

September 17, 2024

The Honorable Charles E. Schumer  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, DC 20510

Dear Leader Schumer and Leader McConnell,

The landscape of U.S. health care is rapidly changing. Over the last few decades, there has been dramatic consolidation by large hospitals and health systems, and **it's taking a toll on American physicians and their patients** - reducing clinicians' autonomy, suppressing health care workers' wages, limiting their employment choices, and raising health care costs for patients and families.

Large hospital systems are buying up physician practices at a rapid pace, leading to a significant decline in small, independent physician practices. There has been a marked shift to physician practice ownership by large, corporate entities in only a little over a decade. In 2012, one in four<sup>1</sup> physicians were employed by hospitals or health systems. By 2022, the majority of physicians (52%) were employed by hospitals or health systems.

This trend is a consequence of unchecked hospital consolidation that is driven in part by payment policies that incentivize hospitals to acquire physician practices. Medicare and many commercial insurers pay more when patients receive routine care at a hospital-owned facility than when they receive the same care at an independent physician's office. This increases health care spending and out-of-pocket costs for patients. Medicare beneficiaries pay up to four times<sup>2</sup> more for the same services at a hospital-owned outpatient department, and in the commercial market, hospitals tack on additional "facility fees" for care that can be safely provided in a physician's office at a lower cost.

These payment differentials create financial incentives for hospitals to acquire physician practices and charge higher hospital prices for the same services. Buying up physician practices also allows large hospitals and health systems to increase their revenue in other ways. It enhances their market power, enabling them to demand higher prices<sup>3</sup> in the commercial insurance market. In addition, hospitals can

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<sup>1</sup> Physicians Advocacy Institute. (2024, April). Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023. <https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023>

<sup>2</sup> Bulat, et al. (2024, January 3). Sizing Medicare Off-Campus Hospital Outpatient Department Site Neutrality Proposals. <https://craftmediabucket.s3.amazonaws.com/uploads/Sizing-Medicare-Off-Campus-HOPD-Site-Neutrality-Proposals-2024.01.03.pdf>

<sup>3</sup> Capps, et al. (2018, April 22). The effect of hospital acquisitions of physician practices on prices and spending. <https://pubmed.ncbi.nlm.nih.gov/29727744/>

control the flow of patients and increase their market share by increasing referrals<sup>4</sup> from physicians to the hospital or to other physicians within the same health system.

The higher prices do not buy Americans higher-quality care. In fact, evidence shows vertical integration leads to higher prices – increasing health care costs and premiums – without improving the quality of care or patient outcomes.<sup>5</sup>

Increased consolidation and the demise of independent physician practices have stark and far-ranging consequences for physicians, other health care workers, and their patients. Physicians employed by large, consolidated health systems often lose autonomy to practice medicine as they see fit. One survey<sup>6</sup> found that nearly 60% of employed physicians believe corporate-owned practices compromise patient care by reducing the time physicians spend with their patients while increasing the pressure to make a profit. Employed physicians also report that consolidation reduces clinical autonomy - for example, 61% report they have moderate or no autonomy to make referrals outside the system.

The lack of autonomy goes beyond patient care. Consolidated health systems often subject their employed physicians to noncompete agreements that limit physicians' employment choices and make it harder for them to switch jobs over time. The use of noncompetes is widespread, with one study finding that 45% of primary care physicians were subject to noncompetes.<sup>7</sup>

And just as it is with other industries, the lack of competition in health care markets suppresses wages for health care workers, including nurses and those in primary care.<sup>8</sup>

The [Alliance for Fair Health Pricing \(AFFHP\)](#), is a non-partisan group of organizations that represent physicians, patients, businesses, and consumers. We urge Congress to take decisive action to protect physicians and ensure patients receive high-quality, affordable care. This includes addressing widespread, unchecked hospital consolidation and reining in hospital monopolies' abusive billing practices. There are several policies Congress can pursue this legislative year to create a more competitive health care market. They include:

- 1) **Codifying hospital and insurer price transparency requirements to empower consumers, employers, clinicians, and policymakers with essential information regarding health care costs.** Transparency is pivotal in fostering competition and holding hospitals and health systems accountable for fair and reasonable pricing. Following the SCOTUS decision in *Loper Bright*, we believe that the overturning of *Chevron* serves as an additional reason for codification of both price transparency rules.

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<sup>4</sup> Sinaiko, et al. (2023, September 1). Utilization, Steering, and Spending in Vertical Relationships Between Physicians and Health Systems. <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2808890>

<sup>5</sup> Schwartz, et al. (2020, September 2). What We Know About Provider Consolidation. <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>

<sup>6</sup> Physicians Advocacy Institute. The Impact of Practice Acquisitions and Employment on Physician Experience and Care Delivery. <https://www.physiciansadvocacyinstitute.org/PAI-Research/Employed-Physician-Survey>

<sup>7</sup> Lavetti, et al. (2018, June 29). The Impacts of Restricting Mobility of Skilled Service Workers: Evidence from Physicians. [http://kurtlavetti.com/UIPNC\\_vf.pdf](http://kurtlavetti.com/UIPNC_vf.pdf)

<sup>8</sup> Prager, et al. (2021, February ). Employer Consolidation and Wages: Evidence from Hospitals. <https://www.aeaweb.org/articles?id=10.1257/aer.20190690>

- 2) **Establishing site of service billing transparency to provide transparency over where patients receive care by requiring unique National Provider Identifiers (NPI).** This will help address the challenge of patients being charged excessively high hospital prices for care that is actually being provided in a lower-cost setting, such as off-site clinics or outpatient departments.
- 3) **Advancing comprehensive site-neutral payment reform.** Eliminating price differences for certain routine services (which can result in patients paying up to four times more) based on where care is delivered can help create a fairer and more affordable system for patients and reduce the incentives for large, consolidated health systems to buy up physician practices to charge higher prices.

Advancing legislation like the Lower Costs More Transparency Act, which passed in the House of Representatives with strong bipartisan support, is a step in the right direction. These reforms will level the playing field, promote competition, and help sustain independent physician practices. This will lead to better care, lower costs, and a more equitable healthcare system for all Americans.

We urge you to prioritize these crucial issues in the upcoming legislative session. Creating a more competitive health care market is essential to ensuring physicians can make autonomous clinical decisions that put patients and their communities first.

Sincerely,

American Academy of Family Physicians

The Leukemia & Lymphoma Society

American Benefits Council

Purchaser Business Group on Health

Arnold Ventures

Small Business Majority

Families USA