

# The Washington Post

Health Brief from WP Intelligence

## **GOP takes aim at hospital profits**

Plus: Providers as Trump administration to step up enforcement of surprise billing law.

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### ***In today's issue:***

- Republicans question health system executives about whether profit motives are driving higher health costs
- Site-neutral payment policies, or paying hospital-owned outpatient departments at the same rate as doctors' offices, becomes dominating issue
- A new physician-led letter asks regulators to step up enforcing a law meant to protect patients from surprise medical bills, arguing that insurers are undermining its protections

# The Lead Brief

Several Republicans on an influential tax-writing panel took aim at corporate health care as a major driver of rising costs, signaling the continued wave of populism throughout the party that has been increasing in recent years.

The tone among some GOP lawmakers during the House **Ways and Means Committee** hearing would have been unthinkable a decade ago.

Even more recently, certain Republicans began criticizing nonprofit hospitals — and how they use their tax-exempt status — in a way that has struck some health industry experts as notable. In Tuesday’s hearing, lawmakers questioned the multimillion-dollar salaries of nonprofit health system executives as well as their system’s investment portfolios.

“The corporatization of American hospitals means that our local hospitals and physicians have been replaced by mega-corporations that put quarterly earnings over quality care, and grow larger simply for the sake of growing larger,” said Chair **Jason T. Smith**

(R-Missouri). “So-called nonprofit hospitals rarely act much different.”

That sentiment carried through the hearing, as some Republicans repeatedly pressed hospital executives on profits, consolidation and their pricing practices — at times speaking in terms that blurred traditional partisan lines.

Rep. **Greg Murphy** (R-North Carolina) asked the chief executive of **HCA Healthcare**, one of the largest for-profit health systems in the country, to explain “why we should allow for-profit systems to exist.”

“I will tell you,” replied HCA Healthcare CEO **Sam Hazen**, “I think our model is the model — it’s the solution in many instances.” Hazen added that it provides billions of dollars in free or discounted care.

Murphy, a practicing urologist and co-chair of the Congressional Doctors Caucus, wasn’t persuaded. He also took aim at **UnitedHealth Group**, the nation’s largest health insurance company — arguing that these companies are more interested in shareholders than patients who can’t afford care.

“I don’t want to sound like a communist; I’m not. I’m a capitalist at heart,” Murphy added. “But if we now have institutions that put profits above patients ... we have to rethink this model.”

## Industry Rx

Hospital leaders largely stuck to a familiar defense: rising costs, complex patient populations and regulatory burdens drive pricing decisions, rather than an effort to maximize earnings.

“But how can you justify facility fees on outpatient facilities when there is no meaningful difference in the care delivered or quality of care?” asked Rep. **Greg Steube** (R-Florida) asked the panel of executives.

Steube was among the many lawmakers who touched on the issue of hospitals purchasing independent physician practices and turning them into outpatient departments able to secure higher payments. The hospital-owned offices often charge a “facility fee” to help cover hospital overhead.

Several Republicans expressed interest in pursuing so-called site-neutral payment policies, which would reimburse hospital-owned outpatient departments the same as doctors’ offices.

Rep. **Jodey Arrington** (R-Texas) noted that the issue is bipartisan, and had been part of the budget requests of the last two Democratic administrations. Last year, the Trump administration finalized site-neutral payment rules for physician-administered drugs in Medicare.

While the executives defended the practice of charging facility fees and higher rates at these outpatient departments — citing additional regulations and caring for more complex patients — Hazen said “there could be certain procedures” where the gap in prices is “too significant and they need to be less.”

Hazen broke from the pack of executives and said HCA Healthcare “would be glad to work with the committee” on targeted site-neutral payment policies.

But some lawmakers expressed skepticism about the willingness to collaborate on future policy efforts. The panel grilled health insurance executives in January about their role in rising health care costs, and many of them pledged to work with Congress on solutions.

“It’s been interesting to see what’s happened ever since [the January hearing],” Rep. **Beth Van Duyne** (R-Texas). “Of the five CEOs who

testified, only one has continued to actively engage with my office to follow up on these comments.”

Rep. **David Kustoff** (R-Tennessee), who also pushed site-neutral payment policies, asked New York-Presbyterian CEO **Brian Donley** whether he could tell a patient in advance what the facility fee would be for a routine service at one of the hospital’s outpatient departments.

Donley, who noted he’d only been in the CEO role for 12 months, said his team could provide that information, but acknowledged he didn’t know the answer himself. (Prior to taking the helm as chief executive, Donley worked as the hospital system’s chief operating officer.)

“We talk about price transparency a lot,” Kustoff said. “It’s important to every patient, and you’re unsure whether they would know what the facility fee is before getting a colonoscopy at your facility.”

“We’re committed to making sure patients know the price,” Donley replied.

**What to watch:** The site-neutral payment issue is important because it can save the government billions of dollars, making it an attractive inclusion in any large spending packages. Although the growing critique from lawmakers is notable, expect hospitals — which maintain

significant power on Capitol Hill — to push back against any sweeping payment changes.

## Market Moves

Prior to the hearing, Smith — who leads the House Ways and Means Committee — was on **CNBC** saying that Congress needs to “clean house” and take aim at major health care companies if lawmakers care about tackling affordability.

HCA Healthcare’s stock price started declining as the hearing began, and dropped to its lowest level in several months by the closing bell.

## Document Drop

A broad coalition led by the **American Medical Association** is accusing insurers of undermining the No Surprises Act by exploiting gray areas in the law meant to protect patients from surprise medical bills. The groups are asking the Trump administration to step in.

→ It’s another escalation in the battle between providers and insurers over implementation of the law, which is overseen by the **Department of Health and Human Services**, the **Labor Department** and the **Treasury Department**.

Physicians argue insurers are exploiting loopholes and slow-walking payments, undermining the law's intent.

→ In the letter to regulators, the groups say some plans are raising patient bills even after disputes are resolved, reopening settled cases after arbitrators sided with providers in order to avoid paying or failing to pay outstanding balances altogether, among other complaints. They're urging regulators to crack down with "more enforcement and transparency."

Meanwhile, insurers argue that the arbitration system is being flooded with ineligible requests and stretched beyond what Congress and regulators had envisioned.