

October 15, 2023

The Honorable Michael Burgess  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Drew Ferguson  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Buddy Carter  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Blake Moore  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Rudy Yakym  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Jodey Arrington  
U.S. House of Representatives  
Washington, DC 20515

Dear Representatives Burgess, Ferguson, Carter, Moore, Yakym, and Arrington:

Thank you for the opportunity to respond to the House Budget Committee Health Care Task Force's request for information (RFI) to examine challenges facing our health care system and address health care spending. The Alliance for Fair Health Pricing (AFFHP)—a coalition of consumer, patient, employer, and physician organizations—appreciates your efforts to find solutions to lower the cost of health care for America's families, employers, and taxpayers.

For decades, skyrocketing health care costs have put a squeeze on families' budgets and created downward pressure on wages and income. Rising health care costs also increase federal spending and contribute to our nation's fiscal challenges. In the past few years, it has become abundantly clear that voters want Congress to do more to address high hospital prices and predatory billing practices—a primary driver of increased health care spending. A recent national survey<sup>1</sup> underscores voter frustration and highlights the bipartisan demand for more aggressive federal action to improve health care affordability, specifically by lowering hospital prices. It shows that an overwhelming majority of voters (94%) across the political spectrum believe it's important for Congress to take action to address high health care prices in the next two years, and that 74% of voters are more concerned that Congress won't do enough to limit high prices—not that policymakers will go too far.

The AFFHP is a non-partisan group of organizations that represent patients, consumers, businesses, and physicians who are working together to make high-quality health care more affordable. We promote action to protect patients and employers from predatory pricing, and advance policies that improve access to care. **Our work is centered around the following four principles:**

1. **Making health care more affordable for consumers, employers, and taxpayers is an economic and societal imperative.** To do this, we must address the central driver of high health care costs for the privately insured—the high prices being charged for care—by increasing choices for consumers and purchasers, and limiting anti-competitive behavior to lower prices.
2. **Market failures must be directly addressed.** There is insufficient competition on price and quality in many health care markets where provider markets are highly consolidated. Dominant providers and health systems have the ability to demand high prices, and there is an imbalance

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<sup>1</sup> Arnold Ventures, <https://www.arnoldventures.org/stories/new-poll-majority-of-voters-support-aggressive-congressional-action-to-lower-hospital-prices>

in the information available to consumers. It is essential that action is taken where markets have failed to restore and increase competition and to lower prices.

3. **We need more complete and transparent information on pricing.** In order for families, employers, and policymakers to understand and fix the problem of high health care prices with common-sense solutions that work, we need more complete and transparent information on price, quality, and other aspects of our health care system.
4. **We must address high health care prices in a way that directs resources where they are most needed across the health care system.** A comprehensive solution to address high health care costs must ultimately create a more accessible, equitable, and sustainable system that provides high-quality affordable care.

### **Addressing Hospital Consolidation and Strengthening Price Transparency are Key to Lowering Health Care Costs**

The AFFHP is supportive of and focused on advancing policies to lower hospital prices to reduce health care costs for patients, consumers, employers, and taxpayers by strengthening price transparency, limiting consolidation, and promoting competition and addressing anticompetitive behavior. We outline specific recommendations to reduce health care costs and improve access to high-quality, affordable care for your consideration below.

**Hospital Consolidation and Competition.** Ninety percent of hospital markets are considered highly concentrated.<sup>2</sup> There is clear evidence that this lack of competition in health care markets has led to higher prices for privately-insured patients, without resulting improvements in quality. As large, powerful health care monopolies purchase hospitals and physician practices and drive out competition, they have the leverage to drive up the prices they charge patients and consumers—increasing health care costs.<sup>3</sup> Reports have found consolidated hospitals charge prices that are 12% higher<sup>4</sup> than hospitals with at least four competitors. A separate report<sup>5</sup> looking at the least competitive hospital markets shows that the average price of a hospital stay increased by 11% to 54% in the years following consolidation. Further, when physicians and hospitals merge—one form of vertical consolidation—prices increase by 14%.<sup>6</sup>

These high prices stemming from consolidation translate into higher costs for consumers and employers in the form of rising premiums and out-of-pocket costs. They also depress wage growth and have a negative impact on the federal budget. And while hospitals often argue that consolidation can improve clinical quality, the evidence of that is mixed<sup>7</sup> at best. Some studies<sup>8</sup> show that horizontal consolidation between hospitals can lead to lower quality and worse patient experiences.

The AFFHP is supportive of policies to limit consolidation and address anticompetitive practices, including increasing price transparency, banning anticompetitive contracting practices, and strengthening antitrust oversight over health care consolidation. We also urge Congress to advance site neutral payment reform, which would address misaligned payment incentives that drive up Medicare spending and reduce health care costs for consumers, employers, and taxpayers.

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<sup>2</sup> <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0556>

<sup>3</sup> <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>

<sup>4</sup> [https://www.nber.org/system/files/working\\_papers/w21815/w21815.pdf](https://www.nber.org/system/files/working_papers/w21815/w21815.pdf)

<sup>5</sup> <https://www.nytimes.com/2018/11/14/health/hospital-mergers-health-care-spending.html>

<sup>6</sup> <https://www.sciencedirect.com/science/article/pii/S016762961730485X?via%3Dihub>

<sup>7</sup> <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>

<sup>8</sup> <https://doi.org/10.1111/1475-6773.12825>

**Congress should act to reduce health care spending and mitigate the incentives for vertical consolidation by advancing site-neutral payment and billing transparency reforms.** Paying more for the same service when delivered in a hospital outpatient facility rather than a community-based physicians' office—as Medicare and commercial insurers typically do—creates a financial incentive for hospitals to vertically consolidate with physicians. These site-specific payment differences also incentivize care delivery in higher-cost hospital outpatient departments rather than lower-cost physician offices. The shift to higher-cost care settings results in higher Medicare and commercial spending on low-acuity health care services, such as office visits and imaging, that can be safely delivered in a doctor's office. Ultimately, patients face higher prices and pay more out-of-pocket for the same care.

To address these payment differences, the AFFHP strongly supports efforts to advance comprehensive site-neutral payments and policies that provide transparency over where care is delivered. These policies will help ensure patients pay the same amount for the same services regardless of where the service is performed (a hospital outpatient department, ambulatory surgical center, or physician's office). Site neutral payment reform also has widespread voter support; polling shows<sup>9</sup> that 85% of voters from both sides of the aisle are supportive of limiting outpatient fees to the same price charged by doctors in the community.

Importantly, these reforms will lower health care costs for patients, employers, and taxpayers—as well as the Medicare program. The Congressional Budget Office estimates that site-neutral payment reforms could save taxpayers approximately \$140 billion over the next decade. And, a recent study<sup>10</sup> projects that these policies could reduce health care spending by \$153 billion over the next decade, including lowering premiums and cost-sharing for Medicare beneficiaries by \$94 billion and for the privately-insured by at least \$140 billion. These savings could be reinvested to support safety net hospitals or other priorities that help advance a more accessible and equitable health care system.

We stand ready to support Congress's efforts to take on these issues and other predatory practices that lead to higher health care costs for patients, employers, and taxpayers.

We thank the Task Force for your efforts to address health care affordability. We look forward to working with you on this important issue and would be happy to have further discussions on the above. Please contact Erica Socker, Vice President, Health Care ([ESocker@arnoldventures.org](mailto:ESocker@arnoldventures.org)) at Arnold Ventures, with any questions.

Sincerely,

American Academy of Family Physicians

Purchaser Business Group on Health

American Benefits Council

Small Business Majority

Arnold Ventures

The ERISA Industry Committee

Families USA

The Leukemia & Lymphoma Society

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<sup>9</sup> <https://www.arnoldventures.org/stories/new-poll-majority-of-voters-support-aggressive-congressional-action-to-lower-hospital-prices>

<sup>10</sup> <https://www.crfb.org/papers/equalizing-medicare-payments-regardless-site-care>