



Addressing Health Care Consolidation: Overview

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November 17, 2020

WHAT IF THE PRICE OF FOOD INCREASED LIKE THE PRICE OF HEALTH CARE?



\$57



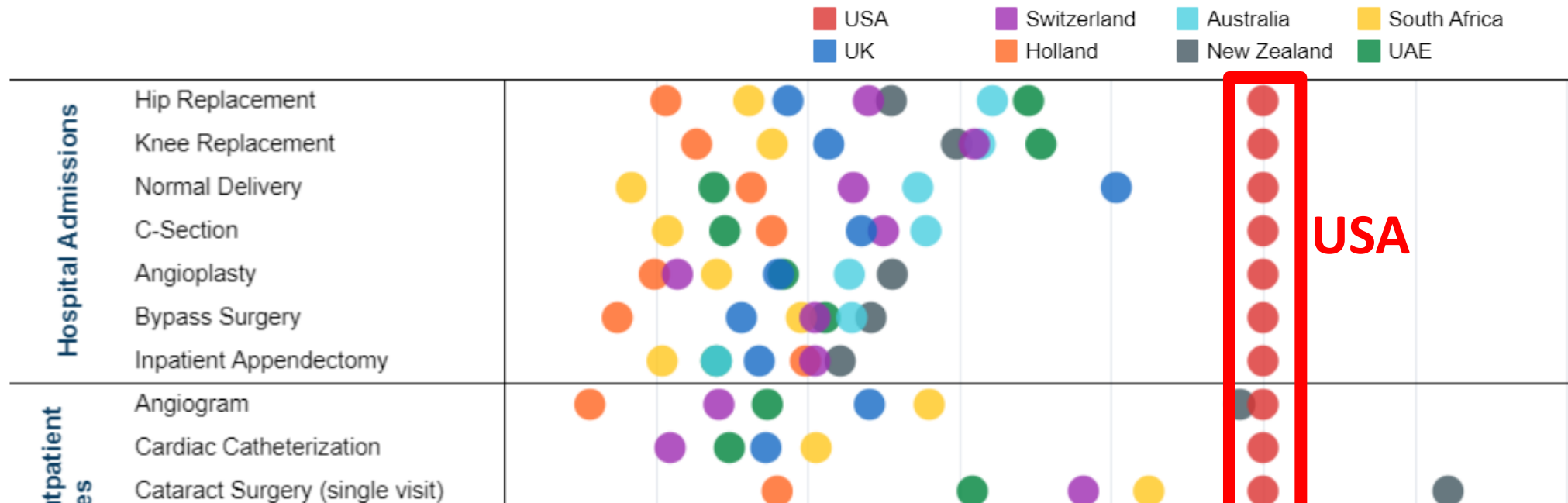
\$65



\$160

Source: Institute of Medicine, Best Care at Lower Cost: The Path to Continuously Learning Health Care in America (2013)
and updated to 2019 dollars with the Federal Reserve Bank Consumer Price Index Inflation Calculator.

Figure 1: Medical Prices in 2017 as a Percent of US Prices



“Prices are the primary reason why US spends more on health care than any other country”

- Gerard F. Anderson, Peter Hussey, and Varduhi Petrosyan, *It's Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt*, Health Affairs 38:1 (2019)

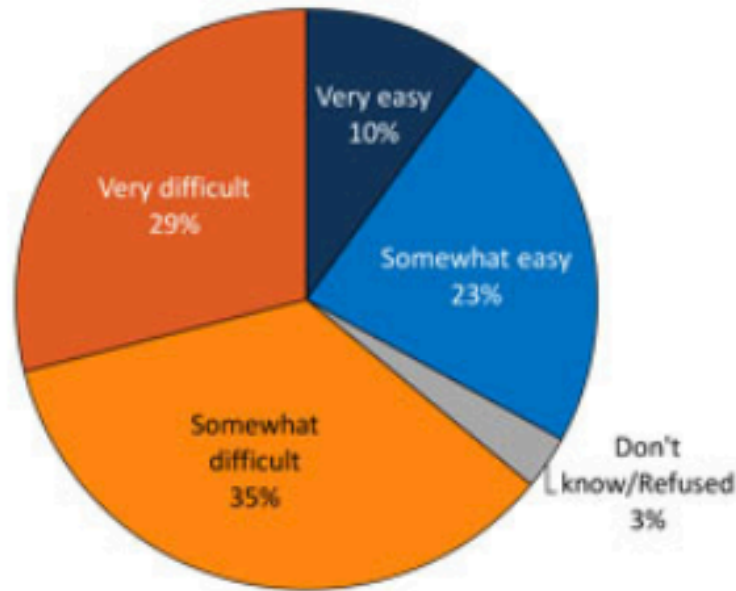
Source: John Hargraves and Aaron Bloeschick, International comparisons of health care prices from the 2017 iFHP survey, Health Care Cost Institute's #HealthyBytes Blog (Dec. 17, 2019), <https://healthcostinstitute.org/blog/entry/international-comparisons-of-health-care-prices-2017-ifhp-survey>

WHAT HAPPENED TO HEALTH CARE PRICES?

- Failure to protect essential elements of a free market system – price transparency and competition.
- Failure to rigorously enforce antitrust laws.
- Failure to regulate to control prices when competition no longer exists.

Nearly Two-Thirds Say It Is Difficult To Find Out What Medical Care Will Cost

In general, how easy or difficult would you say it is to find out how much medical treatments and procedures provided by different doctors or hospitals would cost you?

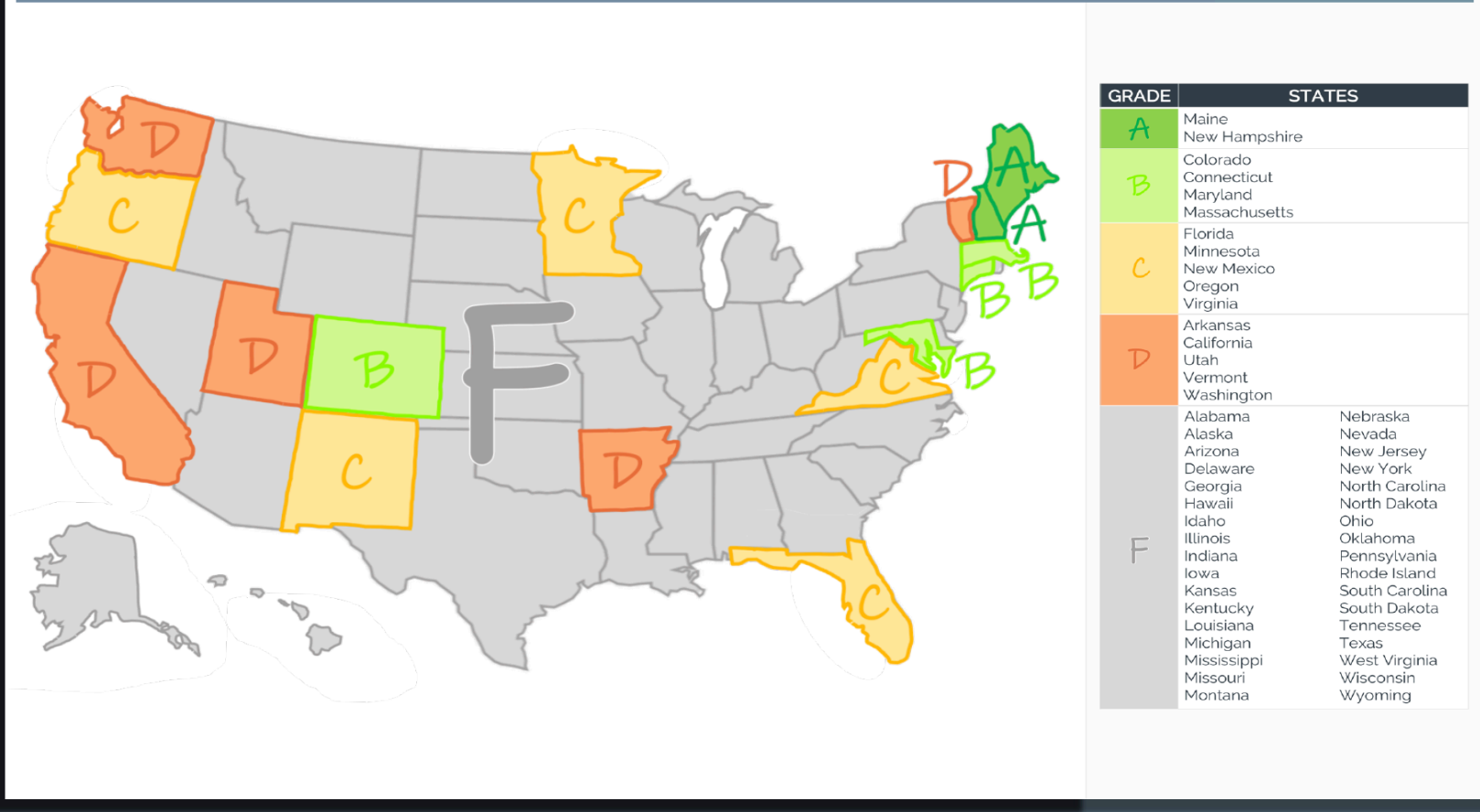


SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted April 8-14, 2015)



FAILURE TO
PROTECT PRICE
TRANSPARENCY

THE 2020 REPORT CARD ON STATE PRICE TRANSPARENCY LAWS



Source: Murray, et al, Report Card on State Price Transparency Laws (2020)

ANTITRUST ENFORCEMENT LOSSES FUEL CONSOLIDATION

Table 1
Litigated Hospital Merger Cases

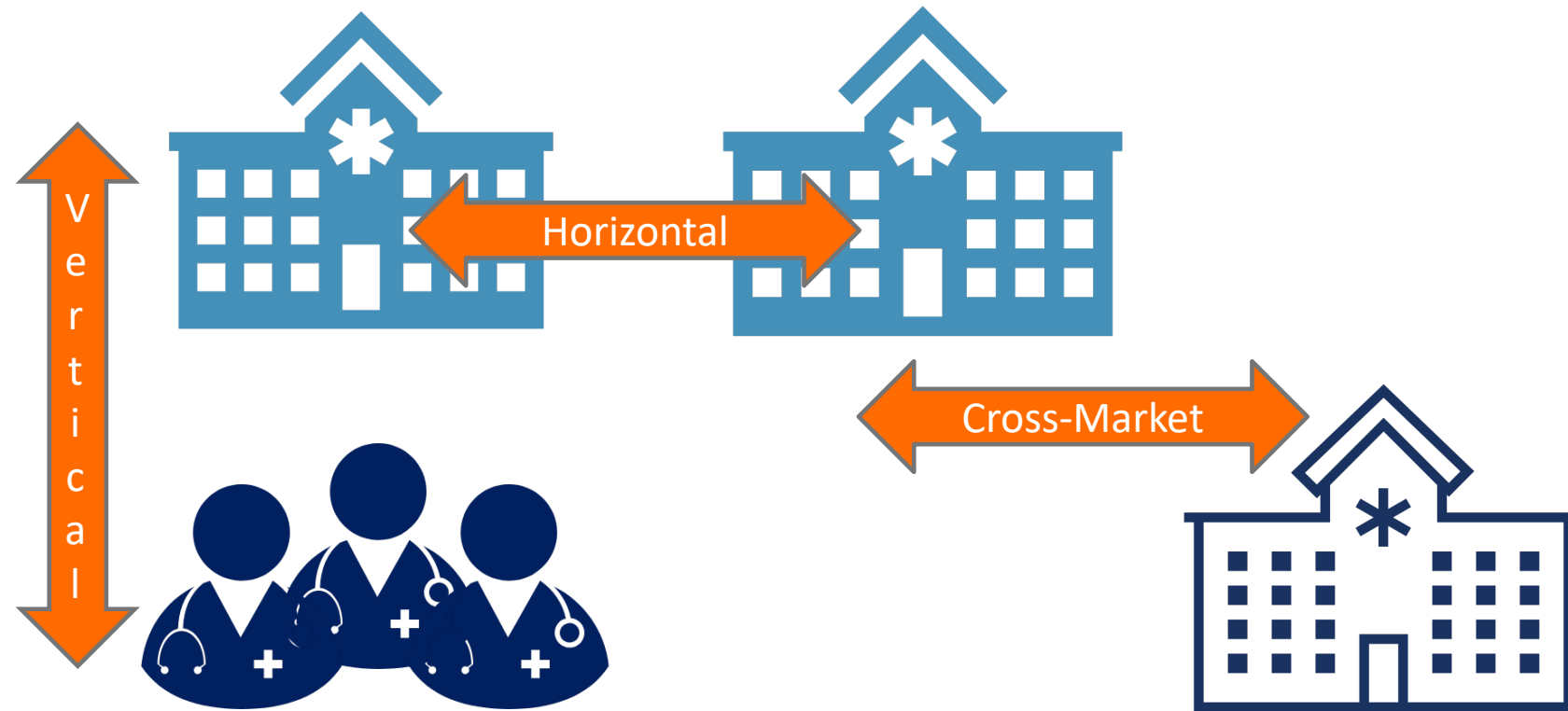
Year	Case	Location	Blocked?
1 1989	United States v. Rockford Mem. Hosp., 717 F. Supp. 1251 (N.D. Ill. 1989), <i>aff'd</i> , 898 F.2d 1278 (7th Cir.).	Rockford, IL	Yes
2 1991	FTC v. Univ. Health, 1991-1 Trade Cases ¶ 69,400 (S.D. Ga.) and 1991-1 Trade Cases ¶ 69,444 (S.D. Ga.), <i>rev'd</i> , 938 F.2d 1206 (11th Cir. 1991).	Augusta, GA	Yes
3 1994	<i>In re</i> Adventist Health Sys. (<i>Ukiah</i>), 117 F.T.C. 224 (1994).	Ukiah, CA	No
4 1995	FTC v. Freeman Hosp., 911 F. Supp. 1213 (W.D. Mo. 1995), <i>aff'd</i> , 69 F.3d 260 (8th Cir. 1995).	Joplin, MO	No
5 1995	United States v. Mercy Health Serv., 902 F. Supp. 968 (N.D. Iowa 1995), <i>vacated as moot</i> , 107 F.3d 632 (8th Cir. 1997).	Dubuque, IA	No
6 1996	FTC v. Butterworth Health Corp., 946 F. Supp. 1285 (W.D. Mich. 1996), <i>aff'd per curiam</i> , No. 96-2440 (6th Cir. July 8, 1997).	Grand Rapids, MI	No
7 1997	United States v. Long Island Jewish Med. Ctr., 983 F. Supp. 121 (E.D.N.Y. 1997).	New Hyde Park, NY	No
8 1998	FTC v. Tenet Healthcare Corp., 17 F. Supp. 2d 937 (E.D. Mo. 1998), <i>rev'd</i> 186 F.3d 1045 (8th Cir. 1999).	Poplar Bluff, MO	No
9 2000	California v. Sutter Health Sys., 84 F. Supp. 2d 1057 (N.D. Cal.), <i>aff'd mem.</i> , 2000-1 Trade Cas. (CCH) U 87,665 (9th Cir. 2000), <i>revised</i> , 130 F. Supp. 2d 1109 (N.D. Cal. 2001).	Oakland, CA	No
10 2004	<i>In re</i> Evanston Nw. Healthcare Corp., No. 9315 (F.T.C. Aug. 6, 2007).	Evanston, IL	N/A
11 2008	<i>In re</i> Inova Health Sys. Found., No. 9326 (F.T.C. May 8, 2008).	Manassas, VA	Abandoned
12 2011	<i>In re</i> ProMedica Health Sys., No. 12-3583 (6th Cir. Apr. 22, 2014).	Toledo, OH	Yes
13 2011	FTC v. Phoebe Putney Health Sys., No 11-12906 (11th Cir. Dec. 9, 2011), <i>rev'd</i> , No. 11-1160, slip op. (U.S. Feb. 19, 2013).	Albany, GA	No
14 2012	FTC v. OSF Healthcare Sys., No. 11 C 50344 (N.D. Ill. Apr. 5, 2012).	Rockford, IL	Yes

SOURCE: Author's review of hospital merger cases. Inova abandoned its proposed acquisition after the FTC filed suit to block the deal.

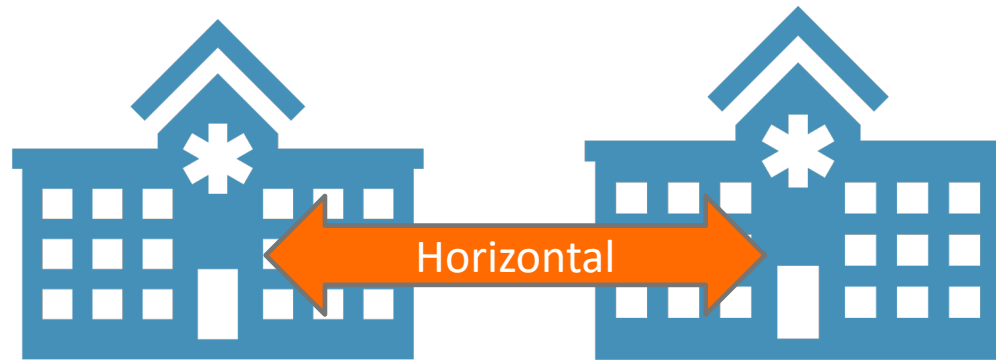
HOSPITAL MERGER ENFORCEMENT : 449

Source: Cory S. Capps, From Rockford to Joplin and back again: The impact of economics on hospital merger enforcement, 59 The Antitrust Law Bulletin 443, 449 (2014).

HEALTHCARE MERGER MANIA



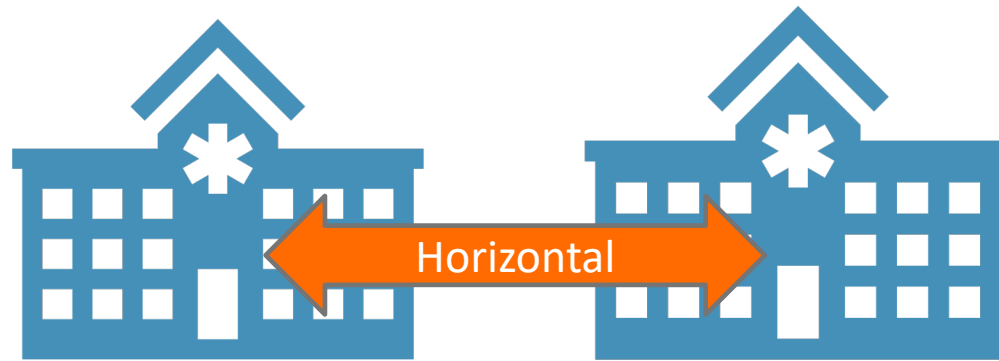
HEALTHCARE MERGER MANIA



Horizontal (Part I)

- **Increased Prices:** Post-merger hospital prices increased 20-44% (Dafny, 2009; Haas-Wilson & Garmon, 2011; Tenn, 2011; Gaynor & Town, 2012)
- **Reduced Quality:** Hospital acquisition associated with modestly worse patient experiences or reduced quality (Gaynor et al. 2013; Koch et al. 2018; Short and Ho, 2019; Beaulieu, Dafny, et al., 2020)
 - California hospital mergers associated with higher inpatient mortality rates among heart disease patients (Hayford, 2011)

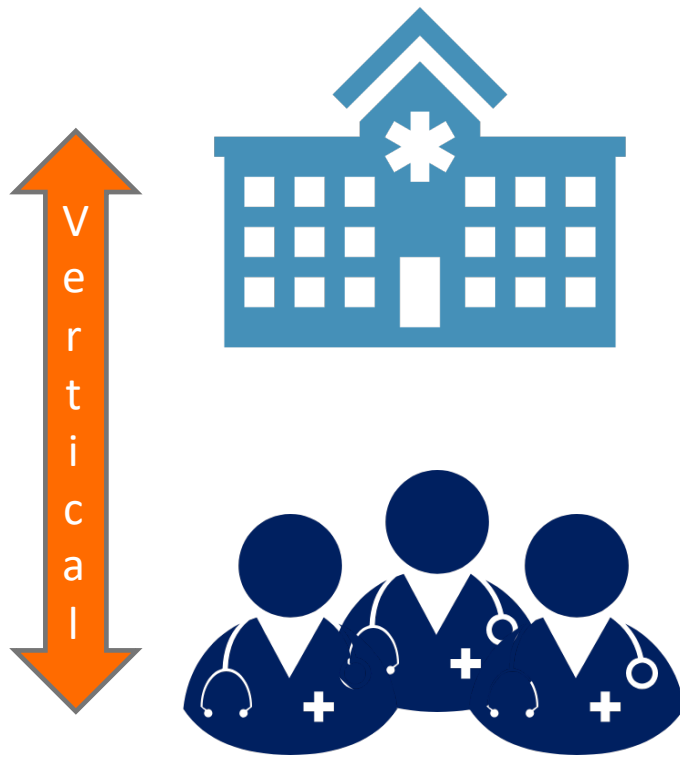
HEALTHCARE MERGER MANIA



Horizontal (Part 2)

- **Increased Premiums:** Higher hospital concentration associated with higher ACA premiums (Boozary, et al., 2019)
- **Reduced Wage Growth:** Hospital mergers reduced wage growth by 6.3% for nurses and pharmacists (Prager and Schmitt, 2019)
- **Higher Costs:** Hospitals in larger systems have higher operating costs than hospitals in smaller systems (Burns et al., 2015)

HEALTHCARE MERGER MANIA



Vertical

- **Higher Physician Prices:** Physician prices increase post-merger by an average of 14% (Capps, Dranove, & Ody, 2018)
 - Cardiologist prices increased by 33.5% (*Id.*)
 - Orthopedist prices increased by 12-20% (Koch and Ulrick, 2017)
- **Higher Clinic Prices:** Hospital-acquired clinic prices increased 32–47% within four years (Carlin, Feldman & Dowd, 2017)
- **Higher Hospital Prices** (Baker, Bundorf, Kessler, 2014)
- **Little to no quality improvements** (McWilliams et al. 2013; Neprash et al. 2015; Short and Ho, 2019)
- Unlikely to trigger federal antitrust review

HEALTHCARE MERGER MANIA

Cross-Market

- Rising number of cross-market mergers
- **Increased Prices:** 7-17% increases in prices for independent hospitals purchased by out-of-market systems (Lewis & Pflum, 2016; Dafny, Ho, & Lee 2019)
- **Increased Competing Hospital Prices:** Price increases by 7.8% in nearby rival hospitals (Lewis & Pflum, 2016)

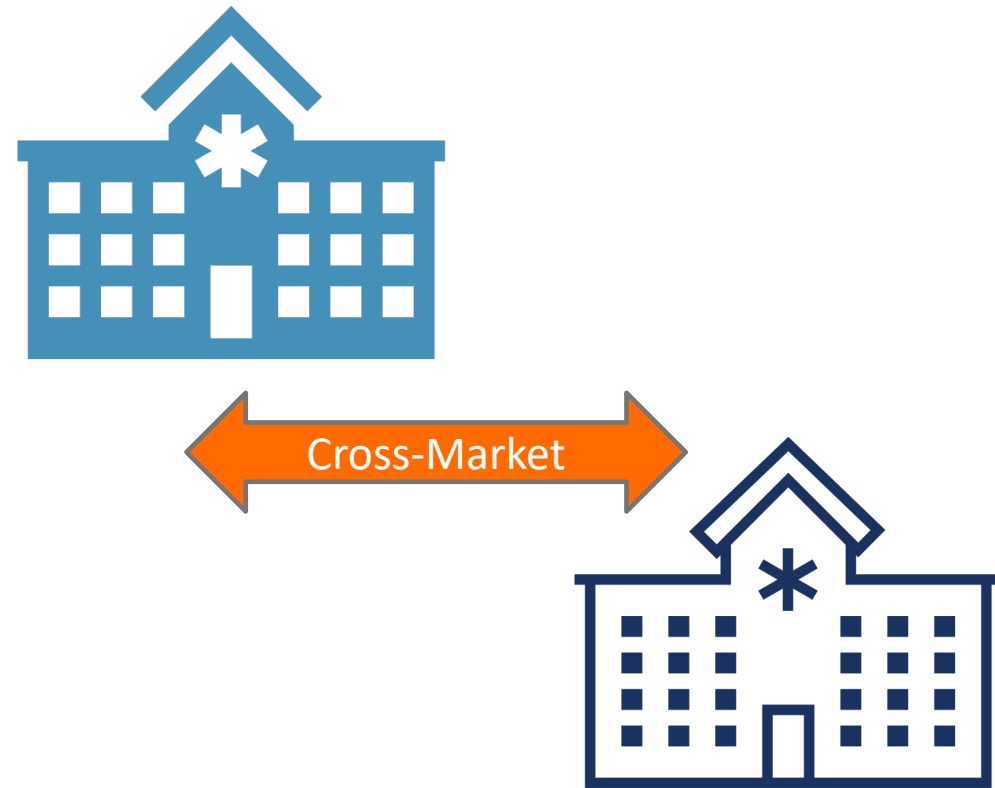
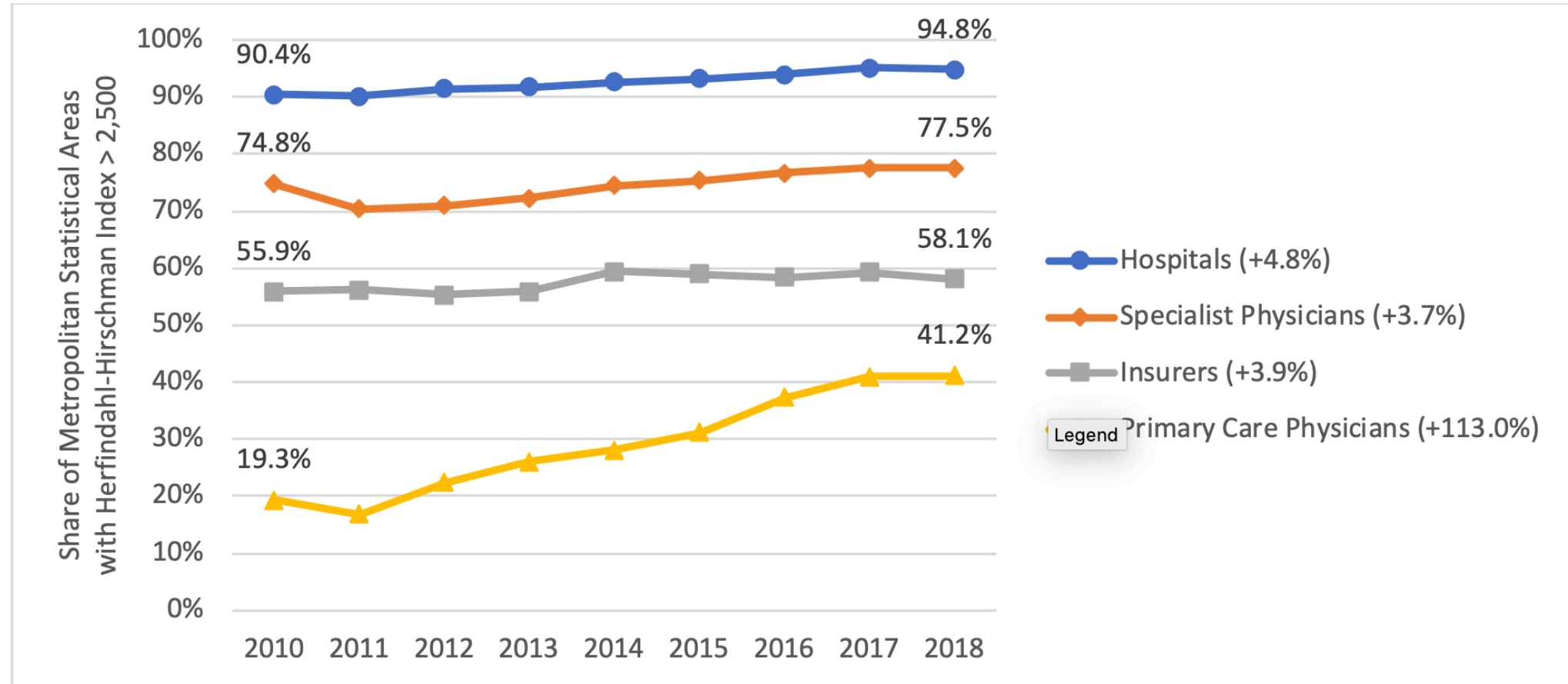


Figure 1: Healthcare Market Concentration Levels 2010-2018



Source: Nicholas C. Petris Center on Health Care Markets and Consumer Welfare (petris.org), University of California, Berkeley, analysis of data from the American Hospital Association Annual Survey, SK&A Office Based Physicians Database from IQVIA, and Managed Market Surveyor File from HealthLeaders InterStudy (Decision Resources Group).

HOSPITAL AND INSURER MARKET CONCENTRATION

Figure 1. Hospital Market Concentration, 2016

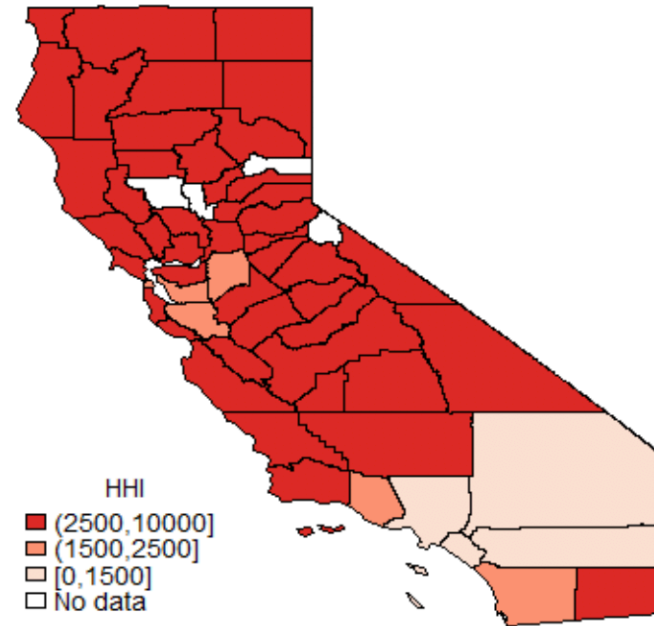
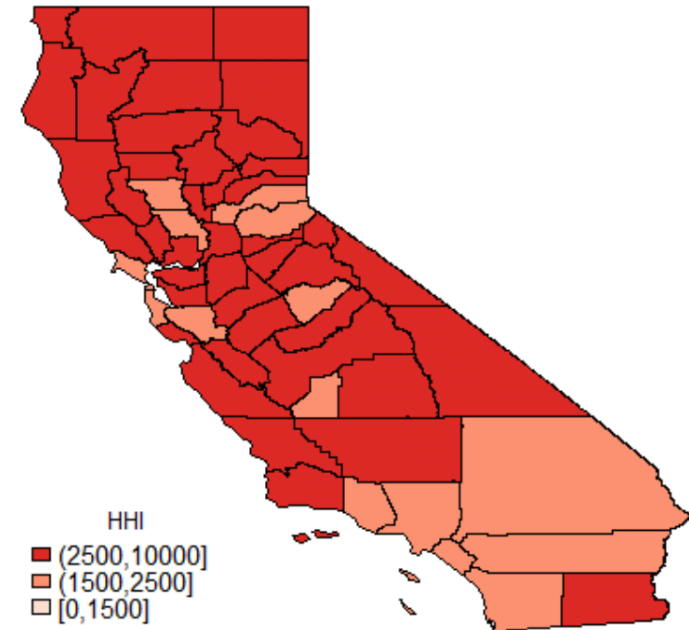


Figure 3. Insurer Market Concentration, 2016



PRIMARY CARE MARKET CONCENTRATION

Figure 5. Primary Care Market Concentration, 2016

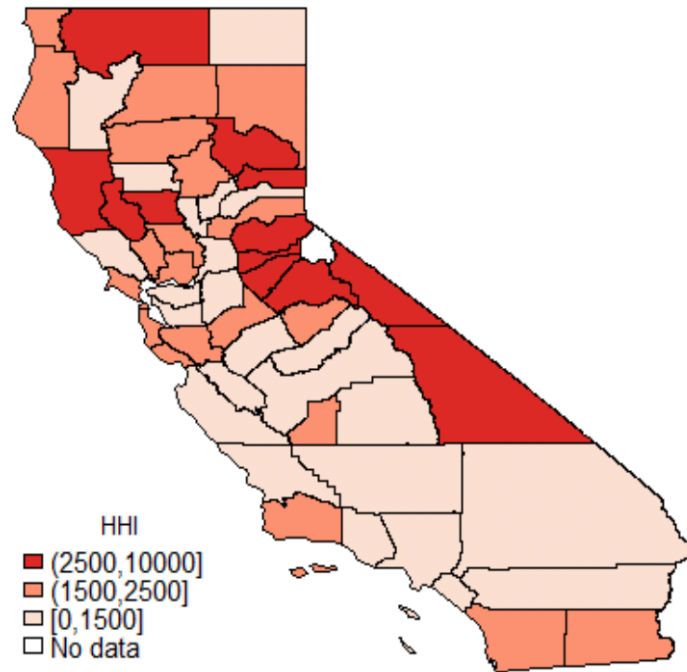
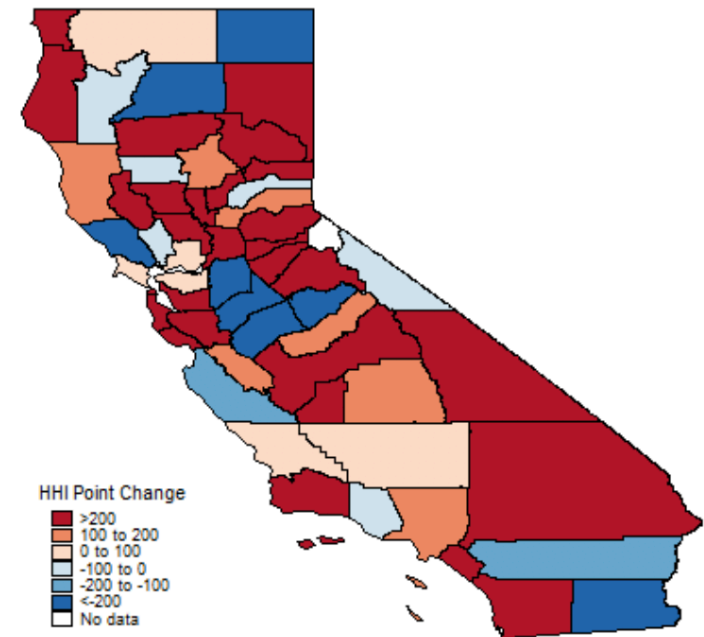


Figure 6. Primary Care Market Concentration Changes from 2010 to 2016



SPECIALIST MARKET CONCENTRATION

Figure 9. Hematology/Oncology Market Concentration, 2016

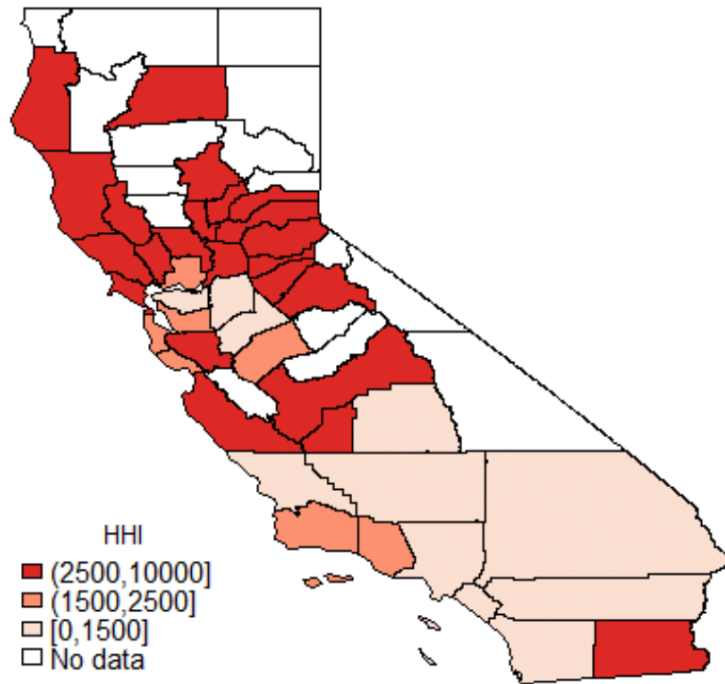
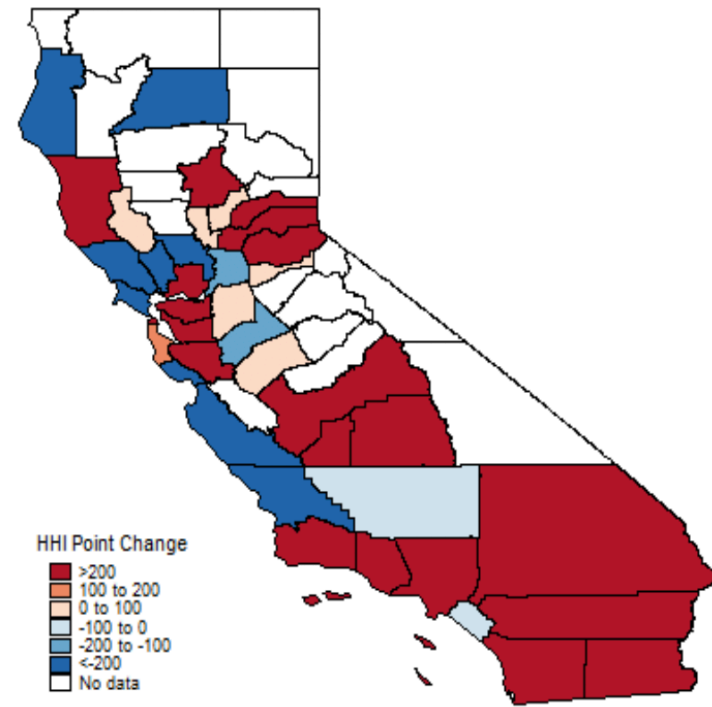
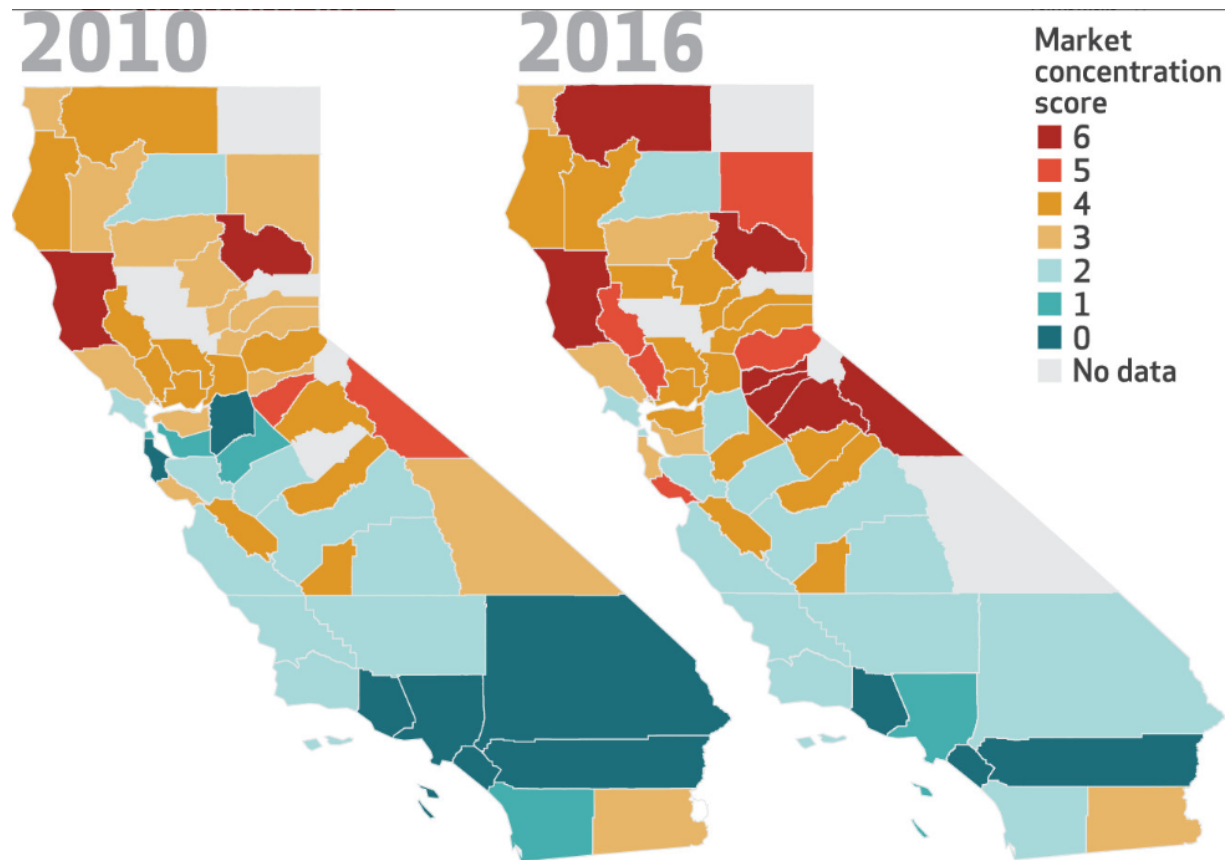


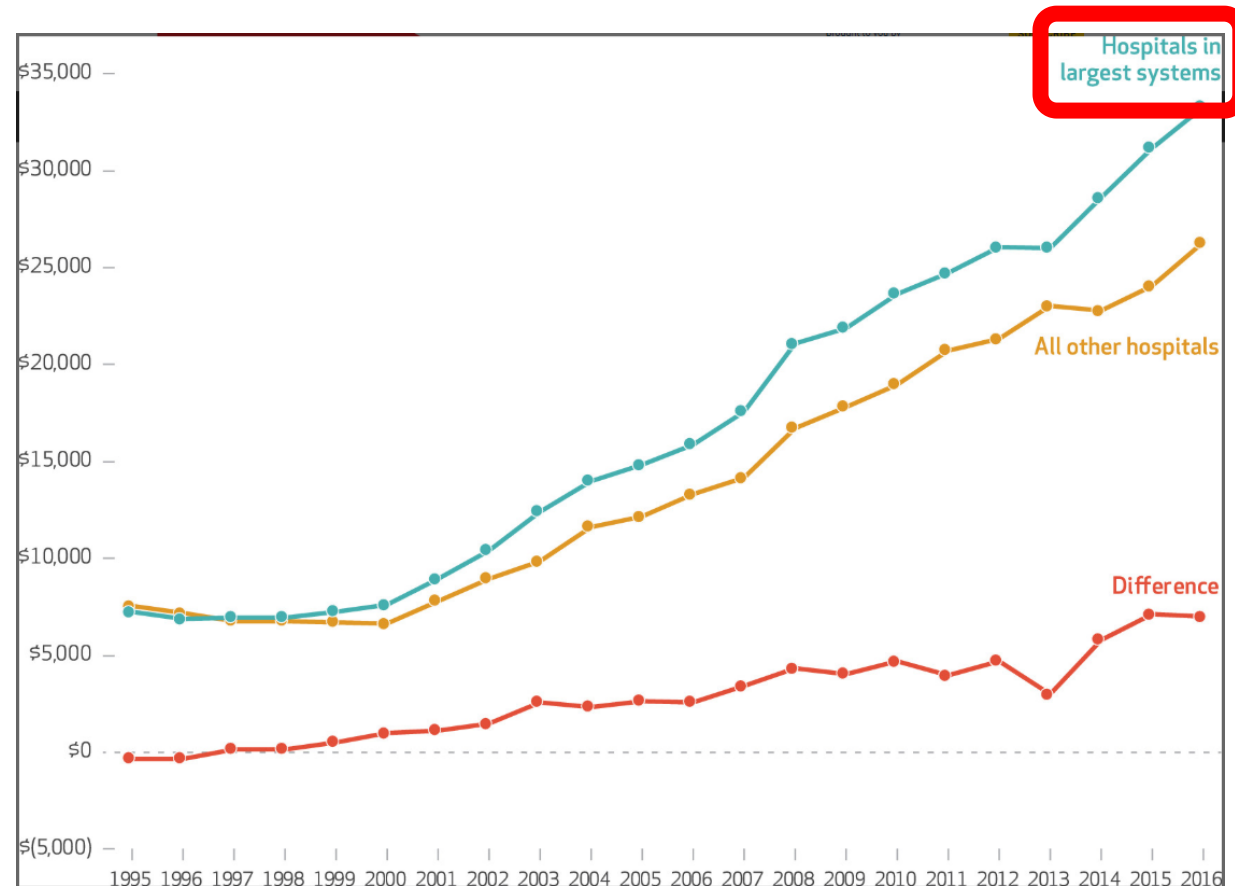
Figure 10. Hematology/Oncology Market Concentration Changes from 2010 to 2016





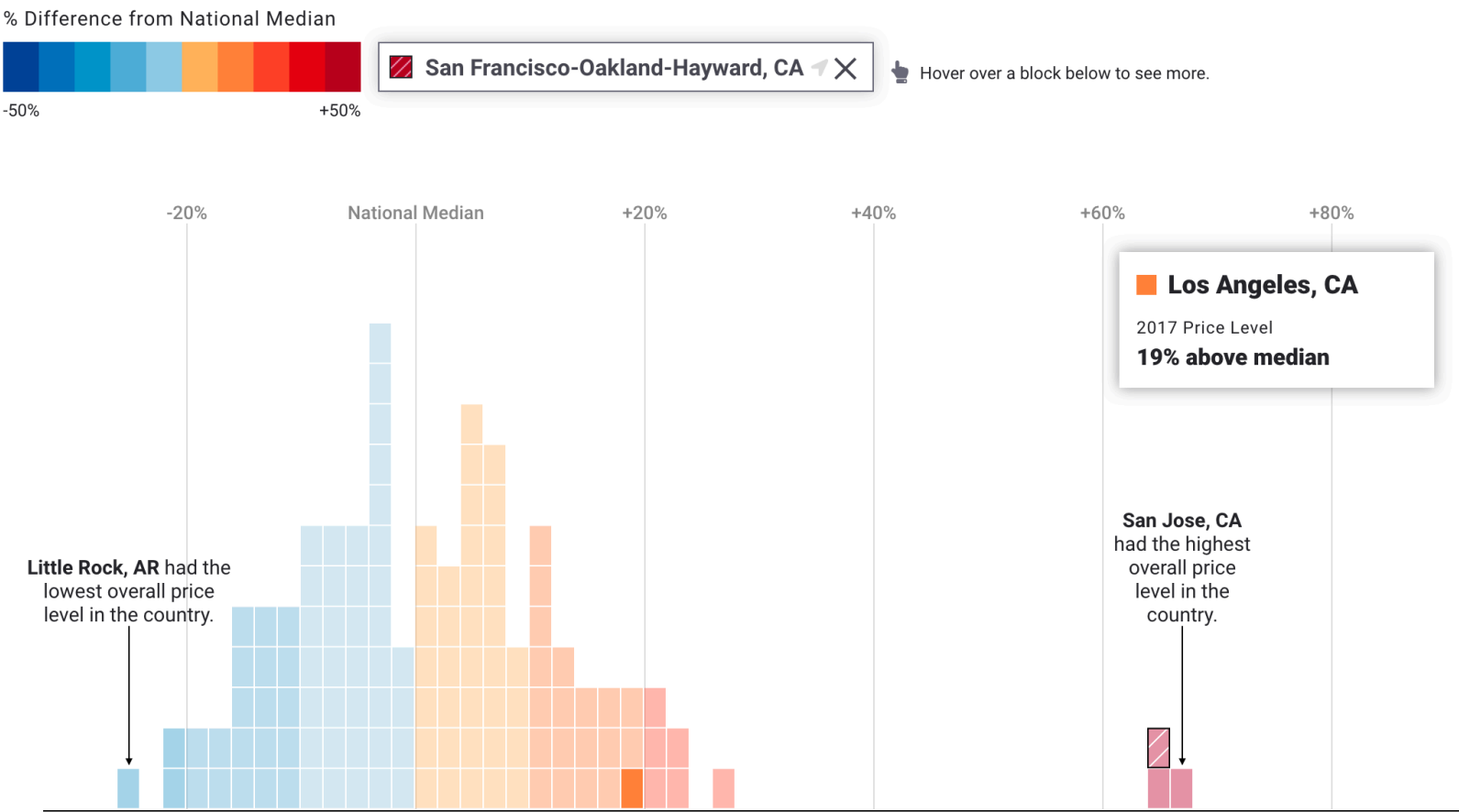
Source: Richard M. Scheffler, Daniel R. Arnold, & Christopher M. Whaley, Consolidation Trends In California's Health Care System: Impacts On ACA Premiums And Outpatient Visit Prices, 37 Health Affairs 1409 (Sept. 2018)

IN CA, AS CONCENTRATION INCREASES, SO DO PRICES



Source: Glenn A. Melnick, Katya Fonkych, and Jack Zwanziger, The California Competitive Model: How Has It Fared, And What's Next?, 37 Health Affairs 1417 (Sept. 2018)

Distribution of Overall Price Levels in Select U.S. Metros, 2017



SIGNIFICANT
VARIATION
BETWEEN PRICES
IN NORTHERN
AND SOUTHERN
CALIFORNIA

Select up to three metros to compare to **San Francisco, CA**:

Los Angeles, CA X

New York, NY X

San Jose, CA X

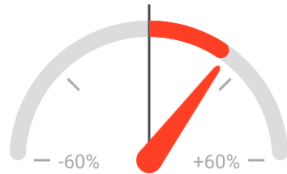
San Francisco, CA

San Francisco-Oakland-Hayward, CA

Overall Spending

+24%

relative to national median



Price +64%

Use -3%

Service Mix -31%

Below Median Above Median

Hospital Market Concentration 2,360 HHI

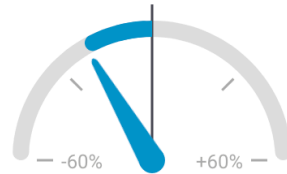
Los Angeles, CA

Los Angeles-Long Beach-Anaheim, CA

Overall Spending

-20%

relative to national median



Price +19%

Use -18%

Service Mix -18%

Below Median Above Median

Hospital Market Concentration 1,744 HHI

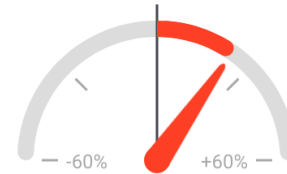
New York, NY

New York-Newark-Jersey City, NY-NJ-PA

Overall Spending

+23%

relative to national median



Price +19%

Use +26%

Service Mix -24%

Below Median Above Median

Hospital Market Concentration 782 HHI

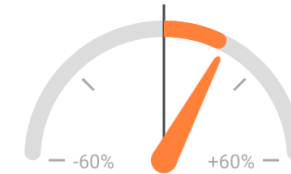
San Jose, CA

San Jose-Sunnyvale-Santa Clara, CA

Overall Spending

+19%

relative to national median



Price +67%

Use +8%

Service Mix -58%

Below Median Above Median

Hospital Market Concentration 3,187 HHI

SOURCE: HCCI PRICE INDEX

PRICE IS DRIVING HEALTH CARE SPENDING IN CALIFORNIA

Service Category

OVERALL **INPATIENT** OUTPATIENT PROFESSIONAL

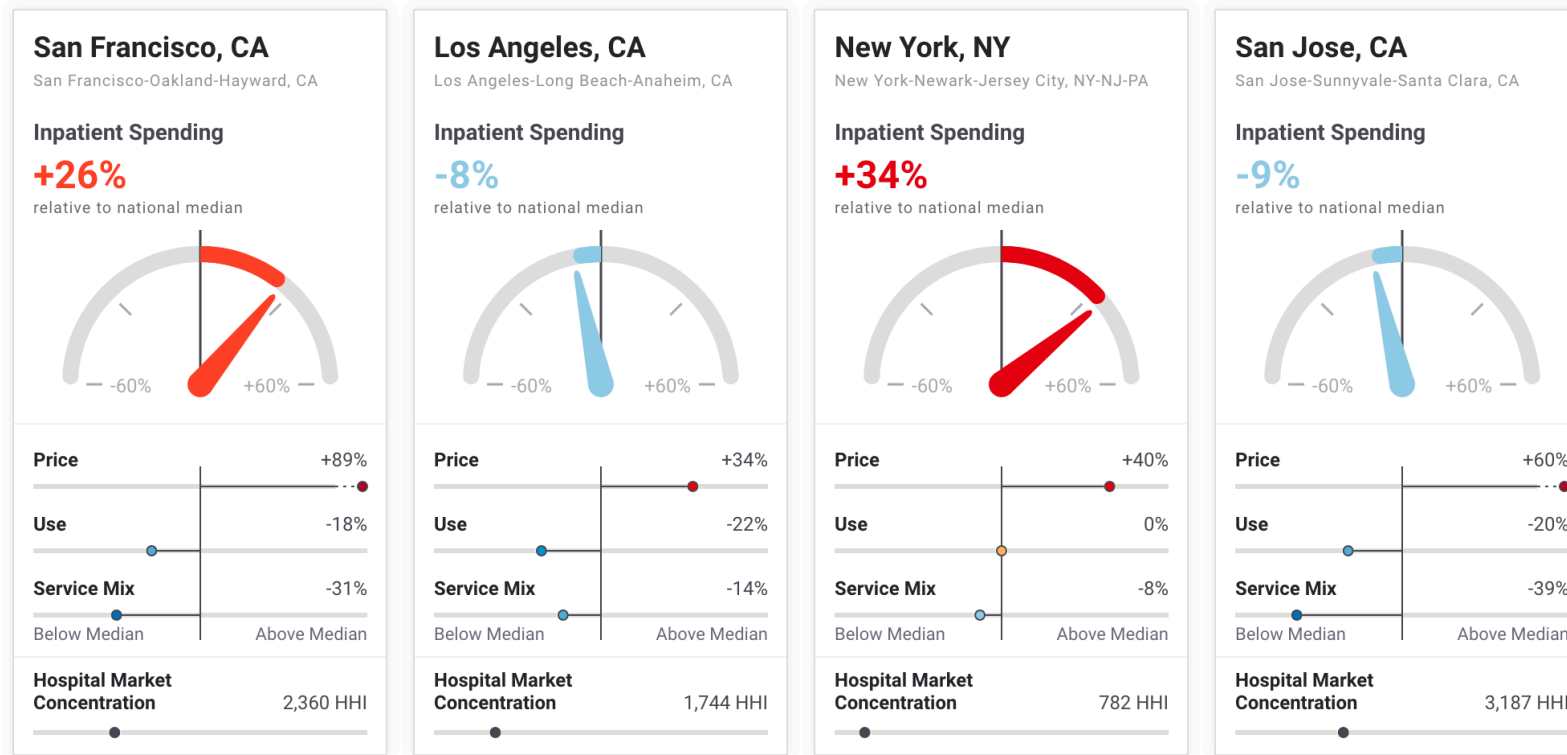
Click a service category to filter.

% Difference from National Median



Select up to three metros to compare to **San Francisco, CA**:

Los Angeles, CA X New York, NY X San Jose, CA X



SOURCE: HCCI PRICE INDEX

INPATIENT SPENDING

Service Category

OVERALL

INPATIENT

OUTPATIENT

PROFESSIONAL

% Difference from National Median



Click a service category to filter.

Select up to three metros to compare to **San Francisco, CA**:

Los Angeles, CA X

New York, NY X

San Jose, CA X

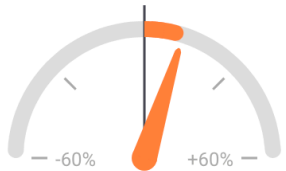
San Francisco, CA

San Francisco-Oakland-Hayward, CA

Outpatient Spending

+12%

relative to national median



Price +72%

Use -18%

Service Mix -25%

Below Median Above Median

Hospital Market Concentration 2,360 HHI

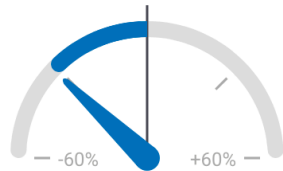
Los Angeles, CA

Los Angeles-Long Beach-Anaheim, CA

Outpatient Spending

-31%

relative to national median



Price +34%

Use -45%

Service Mix -4%

Below Median Above Median

Hospital Market Concentration 1,744 HHI

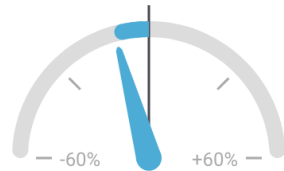
New York, NY

New York-Newark-Jersey City, NY-NJ-PA

Outpatient Spending

-10%

relative to national median



Price +15%

Use -26%

Service Mix +5%

Below Median Above Median

Hospital Market Concentration 782 HHI

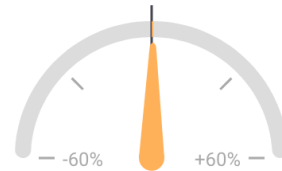
San Jose, CA

San Jose-Sunnyvale-Santa Clara, CA

Outpatient Spending

0%

relative to national median



Price +104%

Use -46%

Service Mix -7%

Below Median Above Median

Hospital Market Concentration 3,187 HHI

OUTPATIENT SPENDING

SOURCE: HCCI PRICE INDEX

Service Category

OVERALL

INPATIENT

OUTPATIENT

PROFESSIONAL

% Difference from National Median



Click a service category to filter.

Select up to three metros to compare to **San Francisco, CA**:

Los Angeles, CA X

New York, NY X

San Jose, CA X

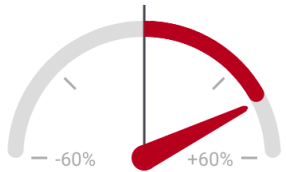
San Francisco, CA

San Francisco-Oakland-Hayward, CA

Professional Spending

+43%

relative to national median



Price +51%

Use +3%

Service Mix -8%

Below Median Above Median

Hospital Market Concentration 2,360 HHI

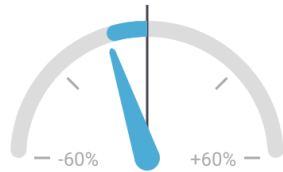
Los Angeles, CA

Los Angeles-Long Beach-Anaheim, CA

Professional Spending

-12%

relative to national median



Price +6%

Use -10%

Service Mix -5%

Below Median Above Median

Hospital Market Concentration 1,744 HHI

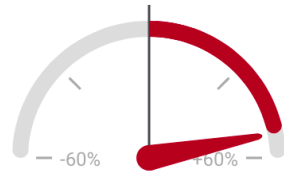
New York, NY

New York-Newark-Jersey City, NY-NJ-PA

Professional Spending

+53%

relative to national median



Price +15%

Use +40%

Service Mix -2%

Below Median Above Median

Hospital Market Concentration 782 HHI

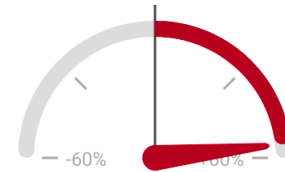
San Jose, CA

San Jose-Sunnyvale-Santa Clara, CA

Professional Spending

+56%

relative to national median



Price +53%

Use +22%

Service Mix -23%

Below Median Above Median

Hospital Market Concentration 3,187 HHI

PROFESSIONAL SERVICES

SOURCE: HCCI PRICE INDEX



The New York Times

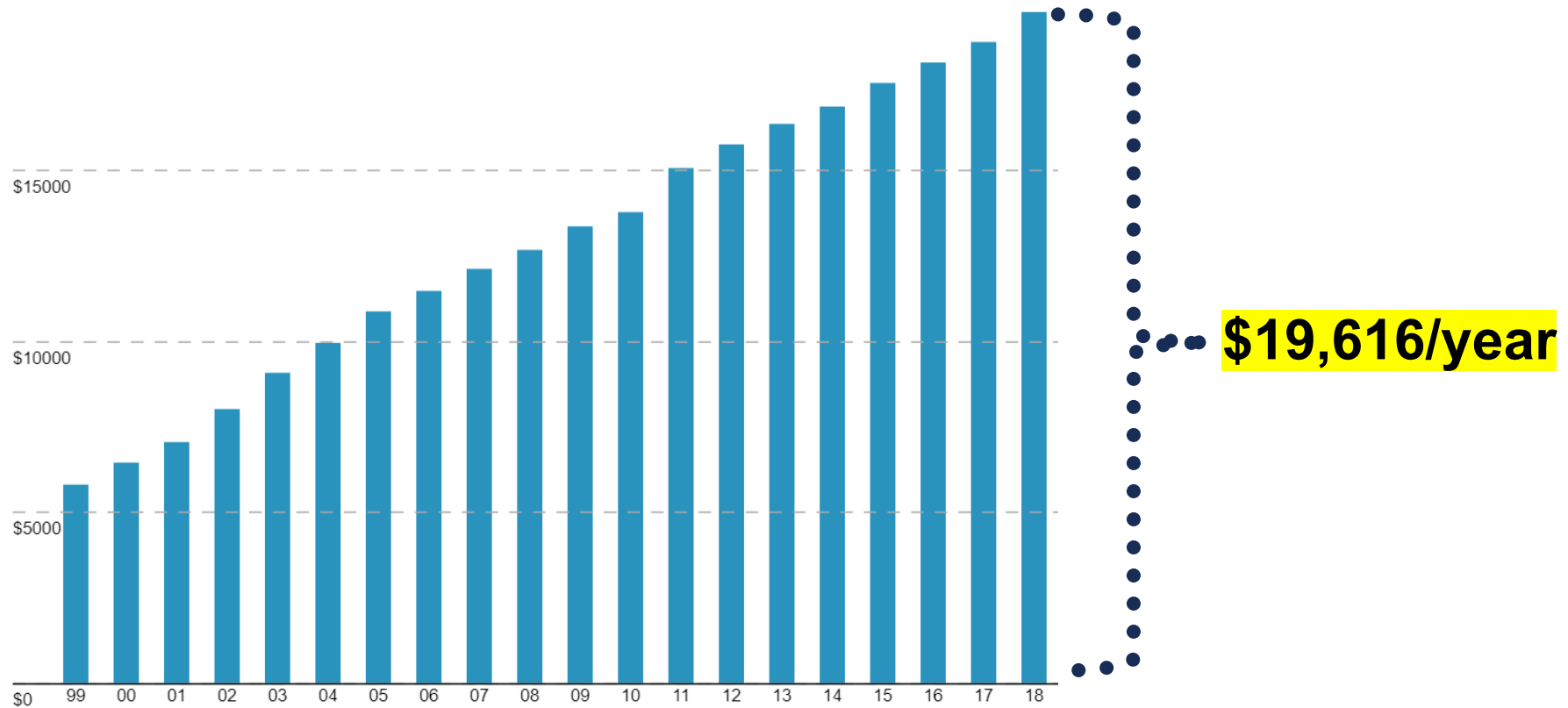
*Workers Pay More for Health Care as
Companies Shift Burden, Survey Finds*

HEALTH INSURANCE

**Employers shifting more health-care
costs to employees**

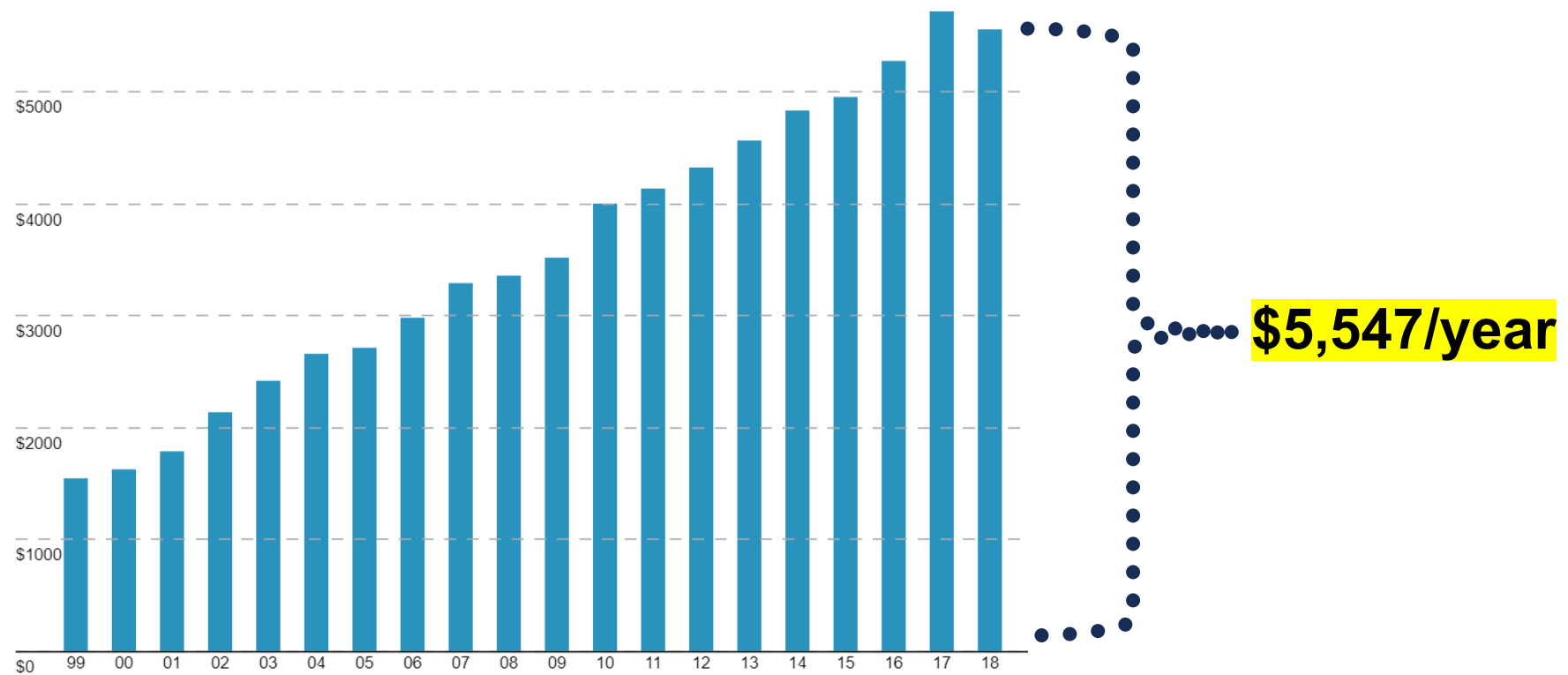
PUBLISHED THU, SEP 24 2015 • 9:49 AM EDT

FAMILY'S PREMIUMS INCREASED 339% SINCE 1999



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

FAMILY'S WORKER CONTRIBUTIONS INCREASED 359% SINCE 1999



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

Question	Major Concern (%)	Not A Major Concern (%)
Your health insurance plan will require you to pay higher premiums or a greater portion of medical expenses	61	37
You will not have enough money to pay for medical or healthcare	46	53

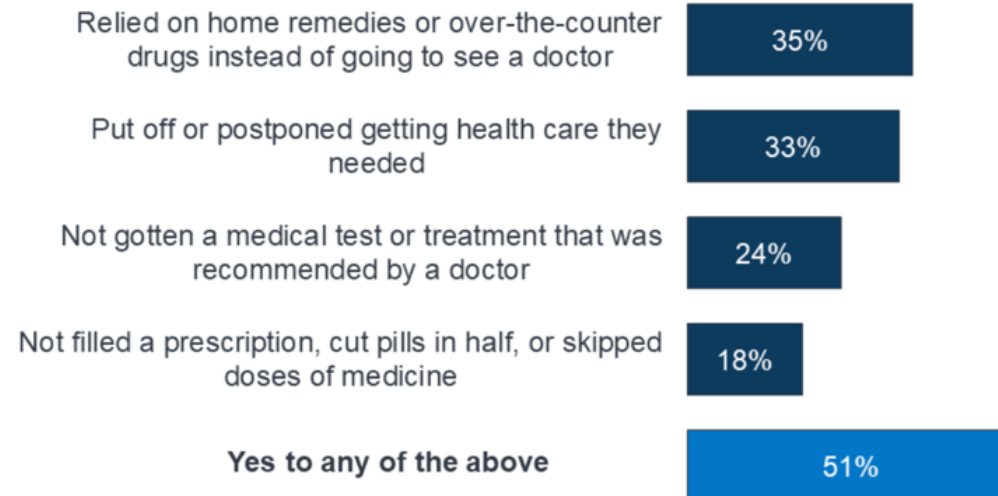
GALLUP, NOV. 1-11, 2018

EFFECT ON TREATMENT

Figure 10

Half Of Those With ESI Say Someone In Family Skipped Or Postponed Needed Care Or Rx Because Of The Cost

Percent who say they or another family member living in their household have done each of the following in the past 12 months because of the cost:



SOURCE: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept. 25-Oct. 9, 2018). See topline for full question wording.

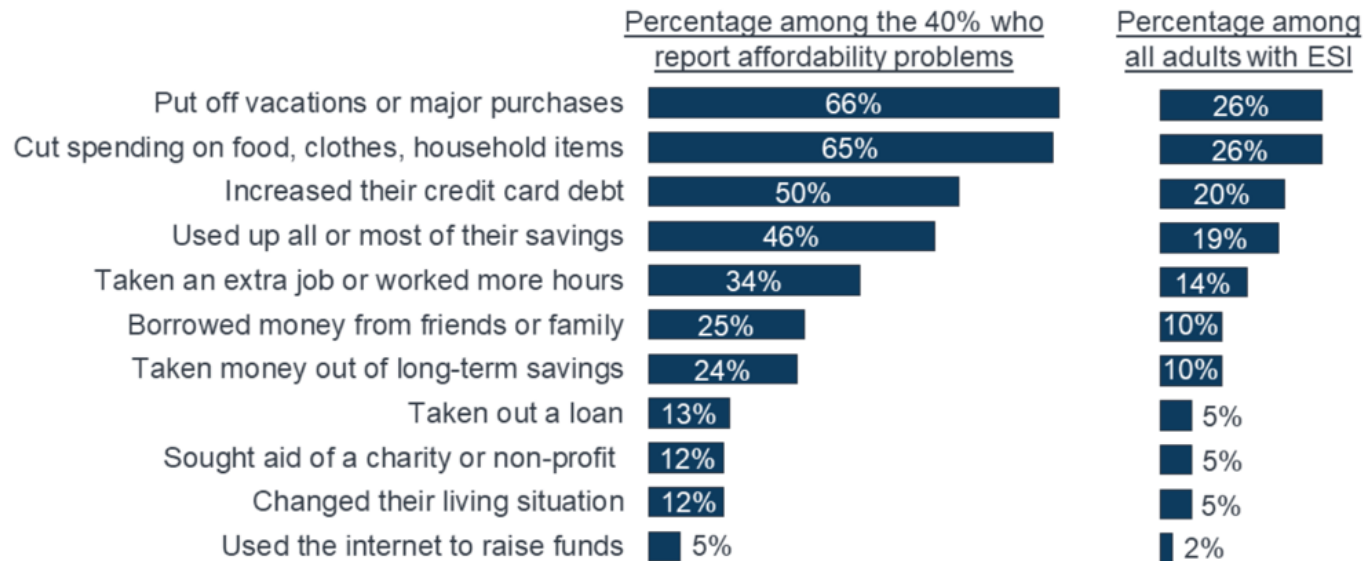


Figure 10: Half Of Those With ESI Say Someone In Family Skipped Or Postponed Needed Care Or Rx Because Of The Cost

Figure 9

Those With Employer Coverage Who Have Problems Affording Health Care Report Many Sacrifices To Pay Bills

Percent who report doing each in the past 12 months in order to pay for health care or insurance costs:

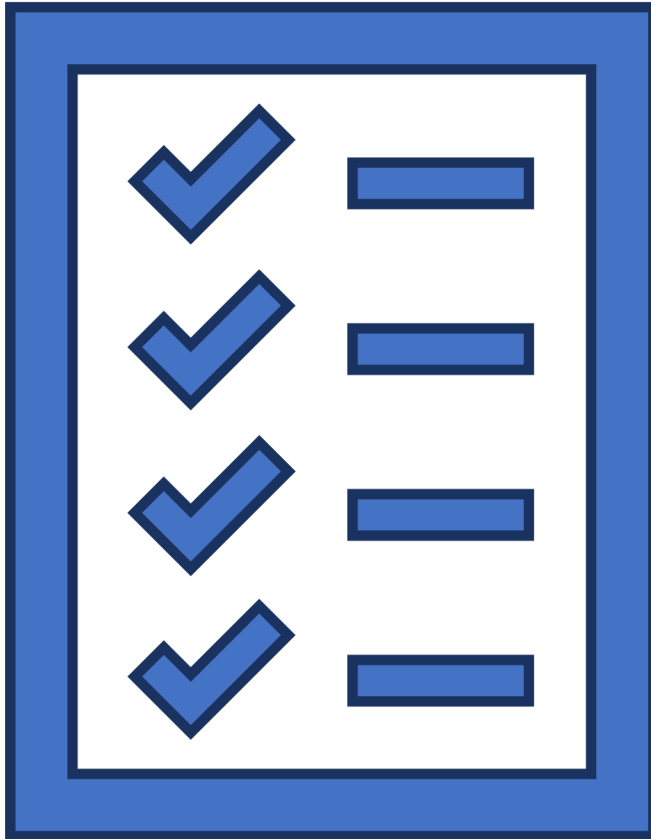


SOURCE: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept. 25-Oct. 9, 2018). See topline for full question wording.



Figure 9: Those With Employer Coverage Who Have Problems Affording Health Care Report Many Sacrifices To Pay Bills

WHAT DO PEOPLE DO TO PAY MEDICAL BILLS?



WHAT
CAN BE
DONE?