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Testimony of Sophia Tripoli, MPH
Senior Director of Health Policy
Families USA

Before the U.S. Senate Special Committee on Aging

"Health Care Transparency: Lowering Costs and Empowering Patients."

July 11, 2024

Families USA
1225 New York Avenue, NW
Suite 800
Washington, DC 20005

Chairman Casey, Ranking Member Braun, members of the Committee, thank you for the opportunity to testify at this critical hearing focused on health care affordability and the harmful impact of medical monopolies that flourish under our health care system's lack of transparency and healthy competition. It is an honor to be with you today.

My name is Sophia Tripoli, and I am the Senior Director of Health Policy at Families USA. For more than 40 years, Families USA has been a leading national, non-partisan voice for health care consumers working to achieve our vision of a nation where the best health and health care are equally accessible and affordable to all. In October 2022, we launched the Center for Affordable Whole Person Care to affirm and enhance our commitment to revolutionize America's health care system to hold the health care industry accountable for delivering affordable, equitable, high-quality and person-centered health care.

We greatly appreciate the work of this Committee to examine and advance bipartisan solutions to lower costs and improve health system transparency for aging Americans and families across the country. This work is urgently needed: Our health care system is in crisis, evidenced by a severe lack of affordability and poor quality.[1] It is going to take all of us working together, across political party and health policy philosophy, from rural and urban communities alike, to fix it.

You have the support of the American public as you work to address these issues. Ninety-three percent of Americans agree that our country is paying too much for the quality of health care we receive, and more than half of adults in that same poll said that their most recent health care experience was not worth the cost.[2] The majority of Americans now rate the quality of health care as subpar, including 31% saying it is 'only fair' and 21% calling it 'poor.'[3] Recent polling shows that almost 90% of voters say it is important for this Congress to take action to reduce high health care prices, particularly hospital prices, including 95% of Biden voters and 85% of Trump voters.[4]

The U.S. Health System in Crisis: Harming Families, Workers, Employers, and Taxpayers

The United States is in the midst of a health care affordability and quality crisis. High and rising health care prices, particularly for hospital stays and prescription drugs, are a direct threat to the health and wellbeing of every American, negatively impacting our access to health care, our ability to earn a living wage, and the health of our national and local economies. At its core, this crisis is driven by a fundamental misalignment between the business interests of the health care sector and the health and financial security of our nation's families – a business model that allows industry to set prices that have little to do with the quality of the care they offer.

Broken incentives within our current system reward building local monopolies and price gouging instead of rewarding success in promoting the health, wellbeing and financial security of families and communities.[5] This is particularly acute when looking at the shifting role of hospitals in our economy over the last 60 years.[6] What were once local charitable institutions built to serve the community have now become large corporate entities focused on maximizing revenue rather than improving health.[7] Americans in far too many communities have watched as their local hospitals became health systems, and those health systems were bought by large health care corporations. What many in the public and policymaking community are beginning to realize is how much this has destroyed any real competition in our health care sector, allowing hospitals to dramatically increase their prices every year with little to no transparency into the true costs associated with delivering care.[8] And health care consumers have been left holding the bag.

Impact on Families and Workers

More than 100 million Americans face medical debt; a quarter of all Americans forgo needed medical care due to the cost; and a third of Americans indicate that the cost of medical

services interferes with their ability to secure basic needs like buying groceries and paying rent.[9] In addition, more than a quarter of older Americans, who spend more on health care than any other age group, report being very concerned they will be unable to pay for lifesaving health care in the future.[10]

Not only do consumers and patients experience high health care prices in the form of expensive medical bills, but high health care costs also affect the economic vitality of middle-class and working families by crippling the ability of working people to earn a living wage. Rising prices are a major contributor to skyrocketing health insurance costs, which come directly out of workers' paychecks as annual increases in premiums and cost sharing.[11] This results in stagnating wages, rising income inequality, and ultimately leaves workers with less in take home pay over time, making it more difficult for them to afford housing, pay their regular expenses, send their children to school, and retire.[12]

Today's real wages – wages after accounting for inflation – are roughly the same as four decades ago, yet employer health insurance premiums have risen dramatically.[13] The total cost of a family employer-sponsored insurance (ESI) plan increased an astounding 272% in the past two decades, rising from $6,438 annually in 2000 to $23,968 in 2023.[14] As a result, a U.S. family of four with a median income of roughly $95,000 annually is estimated to have lost more than $125,000 in wages over roughly the same time period.[15] A recent analysis by Families USA found that if policymakers do not take action to rein in high and rising hospital prices and the harmful business practices of large heath care corporations, low- and middle-income workers – a group that disproportionately includes people of color – could lose another $20,000 in wages by 2030.[16] At the same time, nearly 90% of large employers say that rising health care costs will threaten their ability to provide health care benefits to employees over the next five to 10 years if costs are not

lowered.[17] The rising costs of health care have already contributed to record numbers of businesses no longer providing critical worker benefits, including retiree health benefits, disproportionately harming older adults who rely on these benefits during retirement. As a result, older Americans are increasingly exposed to high and rising health care costs. In fact, out-of-pocket health care spending for older Americans grew a staggering 41% between 2009 and 2019.[18]

To make matters worse, workers are increasingly subjected to health insurance plans with larger cost-sharing requirements, including higher-deductible health plans, in an effort to contain rising health care spending and costs. Deductible-related costs for workers have grown significantly, with the average annual deductible for an individual employee's coverage nearly doubling in just a decade, from $1,025 in 2010 to $2,004 in 2021.[19] Importantly, the 153 million Americans who rely on ESI for health insurance cannot always access the care they need, with more than a quarter putting off or postponing needed medical care due to the high cost.[20]

Impact on Taxpayers and Our Economy

High and rising health care costs not only threaten the health and financial security of American individuals and families but are also a critical problem for the federal government, state governments, and taxpayers. National health expenditures (NHE), which includes both public and private spending on health care, have grown from $27.1 billion in 1960 to nearly *$4.5 trillion* in 2022.[21] Relative to the size of the economy, NHE grew from 5% of gross domestic product (GDP) in 1960 to 17.4% in 2022.[22] The largest proportion of this spending is on hospital care, which accounts for a 30 percent share at a whopping $1.4 trillion annually.[23]

And the situation is expected to get much worse, with NHE projected to climb to $7.2 trillion by 2031, and high and rising health care costs projected to continue to grow faster than the

economy, hitting nearly 20% of GDP by 2031.[24] That means a fifth of our economy will be spent on health care. This far outpaces what similarly situated countries spend on health care: On a per capita basis, the U.S. spent $12,555 in 2022 – over $4,000 more per person than any other peer nation.[25]

Notably, the excessive cost of health care does not generally buy Americans higher-quality care or even higher volumes of care. In fact, the opposite is true. Despite spending two to three times more on health care than other peer countries, the United States has some of the worst health outcomes, including some of the lowest life expectancy and highest infant mortality rates.[26] These health outcomes are even worse for people of color who experience higher rates of illness and death across a range of health conditions compared with their white counterparts.[27] And the vast majority of our nation's seniors have at least one chronic health condition, with many dealing with multiple health issues.[28]

Lack of Transparency Provides Cover to Medical Monopolies and their Unjustifiably High Prices

Importantly, America's health care affordability crisis stems from high, rising, and variable prices across a wide range of health care goods and services, particularly for hospital care and prescription drugs. For example, the price of Humira — a drug used to treat arthritis — is more than four times as expensive in our country as in the United Kingdom and almost twice as expensive as in Germany.[29] The average price of a hospital-based MRI in the United States is $1,475,[30] while that same scan costs $503 in Switzerland and $215 in Australia.[31]

What's more, health care is one of the only markets in the U.S. economy in which consumers are blinded to the price of a service until they receive a bill *after* the services are delivered.[32] Consumers and employers, who are the ultimate purchasers of health care, have

limited insight into what the prices of health care goods and services are. For the majority of Americans (66%) who receive health care through private insurance, health care prices are established in closed-door negotiations between large hospital corporations and health plans based on who has more market power.[33] These health care prices, often referred to as the negotiated rate, are buried in proprietary contracts without insight into or oversight over the price of health care services by the public and policymakers.[34]

These exorbitant, opaque, and unjustifiable prices are largely due to trends in health care industry consolidation across the U.S. that have eliminated healthy competition and allowed monopolistic pricing to flourish.[35] This consolidation has taken place without meaningful regulatory oversight or intervention, and is becoming more acute.[36]

The end result is a system with few truly competitive health care markets left: 95% of metropolitan statistical areas (MSAs) having highly concentrated hospital markets, nearly 80% of MSAs having highly concentrated specialist physician markets, and 58% of MSAs having highly concentrated insurer markets.[37] Consolidation has been particularly pronounced among hospitals, drug companies, and pharmacy benefit managers and is made worse by the increasingly harmful role of private equity firms in the U.S health care system:

- *Hospitals*, health systems and other providers have rapidly consolidated, via horizontal and vertical integration, into large health care corporations, amassing outsized market power in order to increase prices for hospital care year after year. In fact, over 1,500 hospital mergers have occurred between 1998 and 2017, with an estimated 40% of those mergers taking place from 2010 to 2015.[38] Moreover, between 2013 and 2021, the percentage of physician practices that were hospital-owned rose from 15% to 53%, and the percentage of physicians employed by a hospital rose from 27% to 52%.[39]
- *Drug manufacturers* have increasingly engaged in anti-competitive behavior and transactions to similarly amass significant market power, regularly buying up or paying off

their competition in order to game the U.S. patent system and price gouge our nation's families for prescription medications. The vast majority (70%) of drug industry profits now go to only a small number (25) of the top prescription drug companies in the country.[40]

- *Pharmacy benefit managers,* as third-party administrators designed to serve as middlemen between health insurers and drug makers, have increasingly merged with insurers and pharmacies to increase their own market power to negotiate pricing structures that serve their financial interests, often to the detriment of securing more affordable prescription medicines for consumers. This has led to the top three PBMs controlling 80% of the PBM market.[41]
- *Health insurers* are increasingly consolidated. Between 2006 and 2014, the four-firm concentration ratio — the extent of market control held by the four largest firms, Aetna, Anthem Blue Cross Blue Shield, UnitedHealthcare and Cigna — for the sale of private insurance increased from 74% to 83%.[42] This results in monopolistic health care prices that lead to unaffordable health care and poorer quality.[43] There is also growing vertical integration between insurers and health care providers; UnitedHealthcare for instance now employs almost 50,000 physicians as of 2021, and their reported share of medical expenses that flow to employed providers or other related businesses increased nearly 250% between 2016 and 2019.[44]

Widespread consolidation across the health care system has been compounded by the growing role of private equity (PE) firms over the last decade. Once largely uninvolved in the U.S. health care system, PE firms are increasingly purchasing and reselling a variety of health care provider organizations in order to make short term profit, largely to the detriment of the financial wellbeing of those providers and ultimately to health care access and affordability in a community. In 2020, health care became the second largest sector for private equity investment, accounting for 18 percent of all reported deals, up from 12 percent in 2010.[45] Private equity investors spent more than $750 billion on health care acquisitions between 2010 and 2019.[46]

The business model of private equity firms is fundamentally misaligned with ensuring that our nation's families have the high-quality, affordable, and equitable health care they need and deserve. PE firms often apply a very short-term profit driven business model (a three-to-seven-year period) to their investment strategy, characterized by buying a health care entity that is struggling financially or offers short-term growth potential, investing in it, saddling it with debt, and then selling their stake to generate profit.[47]

Further, recent studies show that PE ownership was associated with a number of harmful health care impacts, including but not limited to:

- Decreases in health care quality and patient safety: PE owned hospitals experience a 25% increase in hospital-acquired conditions, including a 27% increase in patient falls and an almost 38% increase in infections.[48] Researchers say that these outcomes may be partially due to "decreased staffing, changes in operator technique, poorer clinician experience," among other potential causes;[49]
- Increases in health care prices and charge-to-cost ratios: PE owned hospitals charge $400 more per inpatient day on average compared to non-PE owned hospitals;[50] and
- Increased out-of-network costs due to PE firms buying up specialty physician staffing firms.[51]

Without question, widespread and largely unchecked health industry consolidation has led to the deterioration of healthy competition across and within U.S. health care markets and has had a significantly negative impact on the affordability and quality of American health care.[52] Importantly, most health care consolidation has not resulted in reduced costs through economies of scale, improved care coordination or quality oversight as industry proponents have argued.[53] In fact, the evidence overwhelming confirms that consolidation has produced exploitative markets that drive high prices and costs without improving the quality of care.[54]

In many cases, consolidation is actually associated with *reductions* in health care quality.[55] For instance, one study found that mortality risk among heart attack patients is significantly higher in more concentrated hospital markets.[56] On top of that, consolidation often leads to reduced geographic access to needed providers, which can contribute to longer travel times and serious health consequences, particularly for rural communities.[57] For example, rural hospitals that merge with larger hospital systems are more likely to eliminate key service lines in primary care, maternal and neonatal health, surgery, mental health, and substance use disorder services post-merger, significantly reducing access to critical health care services and threatening the health and wellbeing of rural communities.[58] Moreover, increasing the distance to the nearest site of health care can result in people living in all types of communities not getting the care they need due to a lack of transportation or the time needed to get there, disproportionally affecting older Americans, racially and ethnically marginalized groups, those with low incomes, and people with disabilities.[59]

A Closer Look at Hospital Consolidation

Nowhere is the negative impact of consolidation more evident than the rising cost of hospital stays and services, which have increased dramatically in the last decade and make up a large portion of increasing health care costs overall.[60] These cost increases have occurred despite lower hospital utilization and are largely due to escalating prices, which are the result of hospitals buying other hospitals and community doctors to eliminate competition and form big health care corporations and medical monopolies.[61]

Between 1990 and 2023, hospital prices increased 600%, and just since 2015, hospital prices have increased as much as 31% nationally, now accounting for nearly one-third of U.S. health care spending, and growing more than four times faster than workers' paychecks.[62] Importantly, hospital prices are not only high, but have become essentially irrational:

- In 2020, across all hospital inpatient and outpatient services, employers and private insurers paid on average 224% of what Medicare pays for the same services.[63]:
- Prices at hospitals in concentrated markets are 12% higher than those in markets with four or more rivals without any demonstrated improvement in quality or access to care.[64]
- Prices for the exact same service vary widely, sometimes even within a single hospital system:
    - A colonoscopy at a single medical center in Mississippi can range from $782 to $2,144 depending on insurance.[65]
    - At one health system in Wisconsin, an MRI costs between $1,093 and $4,029 depending on level of insurance.[66]
    - Across the country, the average price for a knee replacement ranges from $21,976 in Tucson, Arizona to $60,000 in Sacramento, California.[67]
    - The price of an MRI at Mass General Hospital in Boston Massachusetts ranged from $830 to $4,200, depending on the insurance carrier.[68]

Importantly, America's health care workers are also suffering ill-effects of being trapped in this greed-driven system. Following hospital mergers, wages for nurses and skilled workers stagnate: Wage growth was found to be 1.7% below the average national wage growth for these workers following horizontal mergers.[69] Research on high-impact mergers shows that over the four years post-merger, wages might be 6.8% lower for nurses and pharmacy workers and 4% lower for other skilled workers, in comparison to what wages could have been without the merger.[70] This is compounded in rural areas: Research from 2015 showed that after a merger

some rural hospitals decreased their spending on employee salaries by more than $1000 per full-time equivalent employee.[71] Hospital consolidation has also been shown to have negative impacts on staffing ratios. Following an acquisition in North Carolina by HCA Healthcare in 2019, nurses in that system experienced nurse-to-patient ratio changes and staffing cuts, in addition to closures of primary care offices and cutbacks of other services.[72] This left nurses and other health care workers caring for more patients with less time and fewer resources, which the Federal Trade Commission (FTC) cautioned would lead to patient harm in the form of "higher health care costs, lower quality, reduced innovation and reduced access to care."[73]

Congress Should Root Out Corporate Greed and Fix our Broken System

It does not have to be this way. We know what the major drivers of high and irrational health care prices are, and we know how to fix them. This Committee has previously examined potential abuses in health care and taken steps to conduct oversight over the quality of care delivered in nursing homes and explore root causes of high prescription drug prices. Since the late 1800's Congress has leveraged its power to break up harmful monopolies, rein in corporate abuses and drive improved transparency across a wide array of other industries and sectors, ranging from big oil to big tobacco to big banks to big tech.[74] Last year the Senate even examined how to promote healthy competition in entertainment and protect consumers from the monopolistic pricing practices exhibited by Ticketmaster.[75] **Now is the time to turn full attention to the health care industry and ask the hard and necessary questions about the impacts of medical monopolies on health care affordability that pose a direct threat to the health and wellbeing of every American.**

The House of Representatives has already advanced well-vetted, bipartisan, and commonsense legislation that would remedy some of the most obvious health system failings. The *Lower Costs, More Transparency Act*, which passed the House in an overwhelming bipartisan vote in December 2023, would make crucial progress by codifying and strengthening price transparency rules, expanding site neutral payments, and advancing billing transparency, among other reforms. Several Members of Congress have introduced other meaningful solutions, including Ranking Member Braun's legislation: S. 3548, the *Health Care PRICE Transparency Act 2.0* and S. 1869, the *Site-based Invoicing and Transparency Enhancement* (*SITE) Act*. Some of these provisions, in addition to other important policy solutions, are discussed in further detail below.

Strengthen Price Transparency

Unveiling prices is a critical step towards achieving truly affordable health care, improved health, and more competitive health care markets across the U.S. health care system. Price transparency pulls back the curtain on prices so that policymakers, researchers, employers, and consumers can see how irrational health care prices have become and take action to rein in pricing abuses.[76] Further, unveiling prices can specifically inform where the highest and most irrational prices are occurring in the health care system, so policymakers can implement targeted policy solutions to bring down the cost of health care.[77] All Americans, and particularly older Americans who heavily rely on the health care system, should be able to easily access the price of health care services at a hospital or health care facility before they receive care.

Consumer advocates have long sought transparency in health care prices. Following years of consumer advocacy, the Center for Medicare and Medicaid Services (CMS) finalized the Hospital Price Transparency Rule and the Transparency in Coverage Rule, which require hospitals and

insurers respectively to disclose health pricing information, including their negotiated rates, and to provide consumer-friendly online tools to allow consumers to compare prices and estimate out-of-pocket costs.[78] But many large hospital corporations have bucked the federal requirements and are actively working to keep their prices hidden.[79]

The *Lower Costs, More Transparency Act* makes clear, without any exception, that all hospitals and insurers are required to post the underlying price of health care services, in a machine readable and consumer-friendly format. The *Health Care PRICE Transparency Act 2.0* would advance transparency by taking bold steps to:[80]

- Impose data sharing standards.
    - Require machine-readable files of all negotiated rates and cash prices between plans and providers, not estimates.
    - Expand price transparency requirements to clinical diagnostic labs, imaging centers, and ambulatory surgical centers.
    - Require pricing data standards including all billing codes for services.
    - Require actual prices for 300 shoppable services with all services by 2025.
    - Require attestation by executives that all prices are accurate and complete.
    - Increase maximum annual penalties to $10,000,000 (includes specific minimum and maximum penalties according to number of hospital beds in the facility).
    - Prevent pre-emption of state price transparency laws, except for ERISA group health plans.
- Codify the Transparency in Coverage (TIC) rule.
- Provide group health plans the right to access, audit, and review claims encounter data.

The American public is in broad agreement about the need for action on price transparency, with polling showing that a large majority (95%) of the public say it is important for Congress to pass a law to make health care costs more transparent to patients, including 60% who call this a top priority.[81]

Enact Site Neutral Payment and Billing Transparency

Market inefficiencies that stem from site-specific payment rates in Medicare are a significant problem which, if addressed, could save American families and health care payers billions of dollars.[82] Since commercial insurance and Medicaid often adopt Medicare payment policies, the broken payment incentives in Medicare are amplified across payers. These site-of-service payment differentials drive care delivery from physician offices to higher-cost hospital outpatient departments.[83] This shift is a major driver of higher spending on health care services which require lower resources such as office visits and minor procedures.[84] Importantly, these payment differentials create a financial incentive for hospitals to consolidate by buying physician offices and rebranding them as off-campus outpatient hospital departments (HOPDs) and facilities in order to receive higher payments.[85] This type of consolidation – vertical integration between hospitals and physicians – leads to a growingly anticompetitive market where hospitals increase market power to demand even higher prices from commercial payers.[86] These higher commercial prices are then passed on to American families and come directly out of workers' paychecks, typically as monthly health insurance premiums.[87]

Currently, hospitals that own doctors' offices that have been rebranded as off-campus HOPDs are allowed to charge a "facility fee" in addition to the higher fees they bill for the physician services they provide.[88] The result is that consumers not only receive a bill for the visit with the physician but also for the use of the hospital facility where the visit occurred.[89] These bills together (the physician fee and the facility fee) amount to a higher total cost for the consumer than if the service was provided in the physician's office.[90]

We are encouraged that Members of Congress are working to address payment differentials across sites of service that incentivize further consolidation and are a major driver of

unaffordable care for America's families. The *Lower Costs, More Transparency Act* takes important steps toward fostering healthier competition in health care markets by advancing billing transparency reforms and expanding site neutral payments for drug administration services to help ensure consumers pay the same price for the same service regardless of where that service is performed. It would enact billing transparency reforms so that off-campus hospital outpatient departments are required to use a separate identifier when billing to Medicare or commercial insurers to ensure large hospital systems do not overcharge for the care they deliver in outpatient settings. It would also enact site neutral payments for physician-administered drugs in outpatient settings, which is estimated to save the highest-need chemotherapy patients more than $1,000 on cost sharing a year.[91] The Congressional Budget Office (CBO) estimates that site neutral payments for physician-administered drugs and billing transparency reforms would generate $3.74 billion and $403 million in savings, respectively, over ten years.[92] These policies are welcome first steps to addressing misaligned payment incentives that lead to higher costs for patients without meaningfully improving quality.

Bipartisan legislation introduced by Ranking Member Braun, S. 1869 *Site-based Invoicing and Transparency Enhancement (SITE) Act*, would go even further to expand site neutral payments for outpatient services, end exemptions in Medicare billing rules that keep many facilities from having to charge the same price for the same service, and require that health systems establish and bill using a unique National Provider Identifier number for each and every off-campus outpatient department.[93] The bill is projected to save the government as much as $40 billion based on previous CBO estimates.[94]

Ultimately, Congress could make significant strides in addressing medical monopolies by implementing comprehensive site-neutral payment policies as recommended by MedPAC in 2023,

and eliminating site-dependent reimbursement distortions that indirectly incentivize acquisition of non-hospital patient access points.[95] CBO estimates that this policy could save Medicare approximately $140 billion over the next decade.[96] And the Committee for a Responsible Federal Budget projects that these policies could reduce health care spending by $153 billion over the next decade, including lowering premiums and cost-sharing for Medicare beneficiaries by $94 billion and for those in the commercial market by $140-466 billion.[97]

Ban Anticompetitive Contracting Practices

We also urge Congress to take a close look at anticompetitive practices and clauses in health care contracting agreements between providers and insurers that give large entities in highly consolidated markets the upper hand in contract negotiations to build networks and set prices. Many of these contracts include terms that limit patient access to alternative sources of higher-quality, lower-cost care. Congress made important progress by banning gag clauses in executed contracts between insurance plan issuers and providers or provider networks as part of the *Consolidated Appropriations Act of 2021*. This policy has the potential to enable consumers and employers to be more informed purchasers of health care and to unveil fundamental information that policymakers, employers, researchers and other stakeholders need to identify health care markets with the highest prices and build policy that encourages healthier competition.

Congress should further prohibit large hospital systems from using their monopoly power to employ anti-competitive contracting practices when negotiating with insurers and other health care providers, as this is one of the primary ways medical monopolies are able to charge high and rising prices.[98] These prohibitions should include the use of “all-or-nothing,” “anti-steering,” and

"anti-tiering" clauses in contracts between health care providers and insurers. "Anti-tiering" and "anti-steering" clauses restrict the plan from directing or incentivizing patients to use other providers and facilities with higher quality and lower prices; and "all-or-nothing" clauses require health insurance plans to contract with all providers in a particular system or none of them. These contracting terms too often limit consumers from accessing higher-quality and lower-cost care.[99]

Bipartisan legislation led by Senate HELP Committee Chairman Sanders, S.2840, the *Bipartisan Primary Care and Health Workforce Act*,[100] includes provisions to ban anticompetitive terms in facility and insurance contracts, estimated by CBO to increase revenues by $3.2 billion over a 10-year window.[101]

Ensure Transparency in Ownership

Additionally, we urge the Committee to continue to explore opportunities to improve transparency around the ownership interest of health care corporations, particularly when it comes to private equity. We support legislative provisions considered by committees of jurisdiction in the U.S. House of Representatives that would require providers to annually report changes in ownership, and hope that Congress will consider integrating these or similar provisions back in to any final health care transparency legislation that is sent to the President's desk. Without insight into how profits from health systems are ultimately being funneled it is very difficult to identify potential abuses, leaving private equity firms free to purchase health systems in order to drive profits through upcoding, surprise billing, and other questionable business practices.

Strengthen FTC Oversight Authority

Policymakers should prevent future horizontal, vertical, and cross-market mergers that undermine healthy competition in health care markets and drive unaffordable care by ensuring

the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) are fully applying federal antitrust laws to horizontal integration, such as mergers between hospitals and other health systems, pharmacy benefit managers and drug companies; and vertical integration, such as mergers between physician practices and hospitals, health plans and pharmacy benefit managers. Specifically, Congress should improve the infrastructure needed to monitor anti-competitive mergers and contracting practices among health care corporations by increasing FTC and DOJ funding for anti-trust enforcement, and by giving the FTC authority to investigate and rein in anti-competitive practices by non-profit health care entities, including non-profit hospitals. Special attention should be given to PE firms and the smaller transactions that may traditionally fall below existing thresholds of review. Congress should increase the number of health care transactions reported to FTC and DOJ and subject to anti-trust review and enforcement by reducing the *Hart-Scott-Rodino Act* reporting threshold.[102]

Congress has the Power to Fix our Broken System – And Families Can't Afford to Wait

Over the last year there has been growing bipartisan momentum in Congress to advance policies that improve health care system transparency, end pricing abuses, and deliver on promises to make health care more affordable. Congress has a clear and immediate opportunity to put the needs of families ahead of the demands of corporate greed, and people all across the country are desperately awaiting action.

Consider the story of Ben Los from Colorado, whose encounter with our health care system's lack of transparency came at the most vulnerable time for his young family:

> *In September of 2022, Ben Los's 5-year-old son began experiencing seizures. After rushing him to the doctor, Ben and his wife were referred to a specialist within their insurance*

network, an hour and a half away from their Colorado Springs home. They got the EEG scan for their son and were in and out of the specialist's office in 45 minutes where they were assured, "yes, absolutely this is covered." Yet two months later, the Los family received a bill for $2,518 for the appointment. After calling the hospital to find out why they were being charged for something they had confirmed multiple times was covered, the hospital claimed this was for "facility fees." The appointment itself was covered, but now the hospital was defending the charge stating, "Well, you paid the clinic staff, but now you also have to pay the hospital."

After extensive efforts, Ben was able to speak to somebody near the top of the hospital's administration, who negotiated the bill down to a 75% reduction under a classification of charity care. During this time Ben engaged with an investigative journalist in Denver and found out the hospital is owned by one company, which is owned by another company, and so on. When they finally identified the overarching owners of the health system, they discovered those owners profited billions of dollars in the first nine months of 2022 alone. "You can't tell me that there is no way for the hospitals to pay their employees when they're raking in the kinds of net profits that they're claiming every single year," said Ben.[103]

Patients experience egregious price hikes for the very same services they've previously received in the very same outpatient settings. For instance, Kyunghee Lee, a then 72-year-old retiree who lives in Mentor, Ohio:

Kyunghee Lee has arthritis and once a year she would go to a rheumatologist for a steroid injection in her hand to relieve pain in her knuckles. For a few years, each round of injections cost her $30. In 2021, she arrived at her usual office and the rheumatologist she regularly saw had moved to a new floor of the building - just one floor up. She didn't think anything of it, as the rest of the appointment went as usual, until she received a bill for $1,394. The infusion clinic that Lee went to had been moved from an office-based practice to a hospital-based setting, and as a result the price of the same service she had been relying upon increased a staggering 4,546%. Lee's bill had a $1,262 facility fee attached, making up the majority of the increase in cost, even though she saw the same doctor and

received the same treatment as the years prior. Lee and her family didn't know what they would do about the shot in the following year when the story was reported.[104]

In some cases, patients receive bills for facility fees when they never even set foot inside a medical facility of any kind. Take the story of Brittany Tesso and her then 3-year-old son Roman from Aurora, Colorado:

In 2021, Roman's pediatrician referred him to Children's Hospital Colorado to receive an evaluation for speech therapy. With in-person visits on hold due to the COVID-19 pandemic, the Tessos met with a panel of specialists via videoconference. The specialists, who appeared to be calling from their homes, observed Roman speaking, playing, and eating. Later, Mrs. Tesso received a $700 bill for the one-hour video appointment. Then, she received another bill for nearly $1000. Thinking it was a mistake, Mrs. Tesso called to question the second bill. Despite the fact that the Tessos never set foot inside the hospital, she was told the bill was a "facility fee" designed to cover the costs of being seen in a hospital-based setting.[105]

In addition to jeopardizing financial security for individual patients and their families, widespread health system consolidation risks the health and economic security of entire communities: [106]

Hahnemann University Hospital opened in Philadelphia, Pennsylvania in 1885. For more than 130 years, it served primarily lower income residents, until 2018 when it was purchased by Paladin Healthcare, a private equity firm. Over the course of about 18 months, Paladin Healthcare laid off physicians, nurses, and other workers, while steering the hospital towards bankruptcy and closure.[107] *Questions and concerns were raised by local, state, and national officials as to whether the motivation for these decisions came from the value of the land on which the hospital sat being seen as more valuable to the private equity firm than the nearly 500-bed charity hospital itself.*[108] *Despite the local community's longstanding reliance on this centrally located hospital, Hahnemann University Hospital closed its doors in August 2019. Shortly thereafter, the land was put up*

for sale. In addition to residents losing access to care, thousands of employees lost their jobs and 550 medical residents were displaced.[109]

The American People Want Action

A broad range of stakeholders have endorsed and supported critical policy solutions to address consolidation and improve transparency, including organizations representing consumers, patients, workers, small and large employers, and primary care clinicians.[110] And large majorities of voters support a range of policies to lower prices. Voters from both sides of the aisle broadly support:[111]

- Requiring hospitals to provide real prices in advance, not estimates (93%)
- Limiting outpatient fees to the same price charged by doctors in the community (85%)
- Preventing hospitals from engaging in business tactics that reduce competition (75%)
- Limiting mergers and acquisitions (74%)

Beyond these immediate steps, policymakers should focus on a broader redesign of the economic incentives of the health care sector to align with consumers and families. Ultimately, policy solutions should reorient health care payment and delivery to the goal that we all have — improved health for ourselves and our families that is affordable and economically sustainable.

Thank you again for holding this hearing today and for your leadership in addressing the challenges posed to older Americans and their families by our health care system's lack of transparency and affordability. Congress should seize this momentum to immediately implement commonsense policies that rein in abusive health care prices and make health care more affordable for everyone: patients, workers, and taxpayers alike. The journey to fully transform our

health care system is long, but Congress holds the power to take the next critical steps. Families USA stands ready to support you in this essential and urgently needed work.

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