

## ERIC Highlights Consolidation As Cost Driver, Calls For Site Neutrality, Price Transparency

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Hospital costs are primarily driven by market power and consolidation, not by cost-shifting, and Congress can crack down on hospital market concentration by enhancing price transparency, equalizing Medicare pay and barring anticompetitive contracts, the employer lobby ERIC says in a new white paper out Tuesday (May 20).

ERIC, the ERISA Industry Committee, represents employers who self-insure their health benefits and must negotiate with providers to get favorable rates that ensure the coverage is affordable for their workers. But the white paper points out these negotiations occur in a complex environment, where the same hospitals treat patients covered by Medicare and Medicaid as well as private insurance.

An ongoing worry, therefore, is whether hospitals shift costs from the lower-pay public programs to the private insurers, increasing costs for workers and employers. Numerous recent studies, from RAND to the Congressional Budget Office, have shown limited correlation between payor mix and negotiated prices, and the white paper looks at those, among several others, and concludes cost-shifting is not a significant factor.

Far more significant when it comes to rates is hospitals' market power, consolidation and any geographic variations, the paper finds.

**The policy solutions that ERIC lays out in the paper are familiar:** The lobby wants to expand on existing price transparency rules and ensure hospitals, ambulatory surgical centers and diagnostic facilities disclose negotiated rates and cash prices. The policy was included in the Lower Cost, More Transparency Act (LCMT), which passed the House last year but has since stalled.

The employer group also supports expanding on site-neutral payments in Medicare "to establish benchmarks commercial payers can use to prevent excessive hospital pricing" and suggests a phased-in approach would allow for a smooth transition. Numerous other stakeholders have urged Congress to ensure services cost the same regardless of setting, including consumer advocates like Families USA. Last week, a group of free market conservatives joined the chorus in calling for site-neutral policies to be considered for the reconciliation package.

Hospitals have also ramped up opposition to site-neutral pay, producing a policy brief May 8 with a state-by-state breakdown of how various site-neutral proposals would affect facilities.

Finally, ERIC calls for enacting the Healthy Competition for Better Care Act, which would ban contracts that seek to stop insurers from directing patients to lower paying providers, and that demands a plan cover all a provider's affiliates along with other anti-competitive restrictions. A House version of the bipartisan bill passed the Education & the Workforce Committee in September, while the Senate health committee advanced a senate version as part of larger Bipartisan Primary Care and Health Workforce Act in 2023.

The recommendations are all common-sense policies that have been vetted by lawmakers, and if implemented, could go a long way toward tackling the underlying drivers of high hospital costs, says Melisa Bartlett, vice president of health policy for ERIC.

And they could reduce the federal deficit.

Although Bartlett says the price transparency provision doesn't score, the legislation barring anti-competitive contracts saves \$4.9 billion, according to the Congressional Budget Office. Savings for site-neutral policies vary, with limited measures like the LCMT bill's provision requirement equal payment for physician-administered services saving an estimated \$4 billion while broader use of site neutrality could save around \$150 billion over 10 years, according to reports.

**While none of the policies are included in the GOP reconciliation package, they still carry bipartisan support, and Bartlett expects they will resurface at some point.** There are various reasons for omitting a bill from reconciliation, including potential issues with the Byrd Rule, Bartlett notes.

Even if not technically in reconciliation because they can't get past the reconciliation restrictions, they could hitch a ride on a spending bill or through a stand-alone health package, if there is one, says Bartlett, the who points out many policies in the bipartisan health care deal that was scrapped last December still need to be addressed. -- Amy Lotven ([alotven@iwpnews.com](mailto:alotven@iwpnews.com))