The Source Roundup: May 2019 Edition

Tiffany Wang, Student Fellow | May 1, 2019

Happy May! We hope you’re enjoying the longer, sunnier days of spring. In this edition of The Source Roundup, we survey articles and reports that discuss 1) health system consolidation’s impact on healthcare prices and quality, 2) the new federal price transparency rule, and 3) cost-containment strategies from various fronts.

More Evidence of Hospital Market Concentration’s Negative Impact on Competition and Healthcare Costs

Two articles this month reinforced the principle that protecting access to affordable healthcare requires strong antitrust enforcement policies to ensure adequate competition among hospitals and hospital systems.

Despite Federal Trade Commission (FTC) antitrust enforcement efforts, horizontal consolidations between major hospitals and hospital systems have steadily increased at a rapid pace over the past decade. The National Institute for Health Care Management (NIHCM) Foundation gives a high-level summary with helpful graphics about the relationship between hospital consolidations and healthcare prices in Hospital Consolidation: Trends, Impacts, & Outlook. Empirical evidence shows consolidation does not improve clinical care quality, and sometimes even decreases the quality of care. Additionally, markets with less competition raised consumer healthcare costs. When a consumer’s health and pocketbook take the hit from stakeholders who continue to aggrandize their market power, stronger policies must be implemented to mitigate the damage.

More specifically, Andrew S. Boozary et al. investigated the link between hospital market concentration and Affordable Care Act (ACA) marketplace insurance premiums in the Health Affairs research article The Association Between Hospital Concentration and Insurance Premiums in ACA Marketplaces. Supporting NIHCM’s contention that horizontal hospital consolidations have raised consumer healthcare
costs, Boozary and his team found annual premiums in highly concentrated hospital markets were five percent higher than hospital markets with less concentration and greater competition. Even markets with increased number of insurers did not alleviate the impact of increased hospital concentration on premium costs. Critics may argue there is no causal relationship between market concentration and prices, but that instead, demographics and limited hospital supply drove the higher premiums. However, while the authors found low-income communities experienced higher hospital market concentration overall, this finding was not consistent across all measures of socioeconomic status, such as education and unemployment rates. The authors believe the inconsistency suggests it is unlikely that demographics, as opposed to hospital concentration, ultimately drove the higher premiums.

**Price Transparency Under the New Federal Mandate**

In *What Type of Price Transparency Do We Need in Health Care?* published in *Annals of Internal Medicine*, Austin Frakt and Ateev Mehrotra discuss federal price transparency efforts by the U.S. Department of Health and Human Services (HHS). Under the new HHS final rule, hospitals must disclose online all standard prices for their services. HHS hopes transparent prices will encourage consumer price shopping, exerting pressure on hospitals to lower costs in the long-term. Ge Bai et al. dive deeper into how the new HHS rule can be improved in the *Health Affairs* article *Providing Useful Hospital Pricing Information to Patients: Lessons From Voluntary Price Disclosure*. The authors believe the new HHS rule is unlikely to increase consumer price shopping because many hospitals are posting obscure chargemaster prices that are incomprehensible to even the most sophisticated patient. These prices simply reflect the benchmark price for negotiations between hospitals and private insurers. Based on early consumer feedback, there is great room for improvement to truly increase access to actionable pricing information.

**Health System Reform: Cost-Containment from Various Fronts**

It remains to be seen whether federal efforts, such as the HHS price transparency final rule, will actually drive down healthcare costs. Until then, Trish Riley et al. suggest state cost-containment approaches in *Cross Agency Strategies to Curb Health Care Costs: Leveraging State Purchasing Power*, a white paper published by
the National Academy for State Health Policy (NASHP). This paper also highlights how consolidation adversely impacts healthcare costs by taking away consumer choice in hospitals, specialty physicians, insurers, and even primary care providers. Riley and her colleagues offer various ways states can combine their respective collective purchasing power to increase state negotiation powers across publicly funded programs in an increasingly consolidated healthcare system.

Resolving the healthcare high pricing crisis, however, requires more than increasing state negotiation powers. Emily Gee and Topher Spiro from Center for American Progress examine the impact of administrative expenditures on overall healthcare spending in their issue brief *Excessive Administrative Costs Burden the U.S. Health Care System*. The United States outpaces other high-income countries in healthcare administrative costs, spending $496 billion alone on billing and insurance-related costs. More importantly, the issue brief estimates half of those costs were wasteful and unnecessary. Gee and Spiro provide insightful streamlining suggestions to policymakers to mitigate providers’ administrative burden.

Finally, value-based reform efforts could play a big role in reducing healthcare costs. In Integrated Healthcare Association’s latest *Health Care Cost & Quality Atlas* update, the organization finds that spreading financial risk among health plans and providers improves consumer costs and clinical quality. Specifically, pharmaceutical spending and patients with chronic conditions experienced the greatest savings in a capitation payment model when compared to traditional fee-for-service arrangements. As the healthcare industry moves toward a value-based system, policymakers should utilize studies such as these to design cost-saving healthcare models.

That’s it for this month’s Roundup. As always, if you find articles or reports that you think should be included in the monthly Roundup, please send them our way. Happy reading!