Academic Articles & Reports: August 2016

This last round up of the summer features articles on a range of topics including (1) competition in healthcare markets|(2) strategies for reducing healthcare costs|(3) pharmaceutical pricing|(4) ACOs|(5) other ACA aspects and effects|(6) post-*Gobeille* strategies|and (7) antitrust enforcement. We hope everyone is settling into school and work after some time off. Happy (almost) fall!

Competition in health care markets:

In Choice and Competition in Public Service Provision, by Timothy J. Besley and James M. Malcomson, published by the Center for Economic Policy Research, looks broadly at markets involving services like education, healthcare and legal services to add to the debate as to whether choice and competition is valuable there. The paper studies the effects of choice and competition on different dimensions of quality, examining the role of not-for-profit providers. The paper also looks into the circumstances that determine whether an alternative provider enters the market, and how funding policy should consider the promotion of newcomers vs. incumbents.

In The Influence of Hospital Market Competition on Patient Mortality and Total Performance Score by Donald Haley, Mei Zhao, Aaron Spaulding, Hanadi Hamadi, Hanadi, Jing Xu, and Katelyn Yeomans, presents a much more healthcare-specific examination of the relationship between quality of hospital care and hospital competition. The authors note the backdrop of the ACA's launch of Medicare Value-Based Purchasing, a mechanism by which buyers of health care services hold providers accountable for high-quality and cost-effective care, which has become the platform for payment reform. The study finds that hospitals located in more competitive markets

had lower mortality rates for patients with acute myocardial infarction, heart failure, and pneumonia. The authors explain their findings implications, including that policies that seek to control and negatively influence a competitive hospital environment, such as Certificate of Need legislation, may negatively affect patient mortality rates. The authors conclude that policymakers should work to facilitate a more competitive and transparent health care marketplace to improve patient mortality.

Variation in prices depending on location is well established. In Geographic variation in cost of care for pituitary tumor surgery, authors Charles C. Lee, Kristopher T. Kimmell, Amy Lalonde, Peter Salzman, Matthew C. Miller, Laura M. Calvi, Ekaterina Manuylova, Ismat Shafiq, G. Edward Vates specifically studied the geographic variation in cost for transsphenoidal pituitary surgery in hospitals across New York State. Comparing five regions in New York, the authors found that from 2008 to 2011, there was substantial variation in prices for this surgery. Median charges per day ranged from $8485 to $13,321 and median costs per day ranged from $2962 to $6837 between the highest and lowest regions from 2008 to 2011. The authors hope that their findings will bring some transparency to hospital pricing in New York and will help inform policy there.

Strategies for Reducing Healthcare costs:

Marketplace Plan Payment Options for Dealing with High-Cost Enrollees, by Timothy J. Layton, Thomas G. McGuire and published by the National Bureau of Economic Research, considers potential modifications of the HHS risk adjustment methodology to maintain plan protection against risk from high-cost cases within the current regulatory framework imposed by the ACA. This paper is not for the newcomer to econ, and advanced readers will enjoy its comparisons of modifications of the transfer formula and of the risk adjustment model and a conventional actuarially fair

reinsurance policy. Those who hang in there will get to the empirical section, where the authors show that proposed modifications improve fit at the person level and protect small insurers against high-cost risk better than conventional reinsurance.

In High-Cost Patients: Hot-Spotters Don't Explain the Half of It, Natalie S. Lee, Noah Whitman, Nirav Vakharia, Glen B. Taksler, and Michael B. Rothberg attempt to shed some light on resource utilization patterns among high-cost patients. The authors hope to inform cost reduction strategies. They found that high-cost patients are heterogeneous as opposed to being "hot-spotters" with frequent admissions. Given the multi-dimensional nature of the problem, the authors conclude that effective interventions to reduce costs will require a more multi-faceted approach to the high-cost population.

Creating Physician-Owned Bundled Payments presents a case study of a multi-site independent orthopedic physician group in the Charlotte area, where physicians lowered cost by 10-30% and dramatically improved outcomes for hip and knee replacement surgery. The physicians explain that they did this by creating a standardized coordinated care program and pairing it with commercial bundled payment contracts in which the surgeons took primary financial risk. This piece is a quick-read about one way to address costs through payment reform.

Pharmaceutical Costs

There has been no shortage of writings recently on the crisis in drug pricing in this country. This month, we include two pieces on this issue. First, in Why Medicare Price Negotiation is the Wrong Prescription for Rising Drug Spending, authors Geoffrey F. Joyce and Neeraj Sood argue that although Medicare price negotiation makes for a great campaign promise, and seems to be supported by a lot of the electorate, it may not be the best economic or policy prescription for rising drug

prices. In the second piece, The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform, authors Aaron S. Kesselheim, Jerry Avorn, Ameet Sarpatwari, find that high drug prices are the result of the approach the United States has taken to granting government-protected monopolies to drug manufacturers, combined with coverage requirements imposed on government-funded drug benefits. They argue that the most realistic short-term strategies to address high prices include enforcing more stringent requirements for the award and extension of exclusivity rights|enhancing competition by ensuring timely generic drug availability|providing greater opportunities for meaningful price negotiation by governmental payers|generating more evidence about comparative cost-effectiveness of therapeutic alternatives|and more effectively educating patients, prescribers, payers, and policy makers about these choices.

ACOs

This month, *JAMA* published two Viewpoints on ACOs that are not to be missed. In a Viewpoint titled The ACO Experiment in Infancy—Looking Back and Looking Forward, authors Zirui Song and Elliott S. Fisher argue that the accountable care organization approach has been successful in controlling health care costs and improving quality of care. They acknowledge that some question the merits of ACOs, but maintain that ACOs have emerged as a prominent alternative to traditional fee-for-service payment that have grown far beyond their original pilot program for physicians to take responsibility for improving quality and slowing spending. Now, the say ACOs are a national movement covering more than 28 million Americans, 60% of whom are under commercial ACO contracts, which should continue to be pursued as a means of reducing healthcare costs. The counterpoint comes in Reassessing ACOs and Health Care Reform, in which Kevin A. Schulman and Barak D. Richman argue that ACOs are a failed experiment in health policy.

Other ACA Aspects and Effects

Health Care Reform: Impact on Total Joint Replacement, authors Monique C. Chambers, Mouhanad M. El-Othmani and Khaled J. Saleh, look at payment reform in the context of orthopedic procedures. They argue to their peers that payment reform has the potential to improve outcomes, and that understanding health reform and policy will empower arthroplasty providers to effectively advocate for the field of orthopedics as a whole, and the patients it serves.

US Health Care Reform: Cost Containment and Improvement in Quality, an editorial by Peter R. Orszag in *JAMA* discusses what has proven surprising since the enactment of the ACA. He lists four surprising phenomena: (1) the substantial deceleration in health care costs since 2010|(2) improvement in quality, which shows that hospitals are working hard to reduce readmissions because (aside from being a good idea generally), they recognize that in alternative payment models, their financial interest will be improved by avoiding readmissions|(3) the success of Medicare Advantage|and (4) that employer-sponsored plans have proven more resilient than expected.

In The Affordable Care Act's Effects On The Formation, Expansion, And Operation Of Physician-Owned Hospitals, published in *Health Affairs*, authors Elizabeth Plummer and William Wempe studied 106 physician-owned hospitals in Texas to determine how they responded to ACA restrictions on the formation and expansion of physician-owned hospitals. These restrictions provided incentives for the hospitals and their owners to take preemptive actions before the effective dates of ACA provisions and modify their operations thereafter. The authors ultimately concluded that the ACA restrictions effectively eliminated the formation of new physician-owned hospitals, thus accomplishing what previous legislative efforts had failed to do.

State Strategies

In a *JAMA* Viewpoint titled Strategies for Health System Innovation After *Gobeille v Liberty Mutual Insurance Company*, authors Sean E. Bland, Jeffrey S. Crowley, and Lawrence O. Gostin propose strategies states might use to leverage electronic health data to inform policy making in the wake of *Gobeille v Liberty Mutual Insurance Company*, the Supreme Court decision barring states from requiring that health plans transmit their data to an all-payers claims database due to preemption by the federal law ERISA. The authors acknowledge that *Gobeille* has far-reaching implications for the ability of states to access comprehensive health information to inform policy making, but argue that that information is very important. They advocate for strategies like the encouragement of voluntary data sharing arrangements to work around *Gobeille*'s constraints. This piece echoes some of the points made in Source Executive Editor Jaime King and Erin Fuse Brown's *Health Affairs Blog* piece The Consequences Of Gobeille v. Liberty Mutual For Health Care Cost Control, published in March.

Antitrust Enforcement

Finally, we note a relevant chapter in Bill Sage's book, The Oxford Handbook of U.S. Healthcare Law, Antitrust Enforcement and the Future of Healthcare Competition, edited by I. Glenn Cohen, Allison K. Hoffman, and William M. Sage. This chapter examines the role of antitrust law in the governance of healthcare competition in the United States as the ACA takes full effect. After an overview of U.S. antitrust law, it discusses recent and ongoing controversies involving antitrust law and healthcare, including those relating to hospital mergers, consolidation in the health insurance industry, accountable care organizations, and generic drugs. Finally, the authors consider deeper questions of competition policy in the post-ACA era.

That’s it for August! See you next month!