



An Agenda to Fix America's Broken Hospitals

By Darbin Wofford, Health Policy Advisor

Over the last 30 years, hospital prices have risen well above the rate of inflation. Without Congressional action, out-of-control hospital prices will drive more Americans into medical debt while squeezing everyone's budget with higher insurance premiums and deductibles.

These rising hospital prices are the direct result of the consolidation of hospitals into big systems that stifle competition. Four out of every five hospital markets are highly consolidated, and half of the nation's physicians are hospital employees. Consolidation drives up prices and subverts the competition needed to keep costs in check. As those high prices drive up premiums, workers take home nearly \$500 less in their paychecks and face higher deductibles.

Americans are well aware of the problem and expect Congress to act. Nine out of ten voters say it is important for Congress to reduce hospital prices. Third Way's Fixing America's Broken Hospitals series provides a framework for how Congress can do so. In our view, there are three actions policymakers must take:

1



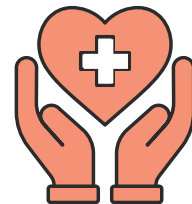
**LOWER THE PRICES
CHARGED BY HOSPITALS**

2



**INCREASE COMPETITION
WITHIN HEALTH CARE**

3



**LOWER PATIENTS' COSTS
AT SAFETY NET HOSPITALS**



1. Lower the Prices Charged by Hospitals

Since hospital spending accounts for a third of all spending on medical services, the prices hospitals charge have a significant impact on overall costs. Medicare's overpayment of hospitals compared to independent physicians has driven up costs for outpatient care—where the majority of care occurs. Additionally, patients are unaware of the price they are paying before seeking treatment. The policies below would bring transparency to health care and do away with high prices for low-cost treatment.

- Require **transparency in hospital billing** and pricing so patients and their health plans know the prices they are paying.
- **Expand site-neutral payments in Medicare** to align reimbursement for outpatient care between hospitals and lower-cost facilities such as physician offices and ambulatory surgical centers.
- **Limit hospitals' use of junk fees** that inflate patient cost for straightforward care just for seeing a doctor employed by a hospital.



2. Increase Competition within Health Care

A competitive marketplace is crucial for giving patients the best bang for their buck. However, hospitals have become more consolidated than ever. Hospitals also use anticompetitive contracting tactics to stymie price negotiations. Insufficient federal funding for antitrust agencies over many years has let hospitals run amok—leaving patients, employers, and plans fighting an uphill battle to control costs. The policies below would create a fair playing field between hospitals and patient coverage.

- **Ban hospitals' anticompetitive contracting practices** that undermine the ability for payers to promote lower-cost and higher-quality care for patients.
- **Increase health care antitrust resources** for agencies to monitor and promote market competitiveness between hospitals and health care delivery systems.

- **Allow stakeholders to collectively negotiate** in areas where hospital systems dominate the market to create a level playing field between employers, state-run health plans, and private payers with the hospitals.



3. Lower Patient Costs at Safety Net Hospitals

Some hospitals receive significant taxpayer and private sector funding with no requirements for how that funding is used, while other safety net hospitals are struggling to make ends meet. Safety net hospitals make up just 5% of all hospitals in the United States but provide more than 25% of the nation's charity care. The policies below would vastly expand funding for safety net hospitals, while ensuring existing funding mechanisms are being used sufficiently.

- **Revitalize funding for safety net hospitals** by increasing Medicaid's reimbursement to hospitals in vulnerable communities, closing coverage gaps that lead to more uncompensated care, and investing in the health care workforce.
- **Put patients at the center of the 340B Drug Pricing Program** by requiring manufacturer discounts to be used to benefit patients and not pad hospitals' bottom lines.
- **Ensure adequate community benefits from tax-exempt hospitals** by streamlining how financial assistance is delivered and requiring patients up to 400% of the federal poverty level to be provided charity care on an income-based sliding scale.