texas Public Policy Foundation
Mark Miller, Arnold Ventures
Americans For Tax Reform
Josh Gordon, Committee for a Responsible Federal Budget (CRFB)
Goldwater Institute
Progressive Policy Institute
Heartland Institute
Third Way
James Madison Institute
Independent Women's Voice
National Taxpayers Union
FreedomWorks
John Locke Foundation
Cardinal Institute
Docs 4 Patient Care Foundation
Nevada Policy Institute
Jackson W. Hammond, American Action Forum
Avik Roy, Foundation for Research on Equal Opportunity

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