

Academic Articles & Reports

Round Up: June 2015

It's officially summer! Exams are over|Moms, Dads, and Grads have celebrated their big days|and the Supreme Court is issuing opinions! After you have read [King v. Burwell](#), take a look at what June had to offer in the realm of healthcare price and competition.

The Variety Issue of Health Affairs is a great place to catch up on your summer reading. For a brief overview of what's in the issue related to markets and prices, check out Alan Weil's introduction [Markets, Prices and Incentives](#). Be sure to check out Eric Sun and Lawrence Baker's [Concentration in Orthopedic Markets Was Associated with a 7 Percent Increase for Total Knee Replacement](#) that examines the association between market consolidation and physician fees for total knee arthroplasty. The article furthers the body of research that supports the premise that increased concentration, even if done to improve efficiency and lower prices through integration, is associated with price increases. The authors found that not only was concentration in physician markets associated with increased prices, but also that the increase almost entirely negated any cost reduction gained by the efficiencies obtained through integration in the absence of market concentration. Therefore, in markets with higher physician concentration, integration may be used to retain high prices rather than reduce them. This finding, and other similar ones for hospitals, warrant caution for policies that could increase provider concentration.

The June Health Affairs also included Ge Bai and Gerard Anderson's article The Fifty Hospitals With the Highest Charge-to-Cost Ratio, which analyzes the characteristics of hospitals

that charge the most in comparison to their costs. The authors found that these fifty hospitals were more likely to be for-profit, urban, non-teaching, and affiliated with a larger health system. In fact, half of these hospitals are operated by Community Health Systems and one-quarter of these hospitals are operated by Health Corporation of America. These hospitals are also more likely to be located in the South, with 40% existing in Florida. The authors highlight a number of policy solutions, including legislation like [California's Fair Pricing Act](#), which prohibits hospitals from charging uninsured patients that earn under 350% of the federal poverty level more than what Medicare pays for a given service.

Finally, Sara Rosenbaum, David Kindig, Jie Bao, Maureen Byrnes, and Colin O'Laughlin published [The Value of the Nonprofit Hospital Tax Exemption Was \\$24.6 Billion in 2011](#) in the June issue of Health Affairs. This article examines the longstanding practice of exempting donations to nonprofit hospitals from federal and state taxes, presumably in exchange for activities that benefit the community, such as providing care to the indigent. In 2002, the benefit that was estimated at \$12.6 billion had nearly doubled to \$24.6 billion by 2011. The sheer size of this benefit accompanied with the revelation that nonprofit hospitals often provide little more community services than for profit hospitals has brought this practice under considerable scrutiny in recent years.

Next, Duke's [Journal of Health Politics, Policy and Law](#) just released an advance copy of its forthcoming issue devoted to ACOs. You can find the journal's own summary of the issue's contents [here](#). An introduction by Richard Scheffler tees up the main issue facing ACOs, the "thorny tradeoff" between the promise of higher quality/lower costs and the potential pitfall of market power leading to higher prices. Then, the issue is divided into three parts: (1) The Current Landscape, (2) What Do

We Want ACOs to Achieve and Can They Do It?|and (3) ACO Accountability and Enforcement: An Overview and Perspective Essays. Each of the pieces in the issue is worth reading, but we would like to highlight Source Advisory Board member Bob Berenson's [Addressing Pricing Power in Integrated Delivery: The Limits of Antitrust](#), which proposes approaches that public and private payers should consider to complement the role of antitrust to assure that ACOs will actually help control costs in commercial markets as well as in Medicare and Medicaid. In addition, Source Advisory Board member Tim Greaney offers the Commentary [Competition Policy after Health Care Reform: Mending Holes in Antitrust Law's Protective Net](#) focuses on provider consolidation as a continuing problem in healthcare, and proposes ways to create a competition policy, not limited to antitrust enforcement. Last, we at the Source were particularly interested in [A Few Thoughts about ACO Antitrust Issues from a Local Enforcement Perspective](#) by Kathleen Foote and Emilio Varanini, who look at the same tension between efficiencies and antitrust concerns through their perspective as antitrust enforcers for the California Attorney General's Office.

In addition to these two issues, five other articles caught our eye in June. Michael McCue, Jon Thompson, and Tae Hyun Kim published [Hospital Acquisitions before Healthcare Reform](#) in The Journal of Healthcare Management. The article examines the financial, market, and management factors that lead to acquisition of acute care, community hospitals between 2010 and 2012. Teri Shih, Lena Chen, and Brahmajee Nallamothu questioned [Will Bundled Payments Change Healthcare? Examining the Evidence thus far in Cardiovascular Care](#). The authors argue that although it is not a new idea, bundled payments are coming back to the forefront of health policy discussions and that they are arguably most useful and impactful in the provision of cardiovascular care because of the cost and severity of

cardiovascular diseases, and the range of providers and care setting required for treatment. Also, in a piece that might have a bit of an agenda, but is nonetheless an interesting take on health care markets and, specifically, certificates of need, there is Josh Archambault's [More Competition, Better Value for Patients: How Surgery & Recovery Centers Can Save Patients, Employers and Taxpayers Billions](#). The piece advocates that state legislatures exempt ambulatory surgery centers and recovery care centers from certificate of need requirements to encourage more competition in health care provider markets. Finally, Brett Lissenden posted [Competition in Health Insurance Marketplaces: More Insurers Increase Premiums?](#) on May 31, 2015 (close enough to June!). Lissenden's analysis suggests that in 2015 the addition of insurers to the Health Insurance Marketplaces created by the ACA may result in premium increases, rather than decreases if some insurers are able to "cream-skim" low cost consumers. Lissenden estimates that over the first year of the Marketplaces, each additional insurer increased premiums by 2-3%, resulting in average paid premiums increasing with increased insurer participation in 2015.

That's it for June! We'll see you again in July!