



July 6, 2017

The Honorable Thomas E. Price, MD
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C., 20201

Dear Dr. Price:

The Physicians Advocacy Institute (“PAI”) appreciates the opportunity to share ideas about specific administrative reforms that would improve the efficiency of the health care system by alleviating onerous and expensive regulations on physician practices. The PAI and our affiliated medical associations laud your commitment to reducing unnecessary regulation throughout the system.

PAI is a 501(c)(6) advocacy organization that advocates for fair and transparent payment policies and contractual practices by payers in order to sustain the profession of medicine for the benefit of patients. PAI’s Board of Directors is comprised of CEOs and former CEOs from nine state medical associations: California, Connecticut, Georgia, Nebraska, New York, North Carolina, South Carolina, Tennessee, and Texas, and a physician member from Kentucky. As a physician, you have a unique perspective into many of the challenges facing the medical profession.

PAI is committed to advancing policies that protect the ability of patients to receive the best possible care in the most appropriate and cost-effective clinical setting, which is often the physician office. In today’s environment, however, physicians in every practice setting are under tremendous pressure. Increasingly, physicians are leaving private practice to enter into employment arrangements with hospitals and health systems. A recent study by PAI and Avalere found the number of physician practices owned by hospitals and health systems rose 86% between 2012-15. By 2015, 38% of physicians were employed, reflecting a near-50% increase in employment over the three-year period. Fueling this trend is the long-standing practice of reimbursing care performed in a hospital outpatient department setting at a higher rate than if the same service is performed in the physician office setting. While recent legislation addressed that site of service payment differential for newly built or acquired HOPDs, it persists for existing HOPD-delivered care.

Another major threat to physician practices are the administrative and financial burdens associated with staying abreast of and complying with overly burdensome regulations. Efforts to reduce unnecessary

spending in the health care system must include policies to remove obstacles to efficient and effective services.

Administrative costs in the health care system must be addressed in any effort to control overall health care spending. These costs in the U.S. private and public health care system consume an estimated \$361 billion annually — 14 percent of all health care expenditures. Insurers and government health coverage require physicians' practices to adhere to many complex program rules and policies. The U.S. Department of Labor's Bureau of Labor Statistics reports that in 2011, physicians and health care providers employed more billing and posting clerks than any other industry. Increasing access to physician services can reduce the total cost of health care by encouraging the use of high quality, cost-effective outpatient care and thus decreasing the use of higher-cost emergency or inpatient services.

PAI supports policies that would result in a significant reduction of administrative expenses that add to the cost of providing medical care to patients. The policies detailed in the attached document are among those that would do so.

PAI and the medical associations represented on the PAI Board of Directors welcome the opportunity to work with you and your staff on these and other measures to strengthen the health care system. If you have any questions, please contact me at rseligson@ncmedsoc.org or Kelly C. Kenney, PAI's Executive Vice President and CEO, at k2strategiesllc@gmail.com.

Sincerely,



Robert W. Seligson, MBA, MA
President, Physicians Advocacy Institute
Executive Vice President/CEO, North Carolina Medical Society