

Lowering Hospital Prices while Protecting Rural Patients



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Patients are fed up with out-of-control hospital prices. In response, the House of Representatives overwhelmingly passed the Lower Costs, More Transparency Act, which would strengthen hospital price transparency rules, ensure hospitals are billing honestly, and lower seniors' costs for drug administration in hospitals. Action like this is necessary because Medicare pays hospitals much more for the same services compared to independent physicians—inflating the costs seniors pay for straightforward care.

Same service, same price policies—also called *site neutral* policies—ensure hospitals and physicians are paid the same price for the same service, so location doesn't needlessly inflate a patient's bill. The House-passed package takes steps toward this with regard to drug administration including same service, same price support for chemotherapy for cancer patients, steroid injections to treat arthritis, and immunotherapy to treat allergies.

Despite widespread support in the House, the Lower Costs, More Transparency Act has not yet passed the Senate. Recently, hospitals claim that lowering what seniors pay for outpatient drugs would harm rural hospitals. But a look at the facts shows that is not the case. Here's why:

99.9% of rural outpatient spending is unaffected by the legislation.

The Lower Costs, More Transparency Act would have a very minimal impact on rural hospitals—by design. Here is how the bill works:

1. The site-neutral provisions would only apply to clinics owned by the hospital but located away from its main campus. It is less common for rural hospitals to have clinics at a separate location. ¹
2. Just 7% of Medicare's total off-campus outpatient spending occurs in rural areas. The legislation exempts Critical Access Hospitals, which account for 61% of all rural hospitals.
3. The legislation applies only to drug administration, which is only 17% of off-campus outpatient spending.

As a result of this narrowly designed provision, only 0.1% of rural outpatient spending would be affected. This is significantly lower than the hospital industry's claim that the bill would affect 40% of total outpatient spending in rural areas.

It is also important to note that the non-exempt rural hospitals would have five years before the provision would take effect. All other hospitals would have four years.

Site-neutral reforms protect patients.

Seniors—including rural residents who travel to a city for care—pay much more for services provided in hospital-owned clinics compared to doctor's offices. For example:

- Allergy skin tests cost \$176 in a doctor's office and \$719 in a hospital-owned clinic.
- Chest X-rays cost \$17 in a doctor's office and \$66 in a hospital-owned clinic.
- Radiation therapy costs \$155 in a doctor's office and \$377 in a hospital-owned clinic.

The Lower Costs, More Transparency Act would take a meaningful step towards paying the same price for the same service. If the bill had been in effect in 2021, cancer patients using chemotherapy would have saved nearly \$300 on average, with high-frequency chemotherapy users saving over \$1,000.

The legislation would also ensure that hospitals are billing patients from the correct location, protecting patients from inflated medical bills. A patient receiving care at a hospital-owned clinic may issue medical bills as if services are provided within the hospital itself. The Lower Costs, More Transparency Act would require hospitals to bill honestly, lowering patients' costs and alleviating pressure on premiums.

Unsurprisingly, the public strongly supports limiting what hospitals charge for these services. Research shows that 85% of voters support limiting outpatient fees to the same price charged by doctors in the community. And this support is very bipartisan, with 89% of Biden voters and 82% of Trump voters in support. Overall, eight-in-ten voters believe hospital prices are unreasonable.

The Senate should support patients by passing the Lower Costs, More Transparency Act. After that, Congress can go even farther by expanding same service, same price reforms to imaging and diagnostic services. Additionally, Congress should create further exemptions for rural hospitals if there are remaining concerns.

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ENDNOTES

- 1.** Hospital-owned clinics are also called hospital outpatient departments.