

# Academic Articles and Reports Roundup: June 2014

## Articles and Reports Round Up: June 2014

Greetings!

In this installment of the Articles and Reports Round Up are the Source's pick reads from the academic literature and policy reports from June 2014.

### Academic Articles

Health Affairs' June issue, titled *The Economics of Health Care: Costs, Savings, and Value* (be still our hearts), had two lead articles on healthcare consolidation and costs (Ginsburg and Pawlson, and Sage) followed by two commentaries. All four are well worth reading.

Paul Ginsburg and Gregory Pawlson's article, *Seeking Lower Prices Where Providers Are Consolidated: An Examination of Market and Policy Strategies*, addresses the challenges that arise for payers and policymakers when improved integration in the healthcare market leads to increased consolidation. The article examines eight different strategies for promoting competition on price and quality via private-payer initiatives that can be bolstered by increased government regulation, if need be. They include: 1) access to provider price and quality information|2) limited provider networks|3) point of service incentives|4) data to assess provider efficiency and quality|5) supporting physician organization development|6) limiting increases in provider consolidation|7) limiting out of network provider charges| and 8) direct regulation of payment rates. The online appendix offers a nice chart of each of these strategies, their applications, pros and cons. The authors conclude that while these strategies will help, effectively combatting increases in healthcare prices that stem from provider consolidation and leverage may require either bolstering market approaches with complementary regulation or directly regulating rates (or both).

In *Getting The Product Right: How Competition Policy Can Improve Health Care Markets*, William Sage argues that stricter antitrust enforcement will only prove

successful in healthcare if it accounts for the long history of government regulation, which has resulted great distortions of prices, quality, and innovation. Sage argues that in a market as deeply distorted as health care, traditional antitrust enforcement can do little to improve the plight of consumers. As a result, antitrust regulators should focus more on whether goods and services billed to consumers and payers actually provide value. He notes that many of the goods and services we pay for are merely process steps that create revenue for physicians, hospitals and other providers, but have little to no value for patients. This argument is worthy of significant thought, especially in light of the recent decision in *Children's Hospital Central California v. Blue Cross of California*, in which the Fifth District Court of Appeals held that Blue Cross did not have to pay Children's chargemaster charges that were in excess of the services' reasonable value. Sage argues that defining health care services in terms of value to the patient, through methods similar to bundling, can go a long way toward improving competition.

Martin Gaynor's commentary, *Competition Policy in Health Care Markets: Navigating the Enforcement and Policy Maze*, responds to Ginsburg, Pawlson, and Sage, by arguing that health care markets must function as efficiently as possible for any competition based strategy to reduce costs. Gaynor highlights the limits of U.S. antitrust law's ability to improve competition given the realities of the healthcare market, and then argues that federal antitrust agencies, DOJ and FTC, need to work closely with the other state and federal agencies that control the dramatically changing dynamic of the U.S. health care markets.

Finally, in *Paradigm Lost: Provider Concentration and the Failure of Market Theory*, Bruce Vladek critiques many of Ginsburg, Pawlson, and Sage's proposed strategies for reducing health care costs and market concentration based on their reliance on traditional economic theory. He challenges the notion that traditional economic approaches to competitive markets can solve the problems of the U.S. healthcare system. He instead recommends a wholesale redesign or reconfiguration of the entire system. While his approach is the most straight forward, sometimes fixing from within ends up being the only politically feasible option.

On June 26<sup>th</sup>, JAMA published online David Squires' *The Global Slowdown in Health Care Spending Growth*. This brief article points out that the slowdown in health care

spending has been a global phenomenon, not just one precipitated in the U.S. by the Affordable Care Act.

## Reports

June also brought us two interesting reports on health plans offered through the exchanges – one from McKinsey on hospital networks, and an ASPE research brief on premiums and competition. Catalyst for Payment Reform also issued an Issue Brief on competitive markets. Below are some of the key findings.

McKinsey's Noam Bauman, Erica Coe, Jessica Ogden, and Ashish Parikh published *Hospital Networks: Updated National Views of Configurations on the Exchanges*, which was a follow-up to their 2013 intelligence brief, *Hospital Networks: Configurations on the exchanges and their impact on premiums*. Since the December 2013 brief, McKinsey expanded their hospital rating database from 20 rating areas to include all 501 rating areas in the country. The database also included information from all 282 payors in the 2014 exchanges and all 4,773 acute care hospitals in the U.S. The report examines silver tiered plans on the exchanges and the use of narrow networks. It found that 90% of the population has access to a broad network plan and 92% of the population has access to a narrow network plan. The narrow networks offer consumers a wider range of value and prices among insurance plans, as broad network plans cost, on average, 13 to 17 percent more. In some markets, broad networks cost up to 53% more.

On June 18<sup>th</sup>, Amy Burke, Ampit Misra, and Steven Sheingold from the Office of the Assistant Secretary for Planning and Evaluation (ASPE) of the Department of Health and Human Services issued *Premium Affordability, Competition, and Choice in the Health Insurance Marketplace, 2014*. The brief analyzes how plan and market differences impact premiums in the exchanges across the country. With respect to premiums, the brief found that individuals who received tax credits paid, on average, 76% less than the full premium amount on the federal exchange. Sixty-nine percent of individuals had monthly premiums that were less than \$100, and individuals choosing silver plans tended to select lower premium plans (65% chose the lowest or

second-lowest). With respect to competition, the brief states that nearly all individuals in the country have access to 2 or more plans (96%), and increased competition is associated with more affordable benchmark plans (the second lowest cost silver plan) for consumers and reduced costs for the federal government. Each additional issuer in a rating area was associated with an average drop of 4% in the premium of the second-lowest silver tier plan in that area. Greater competition was also associated with greater diversity of plan type (e.g. PPO, HMO, CO-OP).

Hospital market concentration, measured by HHI, was associated with higher premiums when assessed across all exchange plans, but was not associated with higher premiums in the second-lowest cost silver plans on their own. Finally, the appendix provides a table of average monthly premiums before and after the tax credits for each state in the federal exchange.

Last, but not least in this Round Up, Catalyst for Payment Reform published *Ensuring Competitive Markets for Health Care Services*, an issue brief that examines the drivers of consolidation in healthcare markets, its impact, and steps that employers can take to keep healthcare affordable despite consolidation. CPR recommends that employers support price transparency efforts, tiered and/or high value networks, Centers of Excellence and direct contracting, managed care and managed competition, all payer claims databases, and payment for performance.

That's all for this issue of the Articles and Reports Round Up, we'll see you in July!