

Obama, Trump HHS Chiefs: Parties Can Tap Site-Neutral Reform To Pay For Big Policy Priorities

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The HHS chiefs for the Obama and Trump administrations this week said long-debated Medicare site-neutral payment reforms offer whichever party wins in November a way to pay for expensive policy priorities, like both parties' calls to extend the life of Medicare or GOP efforts to continue the Trump-era tax breaks.

Requiring Medicare to pay the same price for services regardless of where they're provided was included in both former president Barack Obama's and Donald Trump's budgets. But while the policy has strong bipartisan support and is advocated by a [broad swath of stakeholders](#) spanning insurers, business groups and beneficiary advocates, strong hospital opposition has stalled further reforms on Capitol Hill. The Biden administration also conspicuously left site-neutral policies out of its budget request.

The Heritage Foundation's Project 2025 policy outline for a potential GOP administration [advocates for site-neutral reform](#).

The former HHS chiefs acknowledged this week that the long-sought reforms would likely only move forward as a pay-for in a broader legislative package of policy priorities, such as in a partisan reconciliation bill.

The Committee for a Responsible Federal Budget estimated several years ago that site-neutral reforms would reduce Medicare spending by \$153 billion and reduce premiums and cost-sharing for Medicare beneficiaries by \$94 billion. Last year the group also said over the next decade, policies that encourage site-neutral payments in the commercial insurance market could: reduce total national health expenditures by \$458 billion, reduce commercial premiums by \$386 billion and patient cost sharing by \$73 billion, and reduce the federal budget deficit by \$117 billion

These policies would also reduce incentives that drive consolidation and limit facility fee bills for patients, CRFB said.

The former HHS chiefs stressed Monday (a July 29) the reforms are a great way for Congress to save money and pay for bigger funding packages, with Kathleen Sebelius, who served as Obama's HHS secretary, warning Congress would never pass site-neutral policies on their own.

"It will never -- to be a little bolder than my secretary colleague [Alex Azar] -- it will never pass as a standalone," Sebelius said during a Paragon Health Institute event highlighting the bipartisan support of site-neutral policies.

Azar, who served under the Trump administration, said he doubts lawmakers could ever get the hospitals to agree to site-neutral policies and predicted two scenarios where lawmakers would pass more site-neutral regulations.

“Honestly, I think the way this happens if you do that by legislation is going to be when you have a must-pass vehicle like a reconciliation package,” Azar said.

“Let’s say if there’s a Republican sweep of the House -- Congress and the presidency, and you’ve got the Trump tax cuts that have to be renewed, site-neutral payments could easily be a pay-for there that throws money in,” he continued. “If there’s a President Harris and a Democratic Congress, there could be some new initiative that requires money and again, a pay-for I don’t -- I doubt site-neutral even with the two of us being supportive of it ever passes as a standalone, but I think it’d be a nice funding source.”

Sebelius and Azar wrote a joint opinion piece earlier this year championing the need for additional site-neutral requirements, specifically for low-complexity medical services like office visits, X-rays, minor procedures and drug injections.

During the event this week, they detailed the struggles smaller practices, especially rural ones, are facing and how site-neutral policies would help them compete and improve affordability for patients.

“[R]ural communities also have a real problem with health care providers, separate doctors’ offices, physician assistant clinics, this change could actually increase health care access in rural areas,” Sebelius said. “It could encourage a payment structure that flipped and give independent doctor’s office a nurse practitioner clinic, the ability to administer chemotherapy treatments, do all kinds of things that people want much closer to home, they don’t really want to have to travel to a hospital to get it.”

Beneficiaries would benefit from site-neutral pricing due to their deductibles and out of pocket costs, Sebelius said.

“But it also could really extend the life of the Medicare program, and packaged that way with a number of other changes, I think there’s a real shot at somethings done whether it’s a Democratic or Republican administration,” she added.

House Budget Committee lawmakers have eyed site-neutral reforms as a way to pay for a permanent fix to the Medicare physician payment system, [and to combat health care consolidation](#).

Implementing site-neutral Medicare payment policies could replace the budget neutrality requirements that have driven cuts to physician pay while supporting independent practices and lowering overall health care costs for the American people, Rep. Michael Burgess (R-TX) suggested to HHS Secretary Xavier Becerra during an April 17 hearing on the president’s 2025 budget.

Burgess also grilled Becerra on the lack of site-neutral proposals in Biden's budget, saying it indicated the administration favors large hospital systems over smaller providers, which Becerra denied.

The broad coalition of stakeholders in favor of site-neutral reforms [are also pressing](#) Senate Finance Chair Ron Wyden (D-OR) to hold a hearing on the issue, noting a smaller version of site-neutral reform was included as a pay-for in the House-passed health care transparency bill that has stalled in the Senate. Pieces of the House's "lower costs" package are expected to be folded into a lame-duck health care package, though it is unclear whether site-neutral policies will be included or saved for a new Congress to pay for other priorities.

The site-neutral policies in the House bill would equalize drug payments in off-campus hospital outpatient departments with those in regular doctors' offices for Medicare beneficiaries. The proposal calls for HHS to gradually implement site-neutral payments, with a potential nationwide rollout by as early as 2028. According to the Congressional Budget Office, the House bill's site neutral provision would save \$3.7 billion over 10 years.

A broader bill introduced in the Senate would apply site-neutral policies to [most outpatient services](#).

Meanwhile, the American Hospital Association recently responded to a pro-site neutral Op-Ed in *The Washington Post* that said the lower rate paid to physicians is completely inadequate.

"So-called site-neutral policies fail to recognize that not all care sites are created equal," AHA President and CEO Rick Pollack writes in a letter to the editor. "Current payment rates appropriately take into account that hospitals treat sicker, lower-income and more complex patients compared with other sites. Hospitals are also held to higher regulatory and safety standards, and they provide benefits such as 24/7 capacity for emergencies."

Independent practices are being driven to integrate due to insurers and the costs associated with technologies such as electronic health records, Pollack added.

Selebius said during the Paragon Health Institute event hospitals are the ones luring in individual practices as she's heard from doctors that hospitals promise them up to 150% more in reimbursements to deliver the same service. -- *Dorothy Mills-Gregg*(dmillsgregg@iwppnews.com)