AMERICAN ACADEMY OF FAMILY PHYSICIANS
STRONG MEDICINE FOR AMERICA

February 11, 2016

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Joe Pitts
Chairman
Subcommittee on Health
U.S. House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Gene Green
Ranking Member
Subcommittee on Health
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Upton, Rep. Pallone, Chairman Pitts and Rep. Green:

Thank you for the opportunity to provide feedback on Section 603 of the *Bipartisan Budget Act* (BBA) that was signed into law on November 2, 2015. On behalf of the 120,900 physicians and students of the American Academy of Family Physicians (AAFP), we appreciate your leadership in the efforts to improve the delivery of health care and to restrain health care costs.

The AAFP commends Congress for the inclusion of the site-neutral payment provision in the BBA and strongly urge lawmakers to adopt similar site-neutral payment reforms as you seek policy solutions to increase system efficiencies and reduce unnecessary healthcare spending.

The BBA established a site-neutral payment policy for all newly acquired provider-based off-campus hospital outpatient departments (HOPD). The policy would align the payments for HOPDs with other physician practices paid under either the Ambulatory Surgical Center Physician Payment Schedule (ASC PPS) or the Medicare Physician Fee Schedule (PFS).

We believe that this policy appropriately begins to ensure the exact same care is reimbursed at the same payment level wherever the service is delivered. We strongly urge lawmakers to stand by this site-neutral payment reform, especially now when some hospital outpatient departments are seeking exemptions from this new payment policy.

While this provision marks an important first step in equalizing Medicare payment across sites of service, we believe there are many additional opportunities to achieve site-neutral payment. Indeed, it is time to expand site-neutral payment policies, not reverse recent progress that has not yet had the opportunity to illustrate its value.

1133 Connecticut Ave., N.W., Ste. 1100 | Washington, DC 20036-4305 | (800) 794-7481 | (202) 232-9033

Data show that current healthcare payment structures contribute greatly to healthcare marketplace consolidations. A recent study released by the Government Accountability Office (GAO) underscores an argument the AAFP and other providers, insurers and consumer advocates have been making for years: Medicare reimbursements that vary across sites of service increase Medicare spending and encourage integration of physician practices with hospitals, further increasing costs and limiting patient choice.

In this report, the GAO recommends Congress equalize payments to curb hospital-physician consolidation after finding that Medicare paid $51 more for each mid-level evaluation and management (E/M) office visit when the service was performed in an HOPD instead of a freestanding physician's office in 2013. The report also found that the percentage of physician office visits in hospital outpatient departments, instead of independent physician practices, was higher in counties with more vertical consolidation between 2007 and 2013.[1]

This past October, a study published in the *Journal of the American Medical Association* (JAMA) *Internal Medicine*, which assessed the association between increases in physician-hospital integration and changes in spending and prices for outpatient and inpatient services, concluded that financial integration between physicians and hospitals is associated with higher commercial prices and spending for outpatient care.[2]

Site-neutral payment reform is a simple solution that Congress, the administration, MedPAC, GAO and healthcare advocates have all recognized as a vehicle for significant healthcare savings that does not diminish the quality of care. This policy has been discussed and examined for years and Congress acted appropriately to protect Medicare patients and the Medicare program by enacting this policy; however, additional site-neutral payment reforms are needed to further reduce spending and protect patient access to care in the community setting.

We believe that expanding Section 603 can lead to the parity Congress and the Administration hoped to achieve for patients and providers with the BBA. Grandfathering existing facilities before November 2 only adds to the number of HOPDs eligible to continue billing at the much higher outpatient rate for the same services. Patients should not be burdened with higher costs for similar care because a hospital acquired their physician's practice on November 1 instead of November 2. Payments to all HOPDs should be at the ASC PPS or Medicare PFS rates regardless of when they were purchased – past, present, or future. We urge Congress to act quickly and aggressively on this important issue for the benefit of Medicare beneficiaries.

We would welcome the opportunity to discuss these issues in a more formal setting if the Committee is interested in holding a hearing or a briefing for Members and staff. Congress made the right decision in taking the first steps toward site-neutral policies and clearly these policies should be expanded. We strongly encourage Congress to stand by the budget's site-neutral payment policy and advance similar reforms to further protect patients and reduce healthcare spending. If we can provide further assistance on this issue, please contact Kevin Burke, AAFP Director of Government Relations, at kburke@aafp.org.

Sincerely,

Robert Wergin, MD, FAAFP
Board Chair

[1] Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, GAO-16-189: Dec 18, 2015.
[2] Association of Financial Integration between Physicians and Hospitals with Commercial Health Care Prices, *JAMA Internal Medicine,* (online) October 19, 2015