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Statement for the Record
Submitted to U.S. House Committee on the Budget
On
“The Markup of the Concurrent Resolution on the Budget for Fiscal Year 2025”
Thursday, March 7, 2024
By: David Merritt, Senior Vice President of Policy and Advocacy

The Blue Cross Blue Shield Association (BCBSA) believes the budget resolution is a valuable opportunity for Congress to thoughtfully consider health care solutions that benefit patients, drive efficiency, and deliver lower Medicare prices.

BCBSA is a national federation of independent, community-based and locally operated Blue Cross and Blue Shield (BCBS) companies (Plans) that collectively cover, serve and support 1 in 3 Americans in every ZIP code across all 50 states and Puerto Rico. BCBS Plans contract with 96% of hospitals and 95% of doctors across the country and serve those who are covered through Medicare, Medicaid, an employer or purchase coverage on their own. We are committed to delivering affordable and equitable access to high-quality care for every American.

We would like to offer our support for the inclusion of site-neutral payment reforms in the Committee’s Budget Blueprint which will accompany the concurrent resolution on the budget for fiscal year 2025. We urge Congress to take action to **expand the use of site-neutral payment policy and to promote honest billing practices**. These solutions are critical to deliver better affordability for consumers and address long-term costs in Medicare.

According to recent national health expenditure data, in 2022, Medicare spending grew 5.9% to \$944.3 billion, or 21% of total national health expenditures.¹ Spending on Part B benefits, which includes physician services and other outpatient services, now accounts for the largest share of total spending in Medicare, having grown, on average, 6.8% over the last five years, according to the Medicare Trustees.² Moreover, the Trustees project that, under current law, Part B spending growth will accelerate to an average of 9.7% per year over the next five years, much faster than the projected average annual GDP

¹ Centers for Medicare and Medicaid Services. NHE Fact Sheet. December 13, 2023. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet#:~:text=NHE%20grew%204.1%25%20to%20%20244.5,18%20percent%20of%20total%20NHE>.

² Centers for Medicare and Medicaid Services. <https://www.cms.gov/oact/tr/2023>, pages 9-10.

growth rate of 4.3% over the period. The Medicare Trustees consistently warn Congress of the need for substantial changes to address Medicare's financial challenges. This projected cost growth jeopardizes the financial stability of the program and access for millions of seniors and individuals with disabilities that rely on Medicare for their health insurance needs.

Expand the Use of Site-Neutral Payment Policy

BCBSA encourages Congress to enact federal legislation to standardize payments for identical services provided in a physician's office and hospital outpatient departments (HOPDs). To accomplish this, Congress should eliminate the grandfathering provision of the Bipartisan Budget Act (BBA) of 2015, which today exempts certain HOPDs from site-neutral payments. An independent analysis of this proposal estimated federal savings of \$231 billion over 10 years. The analysis also estimated \$152 billion in lower out-of-pocket costs for consumers (about \$470 per person in the U.S.) and spillover savings to private insurance that would reduce premiums by \$117 billion.³ Changing payment rates in Medicare will help commercial plans negotiate more aggressively to lower costs for patients and employers.

Additional studies have highlighted the potential for significant savings if expanded as well as the limited impact of existing site-neutrality policies have on rural outpatient providers. For example, a recent study by Avalere reports that only 2.3% of hospital outpatient revenues are subject to the site-neutral provisions of the 2015 law. An additional 10% of revenues would be affected if the grandfathering provisions were removed.⁴ The study also notes that rural hospitals account for a much smaller share of Part B spending than do urban hospitals (10.8%) and that rural hospitals make much less use of off-campus provider-based departments (PBDs) than urban hospitals: Of all payments made to "...off-campus PBDs, rural hospitals represent 7.6% of payments to excepted off-campus PBDs [where the site-neutral policy does not apply] and 6.2% of payments to non-excepted off-campus PBDs."⁵ Applying site-neutral payment policies as Congress intended would impact rural hospitals much more modestly than urban hospitals.

BCBS Plans also see a lack of site-neutral payment in our own commercial claims data. Two studies of outpatient services conclude that prices for services delivered in HOPDs are significantly higher — often five times more expensive — than when provided in an independent physician's office.⁶ These studies also find that HOPD prices are growing much faster than prices in other settings.

³ Blue Cross Blue Shield Association. "Affordability Solutions for the Health of America." Blue Cross Blue Shield, January 24, 2023. https://www.bcbs.com/the-health-of-america/articles/affordability-solutions-white-paper-EHP_Savings_Estimates_BCBSA_01.18.2023_Final.pdf.

⁴ Avalere, "CMS Site-Neutral Payments Affect Small Share of Spending," January 10, 2024, <https://avalere.com/insights/cms-site-neutral-payments-affect-small-share-of-spending>.

⁵ Avalere, "CMS Site-Neutral Payments Affect Small Share of Spending," January 10, 2024, <https://avalere.com/insights/cms-site-neutral-payments-affect-small-share-of-spending>.

⁶ Blue Health Intelligence, "Costs for Common Health Care Procedures Significantly Higher When Performed in Hospital Outpatient Departments," September 14, 2023, <https://www.bcbs.com/sites/default/files/file-attachments/site-neutral/BHI-Site-Neutral-Issue-Brief.pdf>; Blue Health Intelligence, "Hospital Outpatient Prices Far Higher, Rising Faster than Physician Sites," December 14, 2023, <https://avalere.com/insights/cms-site-neutral-payments-affect-small-share-of-spending>.

Promote Honest Billing Practices

We applaud the House of Representatives for taking steps in H.R. 5783, the Lower Costs, More Transparency Act (Section 204), to require hospital-owned provider offices to obtain their own national provider identifiers (NPIs) and to require payment parity for drug administration services regardless of setting (Section 201) in the Medicare program. This will allow health plans and the Medicare program to accurately pay for services delivered in both hospital and non-hospital settings. According to the Congressional Budget Office (CBO), Section 204 of the legislation will reduce direct spending and increase revenues by \$2.3 billion over the 10-year budget window.⁷ CBO estimates Section 201 will reduce direct spending in Medicare by \$3.7 billion over the 10-year budget window. Likewise, we urge Congress to improve fair billing practices by requiring hospitals to bill all professional health care services using a CMS 1500 claim form, which provides more detail on site of service.

Conclusion

Thank you for your consideration of including site-neutral reforms in the FY 2025 budget resolution blueprint. We look forward to continuing to work with Congress to advance health care solutions that improve patient outcomes and make health care more affordable for every American.

Sincerely,

David Merrit



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Blue Cross Blue Shield Association

⁷ Congressional Budget Office. "Estimated Direct Spending and Revenue Effects of H.R. 5378, the Lower Costs, More Transparency Act." December 5, 2023. https://www.cbo.gov/system/files/2023-12/hr5378-DS-and-Revs_12-2023.pdf