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February 6, 2026

Representative Alyssa Black, Chairwoman  
House Committee on Health Care  
115 State Street  
Room 42  
Montpelier, VT 05633

**RE:    AHIP Comments on H.585, An Act Relating to Health Insurance Reforms**

To Chairwoman Black and Members of the House Committee on Health Care,

America's Health Insurance Plans (AHIP) appreciates the opportunity to provide information on how H.585 may help to defend Vermont consumers against higher fees at hospital or health system-owned physician practices by implementing site-neutral billing policies for certain health care services.

Every American deserves high-quality, affordable health care. Today, health care has become unaffordable for too many families. A significant driver of health care costs is consolidation among hospitals and health systems and the acquisition of physician practices by such entities.

Health plans are committed to working with state policymakers and other stakeholders across the health care system to advance policies needed to build a more competitive marketplace. When competition is appropriately balanced with patient protections, market-driven innovation can reduce health care costs while helping to improve health care outcomes.

Decades of hospital and health system consolidation have shifted market dynamics. A 2020 report from Medicare Payment Advisory Commission found that 90% of hospital markets would be deemed highly concentrated by Federal Trade Commission standards, and in most markets, a single hospital system had more than a 50% market share of discharges.<sup>1</sup> Further, as of January 2024, nearly four out of five physicians were employed by hospitals or other corporate entities rather than in independent practice.<sup>2</sup>

Under Medicare billing rules, hospitals are permitted to convert purchased physician offices into provider-based off-campus clinics that receive higher fees than they otherwise would have been paid for professional services. While policy changes have curtailed some of this, incentives for acquisition remain<sup>3</sup> including for drug expenditures<sup>4</sup> for grandfathered and other excepted sites.

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<sup>1</sup> Medicare Payment Advisory Commission. [Report to the Congress: Medicare Payment Policy](#). Washington, DC: MedPAC, March 2020.

<sup>2</sup> Avalere Health. "[Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#)." Physicians Advocacy Institute. April 2024.

<sup>3</sup> Levinson, Zachary, et al. "[Five Things to Know About Medicare Site-Neutral Payment Reforms](#)." KFF, 14 June 2024

<sup>4</sup> Actuarial Research Corporation. *Impact of Medicare Site Neutrality on Off-Campus Drug Administration Costs*. Blue Cross Blue Shield Association, 18 Oct. 2023,

Ownership by a hospital or health system can impact where a physician refers patients<sup>5</sup> and where patients receive<sup>6</sup> follow-on care, increasing broader revenue. Prices for services provided by acquired physicians increase by an average of 14.1%.<sup>7</sup> Commercial plans can be challenged to identify these sites based on claims data, thwarting efforts to equalize payments across sites.

Unfortunately, the added costs to patients from these practices are not evident at the time of care. Patients often pay the same out-of-pocket prices when a hospital buys a physician practice and raises the rates overnight for the same services at the same location furnished by the same physician. The added costs, though, are paid by the plan, raising the cost of care for all insureds, and driving up premiums for those, and all, patients.

**Patients should not have to bear the cost of higher prices for the same service, at the same location, by the same physician just because a hospital buys a physician practice.**

Health care spending can be lowered by aligning payments to better reflect their complexity regardless of where they are performed, a policy called “site-neutral payments.” This would reimburse provider-based off-campus clinics at the same rate as physician offices, thereby addressing payment disparities that result in higher costs to patients and taxpayers.

While some progress has been made on the federal level for the Medicare markets, existing policies fall short. The Bipartisan Budget Act (BBA) of 2015 codified site-neutral payments for hospital outpatient departments (HOPDs) but excepted:

- Locations that operate on a hospital campus;
- Locations billed as HOPDs prior to November 2, 2015; and
- Dedicated emergency departments.

These exemptions lead to the following issues, necessitating additional comprehensive site-neutral payment reforms to better control costs and promote competition:

- *Limited scope*: Studies have shown that the BBA’s exceptions were so broad that only a very small percentage of hospital outpatient spending is subject to site-neutral rates: as little as 1.5% in 2020<sup>7</sup> and 2.3% in 2022<sup>8</sup>. Further, studies show that existing law has not significantly reduced consolidation efforts.<sup>9</sup>
- *Lack of transparent billing*: Existing billing practices make it difficult for payers to tell which hospital-owned locations should be subject to site-neutral payments.<sup>10</sup>
- *Loopholes*: Freestanding emergency departments are exempt from site-neutral payment rules and thus are generally paid the same as on-campus emergency departments. However, they often treat patients in a similar manner to urgent care centers instead of on-campus emergency departments. This makes freestanding emergency departments an attractive business model to increase hospital revenue.<sup>11</sup>

The Committee for a Responsible Federal Budget recently estimated that site-neutral payments in the commercial market could reduce total national expenditures by \$458 billion over the next decade (2024-

<sup>5</sup> Carlin, Caroline S et al. “[The Impact of Hospital Acquisition of Physician Practices on Referral Patterns.](#)” *Health economics* vol. 25,4 (2016): 439-54. doi:10.1002/hec.3160

<sup>6</sup> “[How Does Hospital Ownership of Physician Practices Affect Which Hospitals Patients Use?](#)” *NIHCM Foundation*, 1 Feb. 2015.

<sup>7</sup> [Site-Neutral Payment Reform: Little Impact On Outpatient Medicare Spending Or Hospital-Physician Integration.](#) Post, B. et al. May 2025.

<sup>8</sup> [CMS Site-Neutral Payments Affect Small Share of Spending.](#) Avalere Health. January 2024.

<sup>9</sup> [Site-Neutral Payment Reform: Little Impact On Outpatient Medicare Spending Or Hospital-Physician Integration.](#) Post, B. et al. May 2025.

<sup>10</sup> [CMS is Taking Steps to Improve Oversight of Provider-based Facility, But Vulnerabilities Remain.](#) OIG. June 2016.

<sup>11</sup> [Distance From Freestanding Emergency Departments to Nearby Emergency Care.](#) Freeman, R. et al. October 2019.

2033), reducing commercial premiums by \$386 billion and patient cost sharing by \$73 billion, and reducing the federal budget deficit by \$117 billion.<sup>12</sup>

**Recommendation:** We urge the Committee to prohibit provider-based off-campus clinics that deliver low value, routine services from billing outpatient rates. Further, the Committee should require these sites to obtain separate national provider identifiers and notify patients when fees increase due to an acquisition, as this will improve accountability and transparency

Thank you for your consideration of these comments. AHIP stands ready and willing to work with policymakers in Vermont and we look forward to more opportunities to provide input in this area. If you have any questions or concerns regarding our comments and would like to discuss these matters further, please contact Sarah Lynn Geiger at [slgeiger@ahip.org](mailto:slgeiger@ahip.org) or by phone (609) 605-0748.

Sincerely,



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cc: Members, House Committee on Health Care  
Jonathan Wolff, AHIP Retained Counsel

#### ABOUT AHIP

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit [www.ahip.org](http://www.ahip.org) to learn how working together, we are **Guiding Greater Health**.

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<sup>12</sup> "[Moving to Site Neutrality in Commercial Insurance Payments](#)." *Committee for a Responsible Federal Budget*, 14 Feb. 2023,