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Physician-Administered Outpatient Drugs Cost More than \$14 Billion More When Delivered in Hospital Outpatient Departments Instead of Physician Offices

WASHINGTON – August 12, 2021 – The [Employee Benefit Research Institute's Center for Research on Health Benefits Innovation](#) has released a study that finds that employers and workers would collectively save \$14.1 billion annually if price differentials between hospital outpatient departments (HOPDs) and physician offices (POs) were eliminated for all physician-administered outpatient drugs (PAODs). On average, plan payments to HOPDs are triple what plan payments are to POs for the same unit of medication.

["Location, Location, Location: Spending Differences for Physician-Administered Outpatient Medications by Site of Treatment"](#) finds that just over one-half of PAODs are administered in HOPDs. One-third are administered in a PO, and the remainder are received in other settings, such as a patient's home. Allowed charges are higher in HOPDs than in POs for all but 2 of the 72 PAODs examined in this study. The annual median price differential was \$5,099 but reached nearly \$78,674 for one specific oncology injection. On a per member, per year basis, savings would be \$110.03 for all PAODs if price differentials between HOPDs and POs were eliminated.

"It turns out location might be as important in managing health care costs as it is to measuring real estate value," said Paul Fronstin, EBRI Director of Health Research and Education. "While consolidation of providers could make it challenging, employers can exert pressure on hospitals, either alone or banding together in a coalition, to shift from discounted charge contracts based on a multiple of Medicare to some other prospective case rate. Employers could also work with their health plans to do the same with the hospitals in their networks."

["Location, Location, Location: Spending Differences for Physician-Administered Outpatient Medications by Site of Treatment"](#) is the latest in a series of EBRI studies looking at price differentials of health care services by site of treatment. The study uses 2019 IBM® MarketScan® Commercial Claims and Encounters Database, which contains member enrollment information as well as adjudicated inpatient and outpatient medical and pharmacy claims. EBRI constructed an analytical dataset of adults (ages 18-64) who were continuously enrolled in employment-based health plans in 2019. A total of 10.8 million individuals met these criteria.

["Location, Location, Location: Spending Differences for Physician-Administered Outpatient Medications by Site of Treatment"](#) can be downloaded from www.ebri.org/location-location-location.

It was conducted with funding support from Aon, Blue Cross Blue Shield Association, ICUBA, JP Morgan Chase, Pfizer, and PhRMA.

About EBRI

[The Employee Benefit Research Institute](#) (EBRI) is a nonpartisan membership organization committed to contributing to, encouraging, and enhancing the development of sound employee benefit programs and public policy through objective research and education. Founded in 1978, EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues.

About CRHBI

[The Center for Research on Health Benefits Innovation](#) is an EBRI member-driven think tank that helps employers assess the impact that various innovations, including plan design and other initiatives, have on cost, quality, and access to health care. It is focused on three broad areas of research: behavioral economics, incentives, and consumer-driven health benefits. This provides a framework for solutions and action items to address the cost and value of providing health benefits and informs policy discussions that can also best help improve outcomes.