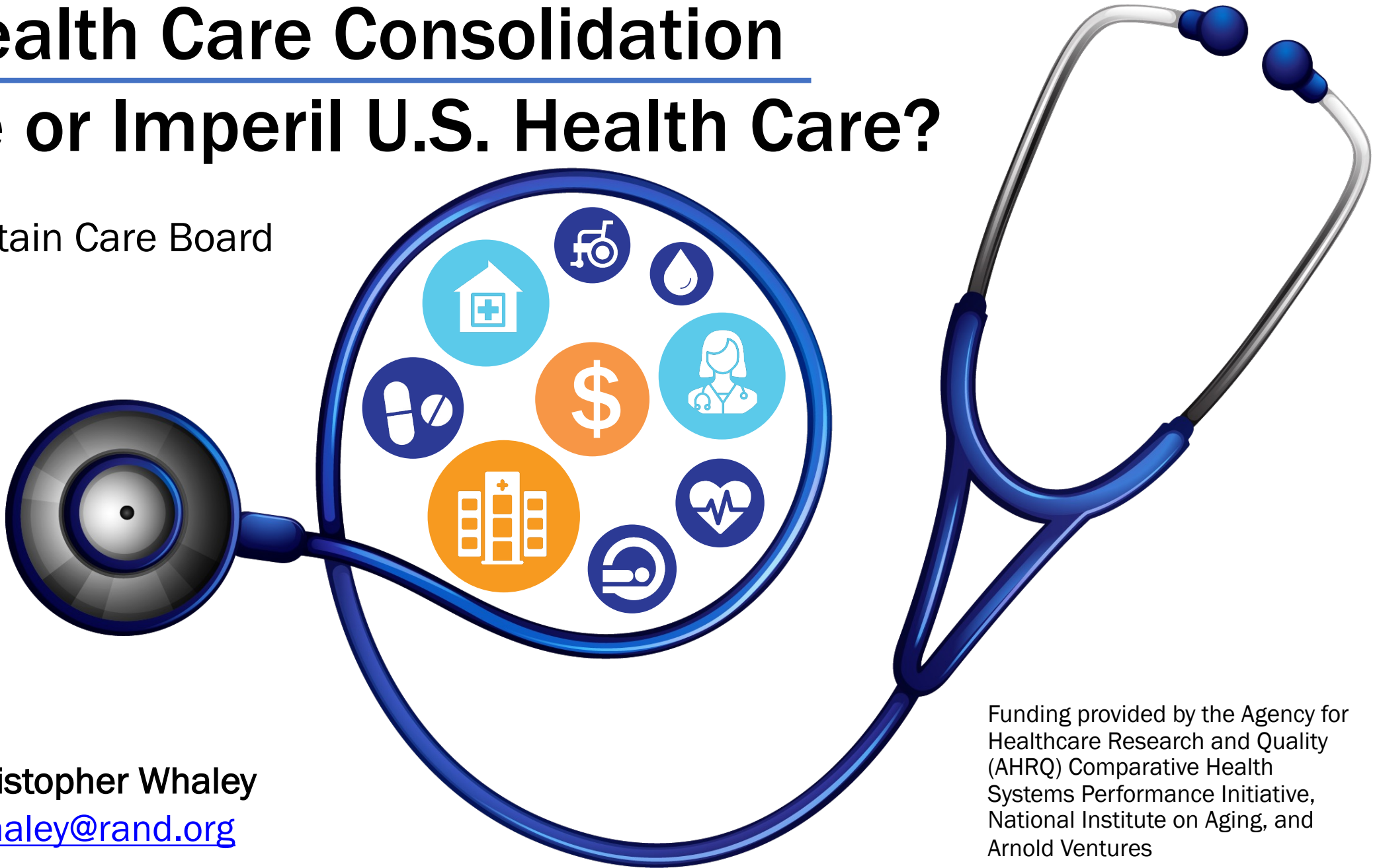


Does Health Care Consolidation Improve or Imperil U.S. Health Care?

Green Mountain Care Board

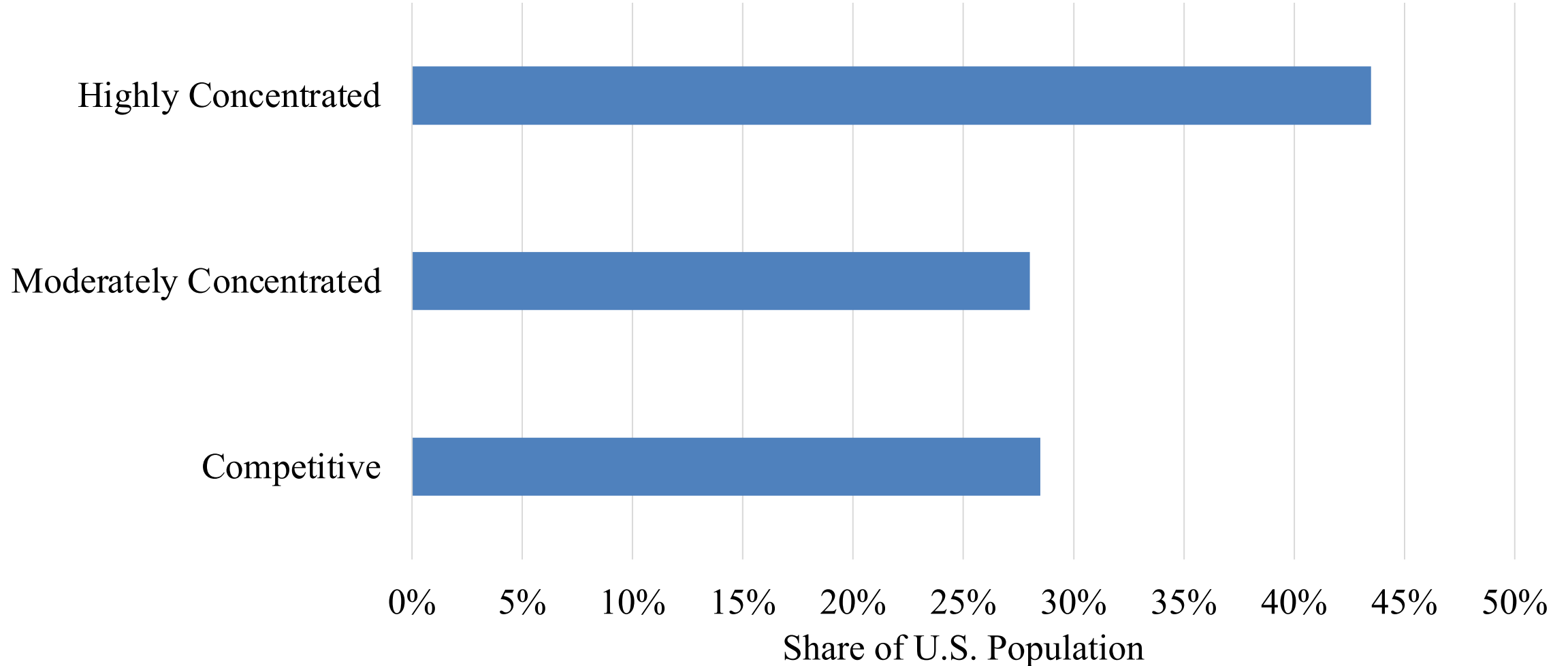
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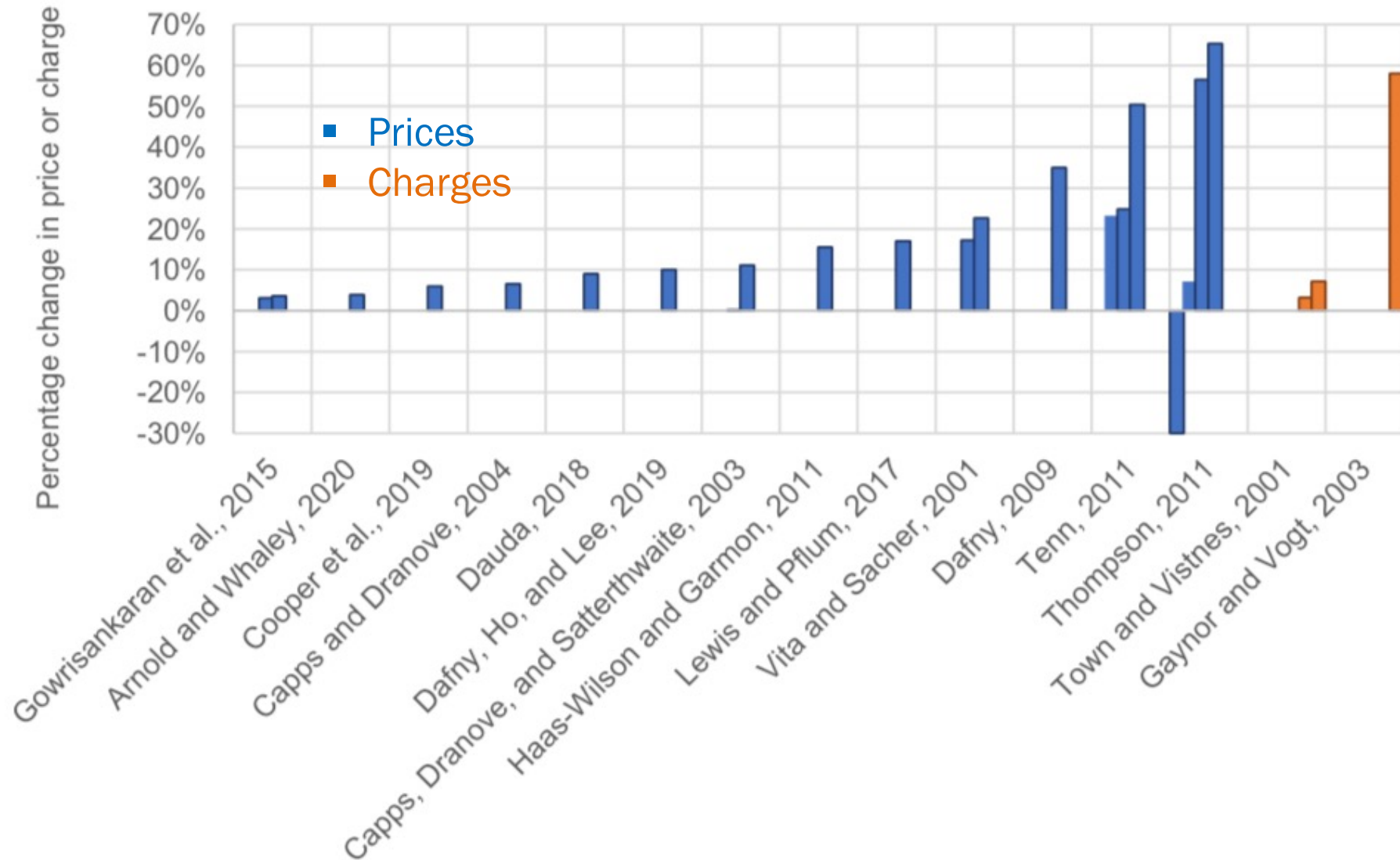
Most Americans Live in a Concentrated Hospital Market



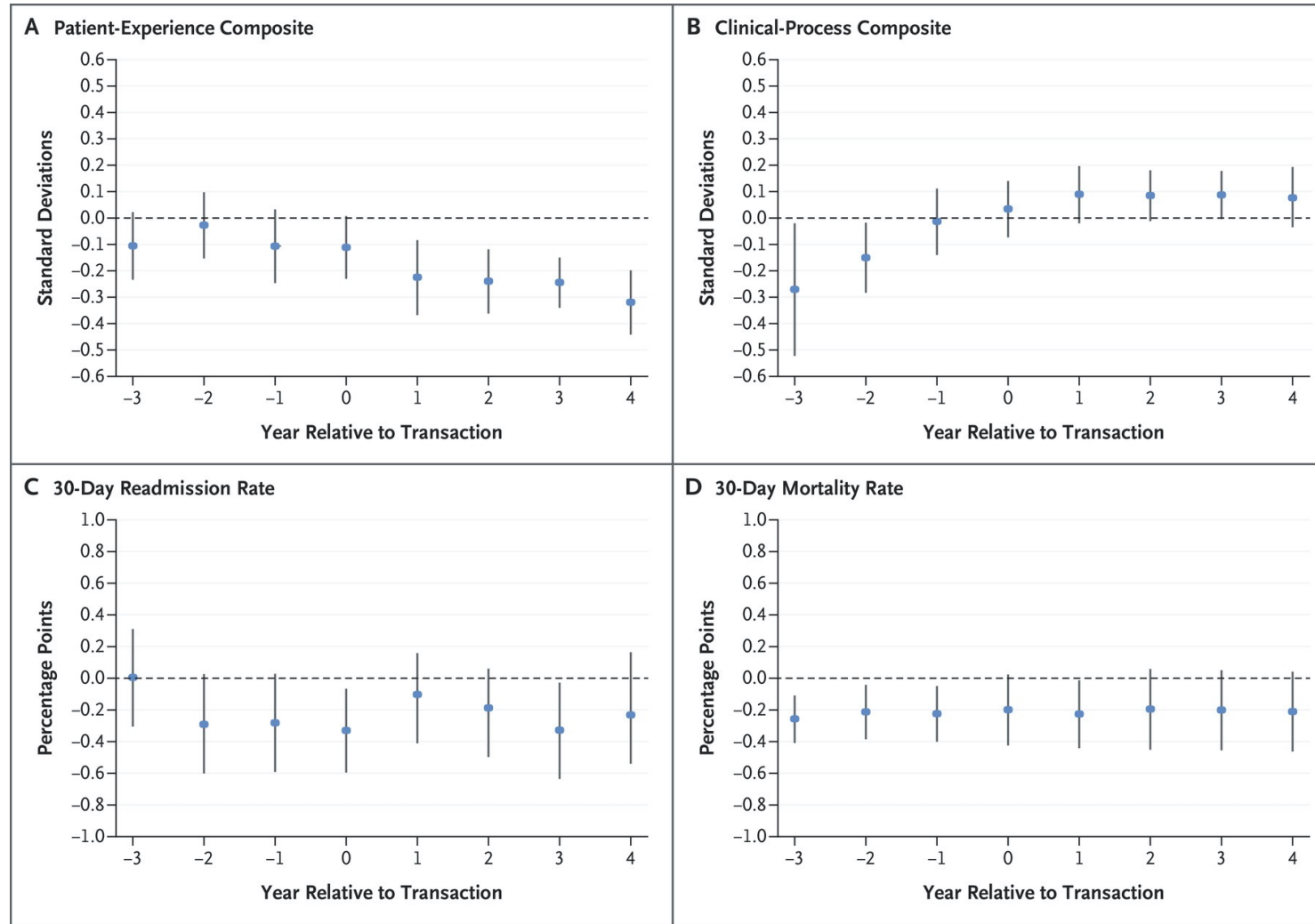
Effects of Hospital Mergers

- Robust empirical literature that finds hospital mergers lead to
 - Price increases
 - No improvements in quality
 - Reduction in wages for nurses and health professionals

Hospital Price or Charge Percentage Changes Following Hospital Horizontal Consolidation

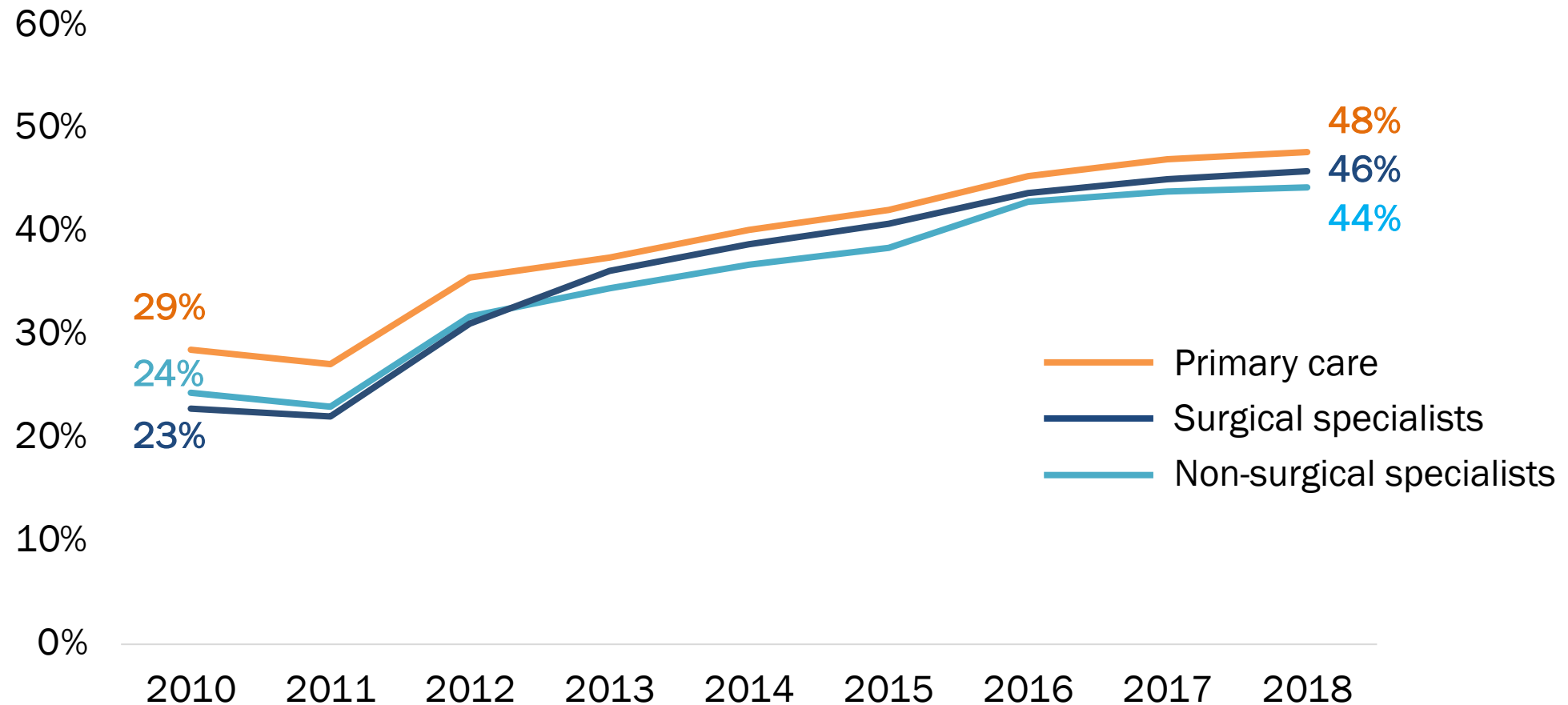


No Improvement in Quality Following Hospital Mergers

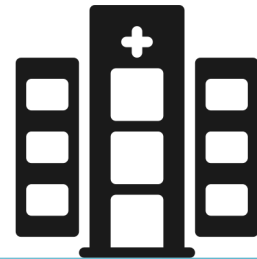


Vertical integration is dominant integration trend in the United States

Percent of physicians in practices owned by hospitals or health systems



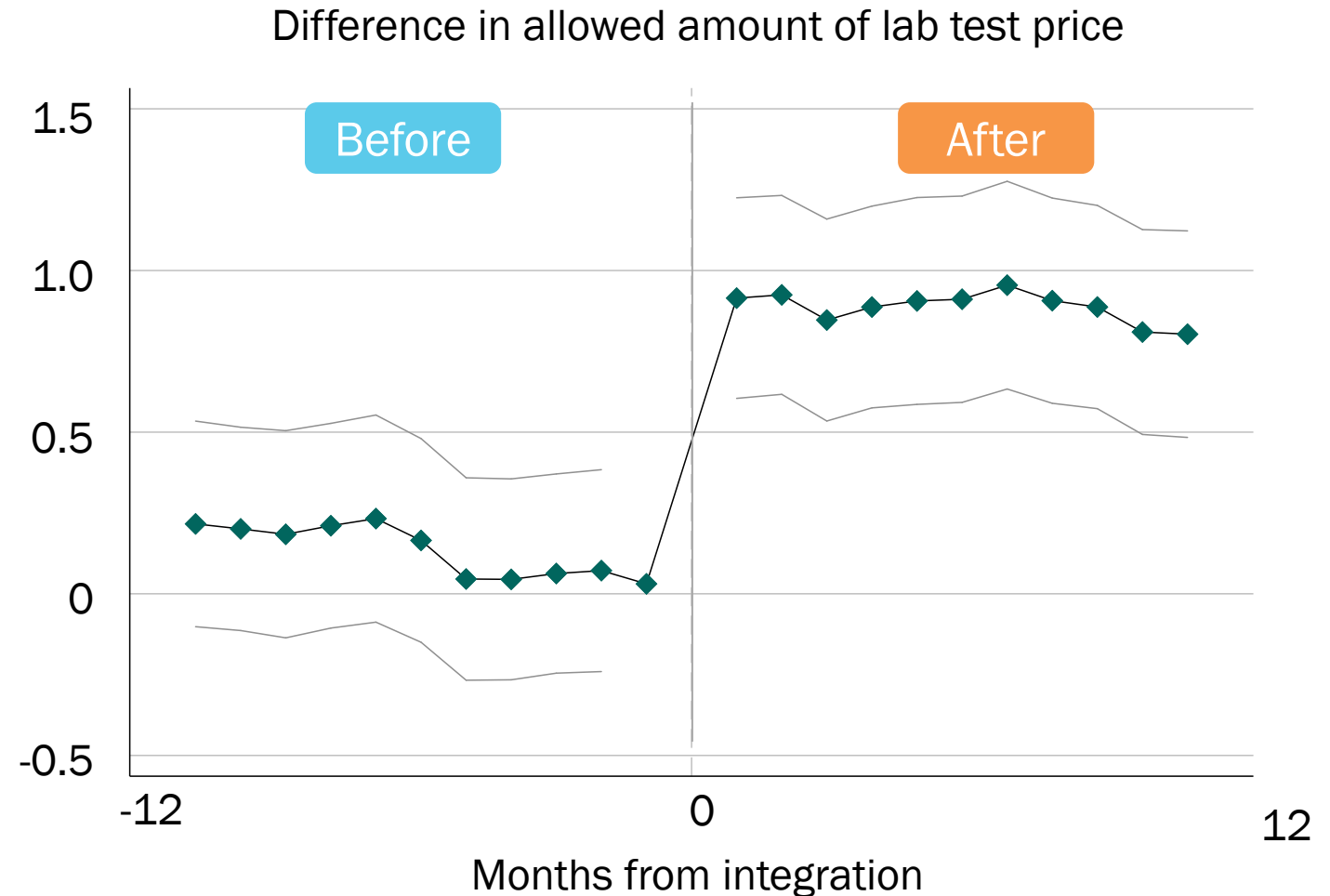
Vertical integration creates “arbitrage” opportunity



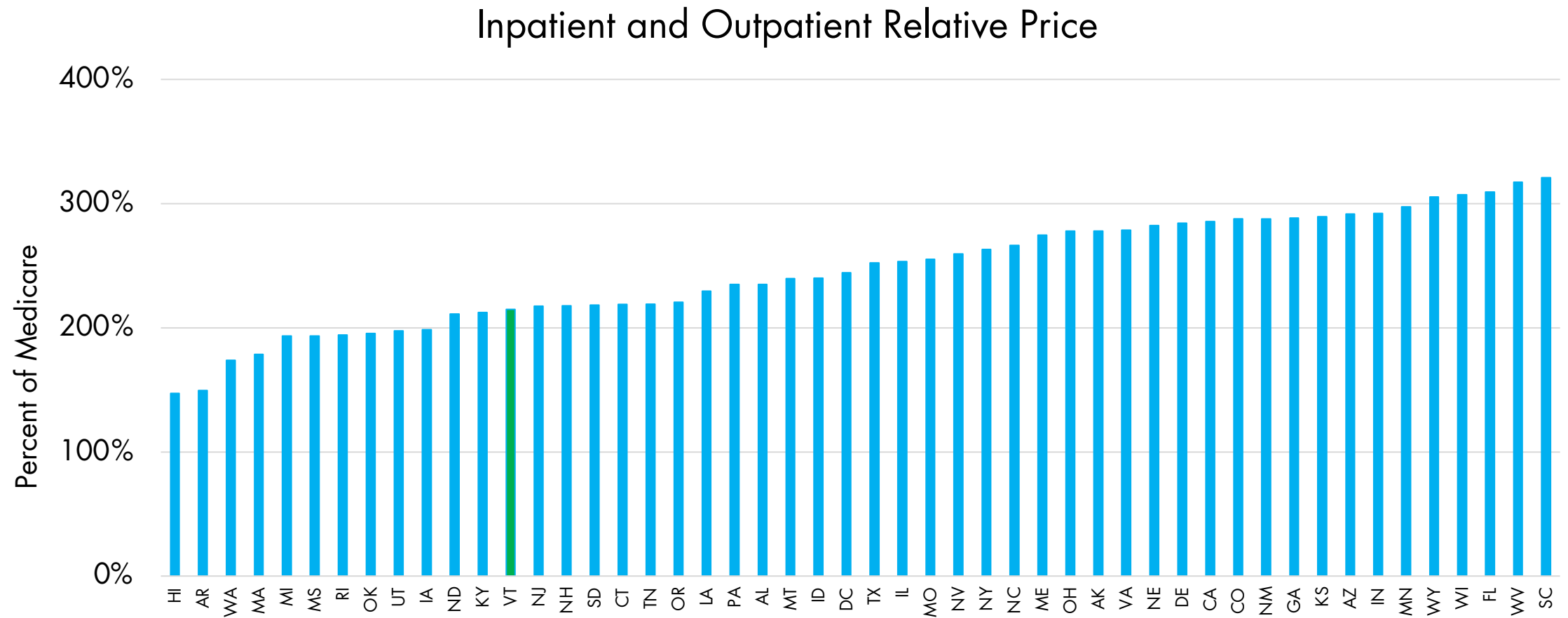
SHIFTS REFERRALS TO HOSPITALS AND INCREASES COSTS

Shift to hospitals increases prices and spending for lab and imaging

- Increases in number of diagnostic lab and imaging tests
- Shift from free-standing to hospital tests
- **\$73M** increase in Medicare spending for 5 imaging and lab tests

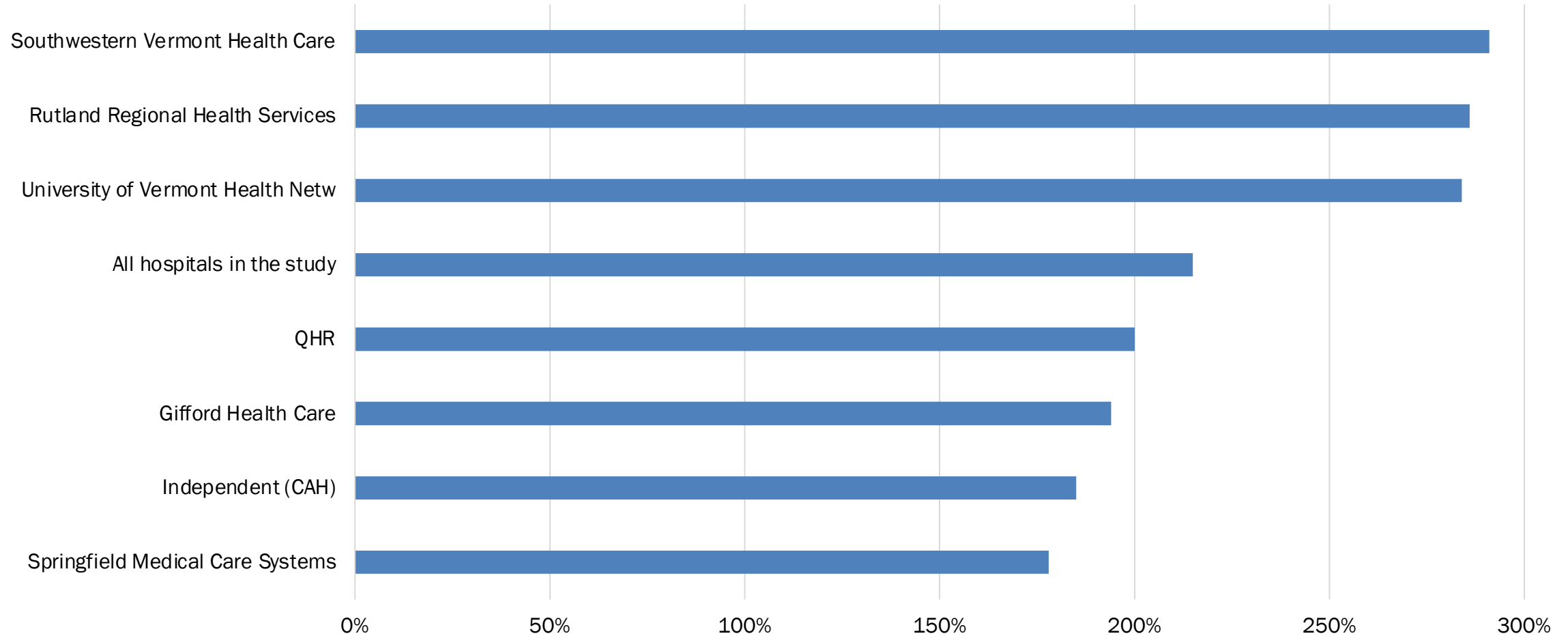


Hospital prices vary widely



Price variation among Vermont health systems

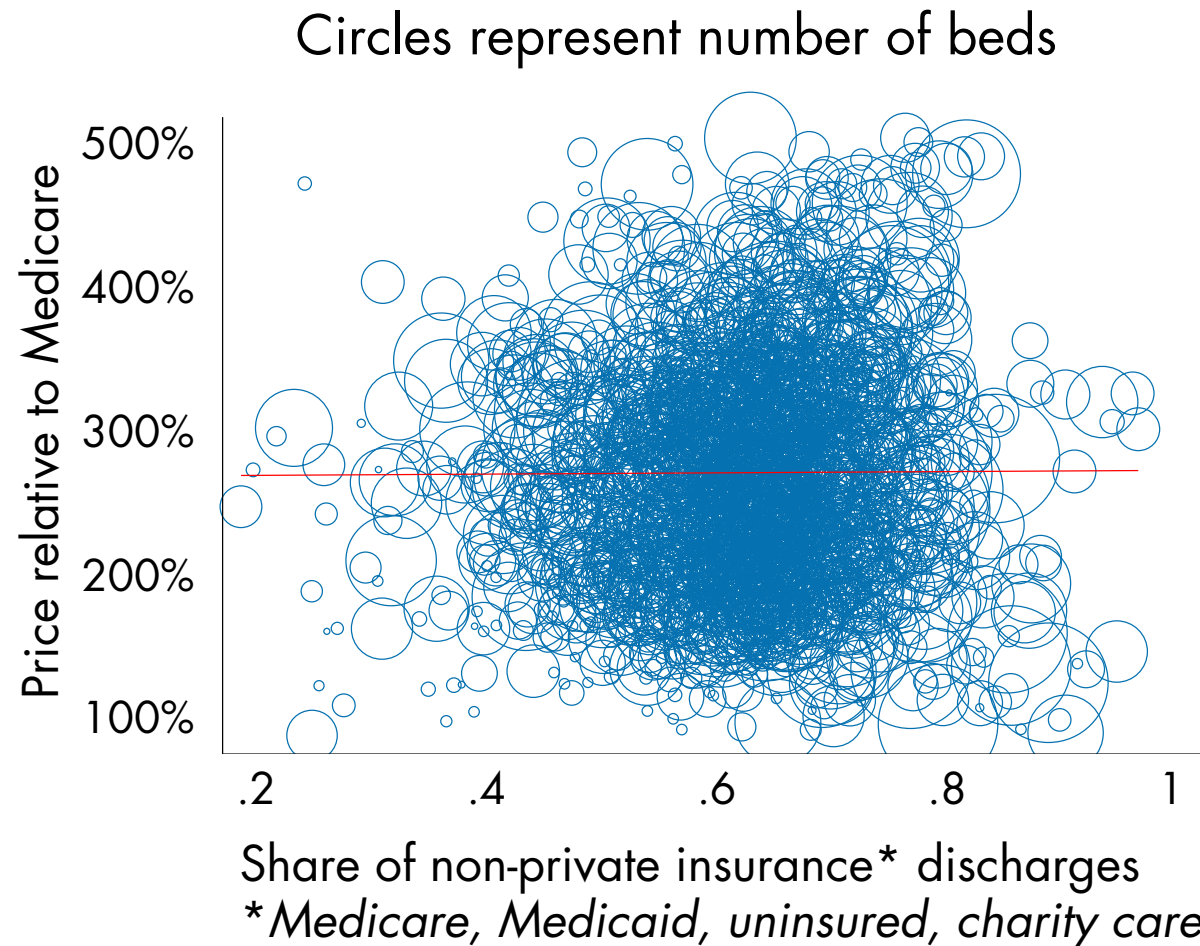
Relative price for inpatient and outpatient services, 2020



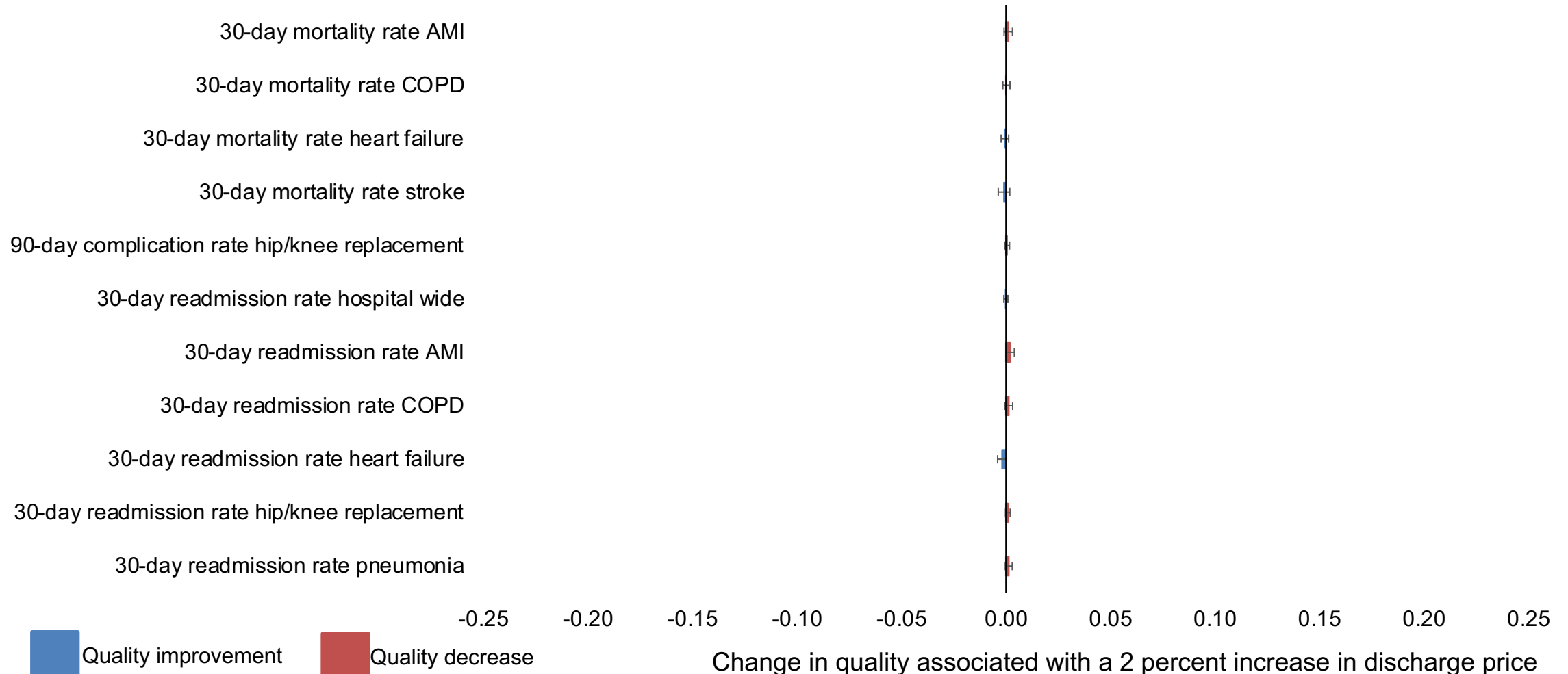
What drives prices?

- No correlation with Medicare, Medicaid, or uncompensated patients (“cost shifting” not true)
- Minimal correlation with quality and safety
- Strong correlation with market power and concentration

Non-private patients doesn't explain hospital prices



Hospital Price Increases Don't Lead to Quality Improvements



How Should Policy Makers Address Health Care Market Competition

- Many policy options proposed
 - e.g., price transparency, antitrust enforcement, rate regulation
- Little comparison of impacts of alternative policies
- We sought to create “menu” of impacts

Our approach



Focused on reforms that have been proposed by policymakers or researchers



Estimated the potential impact on spending under different specifications



Used Hospital Cost Report Information System (HCRIS) and simulation model data to estimate reductions in hospital prices and spending

Our approach



ENTREES

Regulating
prices

Improving price
transparency

Increasing
competition

Our approach



ENTREES

Regulating
prices

Improving price
transparency

Increasing
competition

Set or cap prices

Considerations

- price level
- scope of payers and providers
- political receptivity
- impact on quality of care

Our approach



ENTREES

Regulating
prices

Improving price
transparency

Increasing
competition

Collect and disclose prices to help patients, employers, and plans shift care to lower-cost hospitals and pressure hospitals to reduce prices

Considerations

- responses by patients, employers, and plans
- time horizon
- price collusion

Our approach



ENTREES

Regulating
prices

Improving price
transparency

Increasing
competition

Reduce hospital market power and challenge
anticompetitive behavior

Considerations

- approaches, e.g., prevent consolidation, facilitate market entry, break up systems

Estimated impacts

- Rate setting leads to largest reductions, but impacts depend on program design
 - Largest disruption potential
- Smaller impacts for price transparency and increased market competition
 - Modest disruption potential

Policy Scenario		Percentage Change in Average Hospital Price Paid by Private Plans	Change in Hospital Spending (\$ Billions)	Percentage Change in National Health Spending
Rate setting in all private plans				
100		-41.7	-236.6	-6.5
125	% of Medicare rates	-27.2	-152.8	-4.2
150		-12.6	-61.9	-1.7
175		+1.9	+36.1	+1.0
Rate setting in a public option				
100		-4.5	-23.0	-0.6
125	% of Medicare rates	-2.9	-13.2	-0.4
150		-1.4	-4.7	-0.1
175		+0.2	+2.3	+0.1
Rate setting for dominant hospitals				
100		-4.8	-25.4	-0.7
125	% of Medicare rates	-3.4	-17.9	-0.5
150		-2.0	-9.7	-0.3
175		-0.6	-1.0	-0.0
Capped rates in all private plans				
100		-43.2	-246.4	-6.8
125		-30.8	-178.5	-4.9
150	% of Medicare rates	-20.5	-119.1	-3.3
175		-12.7	-72.8	-2.0
200		-7.6	-42.7	-1.2
Price transparency				
Patient-driven response with	34% shoppable services	-1.7	-8.7	-0.2
	43% shoppable services	-1.4	-11.1	-0.3
Employer-driven response toward	75th percentile price	-2.2	-13.2	-0.4
	median price	-4.7	-26.6	-0.7
Increased hospital competition				
HHI decrease of up to 1,000 points	small price response	-1.0	-6.2	-0.2
	medium price response	-1.9	-12.4	-0.3
	large price response	-7.0	-43.8	-1.2
HHI decrease to 1,500	small price response	-1.6	-9.9	-0.3
	medium price response	-3.1	-19.7	-0.5
	large price response	-11.2	-68.9	-1.9

Other RAND Consolidation Results

- Increase in horizontal market concentration for outpatient surgery
 - VI can be a “backdoor” route of horizontal consolidation
- Shift in site of care from physician office to HOPD for infused drugs, which leads to 20% increase in drug prices
- No change in medication adherence among patients with chronic conditions
- Increase in total medical spending for patients with high risk (HCC) scores



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