News From The Employee Benefit Research Institute

Same Drugs, Different Treatment Site: New EBRI Research Finds $12.7 Billion in Potential Annual Health Care Savings

Hospital outpatient departments received an average of 102% more per unit than physician offices for the same medication

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WASHINGTON, D.C. — New research from the Employee Benefit Research Institute (EBRI) finds that substantial differences in reimbursement for the same physician-administered medications based on where treatment is provided could add billions of dollars annually to the cost of employment-based health coverage.

The research found that hospital outpatient departments (HOPDs) were paid an average of 102% more per unit than physician offices for the same physician-administered outpatient medications. If HOPDs were reimbursed at physician-office rates, employers and workers could collectively save approximately $12.7 billion — equivalent to about $101 per covered member each year.

The new research, **"Location, Location, Location: Spending Differences for Physician-Administered Outpatient Medications by Site-of-Treatment,"** examines 2023–2024 commercial health insurance claims for 106 of the highest-spending physician-administered outpatient drugs. These medications represented approximately 51% of claims and 77% of total spending for physician-administered drugs. The analysis used adjudicated claims from the Merative MarketScan Commercial Database for adults ages 18–64 with employment-based health coverage.

Physician-administered outpatient medications include injectable and infused therapies commonly used to treat cancer, autoimmune diseases, inflammatory disorders, multiple sclerosis, rare diseases and other serious chronic conditions. Many of these medications can be administered in either hospital outpatient departments or physician offices.

Key findings in the report include:

- **Hospital outpatient departments are the predominant treatment setting.** Approximately 59% of physician-administered outpatient drug administrations occurred in HOPDs, compared with 31% in physician offices and 9% in other settings, including patients' homes.
- **Large reimbursement differences persist for the same medications.** HOPDs received higher reimbursement for 93 of the 106 medications examined. On a per-unit basis, HOPDs were paid an average of 102% more than physician offices, while the median reimbursement difference was 64%.
- **The annual reimbursement difference can be substantial for individual patients.** The median annual difference across medications was $5,531 per patient, while the difference reached $135,306 for one oncology medication.
- **Reducing site-of-treatment reimbursement differences could produce billions of dollars in savings.** Extrapolating the analysis to all physician-administered outpatient drugs suggests potential annual savings of approximately $12.7 billion, or about $101 per covered member.
- **Most immediate savings would accrue to employers and health plans.** Among claims examined, 90% had no deductible payment, 80% had no coinsurance and 97% had no copayment. Because patients using these medications are often high users of health care services and may already have reached annual deductibles or out-of-pocket maximums, reductions in reimbursement would have a relatively limited immediate effect on patient cost sharing.
- **Workers and their families could benefit over time.** Lower reimbursement could contribute to slower growth in overall health plan spending and, ultimately, health insurance premiums.

- **The reimbursement gap has narrowed but remains substantial.** Looking at medications included in EBRI's earlier analysis, the median HOPD markup declined from 98% in 2019 to 70% in 2024. Much of that narrowing resulted from higher reimbursement in physician offices rather than reductions in HOPD reimbursement.

“Where a medication is administered can have a significant effect on what an employment-based health plan pays, even when the medication itself is the same,” said Paul Fronstin, Ph.D., director of Health Benefits Research at EBRI. “While not every treatment can or should be provided in a lower-cost setting, these findings show that reducing unnecessary reimbursement differences could generate meaningful savings for employers and health plans and, over time, help reduce cost pressures for workers and their families.”

The research notes that site-of-treatment reimbursement differences can occur even when the medication and underlying treatment remain the same. Hospital acquisitions of physician practices, differences in negotiating leverage, facility payments and other market factors can contribute to higher reimbursement in hospital outpatient settings.

The analysis does not assume that all care can or should be moved from hospital outpatient departments to physician offices. Instead, the research estimates the portion of spending associated with differences in reimbursement for clinically comparable services while holding utilization constant.

For employers and health plans, the findings highlight the potential importance of contracting strategies, site-of-care programs, network design and reimbursement policies that address unnecessary payment differences across treatment settings. The findings also contribute to ongoing discussions among policymakers about site-neutral payment approaches and other strategies designed to reduce reimbursement variation while preserving access to clinically appropriate care.

To review the complete new research report, visit https://www.ebri.org/publications/research-publications/issue-briefs/content/location--location--location--spending-differences-for-physician-administered-outpatient-medications-by-site-of-treatment.

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Media Note: To receive the complete research report, email Ron Dresner at dresner@ebri.org