

STATE ACTION TO ADDRESS HOSPITAL PRICING AND CONSOLIDATION:

Solutions for Policymakers

Soaring prices charged by hospitals across the country have led to sky-high health care costs, ballooning medical debt, and delays to needed care. This affordability crisis has been turbocharged by increasing health care consolidation that has limited choice and strengthened hospitals' ability to raise prices, squeezing families' wallets and forcing them to choose between needed medical care and food or child care.

High prices charged by hospitals don't just raise people's health care costs, they also impact how employers and state and federal governments pay for and cover needed care. Employers often pass along higher health care costs to their employees through higher premiums and other forms of cost-sharing that may limit their ability to be competitive in the workplace. State and federal governments, often saddled with runaway health care costs driven by high prices charged by hospitals, must make difficult choices when balancing their budgets year-after-year.

In this report, we walk through the impacts of skyrocketing prices charged by hospitals on people and highlight four state-driven solutions federal policymakers should consider to reign in harmful prices charged by hospitals and address rampant health care consolidation.



United States of Care (USofCare) works to ensure everyone has access to quality, affordable health care regardless of health status, social need, or income. We know from our listening work that the high cost of care is the biggest health care issue for people across demographic backgrounds. By putting the needs of people at the forefront of our research and policy solutions, we can create a health care system that works for everyone.

STATE POLICY TRENDS AND SOLUTIONS:

While policymakers in DC have made progress in addressing high prices charged by hospitals and hospital consolidation, many states have gone beyond federal efforts to lower the cost of peoples' health care. States have made tremendous strides in tackling hospital pricing and hospital consolidation through:

- **Addressing Facility Fees:** Loopholes in billing practices allow hospitals to tack on charges called “facility fees” across care settings that add hundreds or even thousands of dollars to patient bills. People across the country support action to limit facility fees and states have led the way in advancing legislation to restrict them in certain services or in specific care settings.
- **Advancing Site-Neutral Payment Policy:** Medicare has long paid hospitals higher rates for services delivered in hospital outpatient settings that lead to wide disparities in payment for the same service depending on where it is delivered. By adopting broadly popular fair-billing or “site-neutral” policies, policymakers can secure greater cost savings for people.
- **Directly Placing Limits on Hospital Prices:** In many states, hospitals charge commercial plans up to three times what they charge Medicare, despite most people believing that hospitals already charge too much. Many states are directly taking action by establishing cost growth targets or setting or capping rates at a certain level through rate setting, reference-based pricing, and/or capping in- and/or out-of-network provider rates within programs they run or oversee, such as state employee health plans.
- **Protecting Patients from Harmful Hospital Consolidation:** The effects of health care consolidation have led to reductions in services offered to outright facility closures. Approximately three in four voters support actions to limit mergers and acquisitions, such as granting state authorities to block or place conditions on potentially harmful health care transactions.



WHAT THIS MEANS FOR FEDERAL POLICYMAKERS

These solutions are already saving people money in the states and federal policymakers should look to these promising approaches for addressing high costs charged by hospitals and pushing back against health care consolidation at the federal level as well. The beginning of a new Congress provides the opportunity for federal policymakers to take action and pursue policies that have the biggest impact and alleviate financial burden and pressure on everyday people, including:

- **Ensuring each HOPD has its own NPI:** Congress should require unique NPIs for hospital-affiliated providers. These NPIs should be structured in a way to preserve the connection between “parent” hospital and affiliated provider in the data.
- **Limiting unfair facility fees:** Congress should protect people from unfair hospital facility fees, including facility fees for telehealth visits, preventive services, and in outpatient settings.
- **Advancing site-neutral payments:** Congress should eliminate hospital payment disparities and disincentivize unfair billing practices by advancing site neutral payment, including by eliminating exemptions to the Bipartisan Budget Act of 2015 and requiring site-neutral payments in alignment with [MedPAC](#) recommendations.
- **Increasing hospital billing transparency:** Congress should ensure existing transparency measures are complied with and enforced. As noted in our [Site-Neutral Out of Pocket Costs Principles](#), more protections need to be put in place to ensure hospitals aren't exploiting patient billing loopholes.

FEDERAL LANDSCAPE:

Both regulators and legislators on the federal level have taken action to address the high prices charged by hospitals and health care consolidation more broadly. The Centers for Medicare & Medicaid Services has strengthened [hospital price transparency rules](#) and a broad number of agencies, including the Federal Trade Commission, has prioritized efforts to [boost competition](#) within health care and address the downsides of consolidation. At the same time, Congress has passed [legislation](#) to implement site-neutral policy – although limited to specific care settings – and has shown interest in bills that promote [transparency](#) and protect people from [facility fees](#).

Federal policymakers should know these policies have [strong support](#) from everyday people across party lines, but also understand there are and will be significant interests seeking to preserve the status quo. Despite this, there is no shortage of bright spots to point to, and the policy solutions highlighted in our report provide insights and lessons learned that will inform policymakers construct a health care system for their constituents that truly works for them.