

Health Care Consolidation and Market Trends

Erin C. Fuse Brown, JD, MPH
Georgia State University College of Law

NASHP Price We Pay Pre-Conference
Aug. 15, 2018

Health care spending . . .

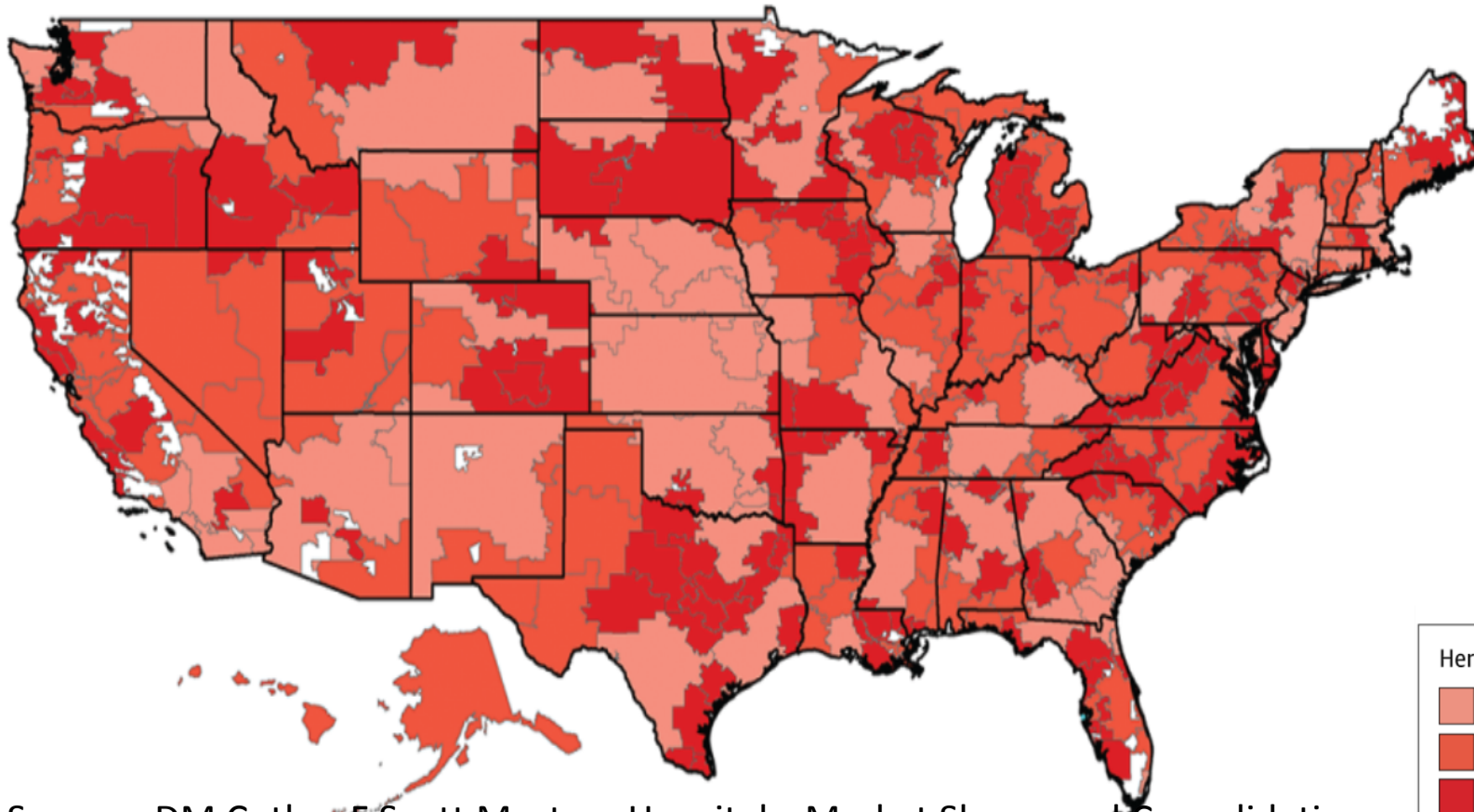
It's *still* the prices, stupid.

“The United States spent approximately twice as much as other high-income countries on medical care, **yet utilization rates** in the United States **were largely similar** to those in other nations. **Prices of labor and goods, including pharmaceuticals, and administrative costs appeared to be the major drivers of the difference in overall cost** between the United States and other high-income countries.”

Source: I Papanicolas, LR Woskie, A Jha. Health Care Spending in the U.S. and Other High Income Countries. JAMA. 2018;319(10):1024-1039.

Health care consolidation trends

A Hospital referral regions



- 1,629 hospital mergers from 1993-2017
- 90% of hospital markets are highly concentrated

Herfindahl-Hirschman Index (HHI) of Market Concentration

- Unconcentrated (HHI 100 to <1500)
- Moderately concentrated (HHI 1500 to <2500)
- Highly concentrated (HHI ≥ 2500)
- Not located in any hospital referral region

Source: DM Cutler, F Scott Morton, Hospitals, Market Share, and Consolidation, JAMA. 2013;310(18):1964-1970

Health care consolidation trends

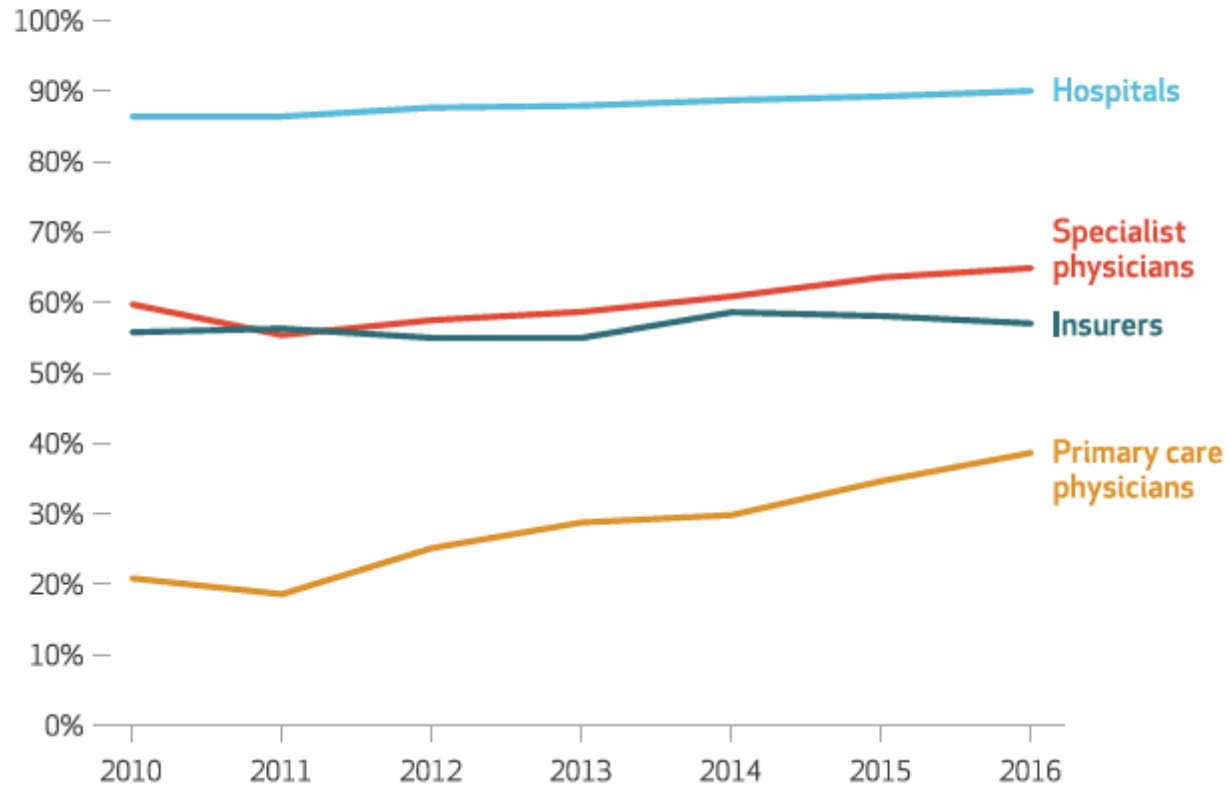
Consolidation in physician markets:

- Between 2006-2016, the percentage of primary care physicians employed by hospitals increased from 28% to 44%
- In 2016, 47% of physicians owned their own practice, down from 76% in 1983
- Most of these acquisitions are too small to receive antitrust review

Health care consolidation trends

EXHIBIT 2

Percentages of Metropolitan Statistical Areas (MSAs) whose Herfindahl-Hirschman Index (HHI) was above 2,500 for hospitals, physician organizations, and health insurers, 2010-16



% of markets that are highly concentrated:

65% of specialty physician markets

57% of insurer markets

39% of primary care markets

Source: Fulton, BD. Health Care Market Concentration Trends in the United States: Evidence and Policy Responses. Health Affairs. 2017;36(9):1530-1538.

Not just horizontal mergers....

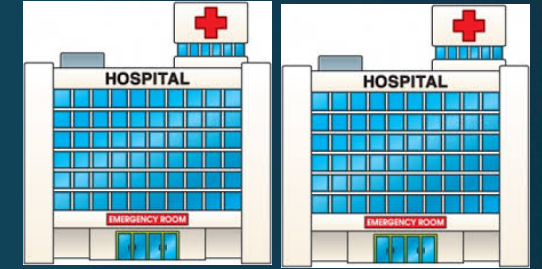
Horizontal



Vertical



Cross-Market



Not just among providers....



Hospital Consolidation → Higher Prices

Hospital consolidation leads to significantly higher prices in concentrated markets.

Estimated price increases: 20-40%

Author/Year	Result
Dafny (2009)	Merging hospitals had 40% higher prices than non-merging
Haas-Wilson, Garmon (2011)	Post-merger, Evanston NW hospital had 20% higher prices than controls
Tenn (2011)	Summit/Sutter prices increased 28% - 44% compared to controls

Hospital-Physician Consolidation → Higher Prices

Hospital ownership of physician organizations correlates with higher prices and spending.

The greater the hospital market share, the greater the price increases.

Author/Year	Result
Baker, Bundorf, Kessler (2014)	Hospital ownership of physicians is associated with higher hospital prices and spending
Robinson, Miller (2014)	Hospital-owned physician orgs had 10-20% higher total expenditures/pt than physician-owned orgs
Neprash, et al. (2015)	MSAs with increases phys/hospital integration experienced median price increases of \$75
Capps, Dranove, Ody (2018)	Vertical consolidation associated with 14.1% increase in physician prices. Integration of PCPs increased enrollee spending 4.9%

Consolidation vs. Integration

Consolidation	Integration
Combining disparate entities under common corporate ownership through merger or acquisition.	Clinical connectivity, common EHRs, shared clinical standards, care coordination
Can result in increased market power.	Clinical integration can be virtual, contractual affiliation without formal merger. But integration is often used to justify consolidation.

Consolidation and Quality

- Patient outcomes are worse in more concentrated markets, where hospitals or physicians face less competition (Gaynor et al. 2013, Koch et al. 2018)
- Hospital ownership of physician practices led to higher readmission rates and no better quality measures (McWilliams et al. 2013, Neprash et al. 2015)

Against the mounting evidence that consolidation raises prices, there is a noted lack of evidence that consolidation improves quality or reliably generates cost savings through reduced utilization or improved efficiency.

State Policies to Address Health Care Consolidation

Policy Approach	Tools
A. Market-based approach	<ul style="list-style-type: none">• Price Transparency
B. State antitrust enforcement or immunity	<ul style="list-style-type: none">• Merger enforcement• Challenging anticompetitive practices• COPAs
C. Reducing barriers to entry	<ul style="list-style-type: none">• Reforming certificates of need• Licensing, scope of practice, telehealth
D. Active public purchasing	<ul style="list-style-type: none">• Reference pricing• State-run plan, Medicaid buy-in
E. Rate oversight	<ul style="list-style-type: none">• Rate oversight commission• Rate caps• Site-neutral payment• All-payer rate setting & global budgets

State Policies to Address Health Care Consolidation

Policy Approach	Tools
A. Market-based approach	<ul style="list-style-type: none">• Price Transparency
B. State antitrust enforcement or immunity	<ul style="list-style-type: none">• Merger enforcement• Challenging anticompetitive practices• COPAs
C. Reducing barriers to entry	<ul style="list-style-type: none">• Reforming certificates of need• Licensing, scope of practice, telehealth
D. Active public purchasing	<ul style="list-style-type: none">• Reference pricing• State-run plan, Medicaid buy-in
E. Rate oversight	<ul style="list-style-type: none">• Rate oversight commission• Rate caps• Site-neutral payment• All-payer rate setting & global budgets

State Policies to Address Health Care Consolidation

Policy Approach	Tools
A. Market-based approach	<ul style="list-style-type: none">• Price Transparency
B. State antitrust enforcement or immunity	<ul style="list-style-type: none">• Merger enforcement• Challenging anticompetitive practices• COPAs
C. Reducing barriers to entry	<ul style="list-style-type: none">• Reforming certificates of need• Licensing, scope of practice, telehealth
D. Active public purchasing	<ul style="list-style-type: none">• Reference pricing• State-run plan, Medicaid buy-in
E. Rate oversight	<ul style="list-style-type: none">• Rate oversight commission• Rate caps• Site-neutral payment• All-payer rate setting & global budgets

State Policies to Address Health Care Consolidation

Policy Approach	Tools
A. Market-based approach	<ul style="list-style-type: none">• Price Transparency
B. State antitrust enforcement or immunity	<ul style="list-style-type: none">• Merger enforcement• Challenging anticompetitive practices• COPAs
C. Reducing barriers to entry	<ul style="list-style-type: none">• Reforming certificates of need• Licensing, scope of practice, telehealth
D. Active public purchasing	<ul style="list-style-type: none">• Reference pricing• State-run plan, Medicaid buy-in
E. Rate oversight	<ul style="list-style-type: none">• Rate oversight commission• Rate caps• Site-neutral payment• All-payer rate setting & global budgets

State Policies to Address Health Care Consolidation

Policy Approach	Tools
A. Market-based approach	<ul style="list-style-type: none">• Price Transparency
B. State antitrust enforcement or immunity	<ul style="list-style-type: none">• Merger enforcement• Challenging anticompetitive practices• COPAs
C. Reducing barriers to entry	<ul style="list-style-type: none">• Reforming certificates of need• Licensing, scope of practice, telehealth
D. Active public purchasing	<ul style="list-style-type: none">• Reference pricing• State-run plan, Medicaid buy-in
E. Rate oversight	<ul style="list-style-type: none">• Rate oversight commission• Rate caps• Site-neutral payment• All-payer rate setting & global budgets

Thank you!

Erin C. Fuse Brown, JD, MPH



efusebrown@gsu.edu



@efusebrown

