Advocate offloads senior home care business to private equity firm

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HB 184

Establishing the Healthy Maryland Program as a public corporation and a unit of State government to provide comprehensive universal single-payer health care services for residents of the State by January 1, 2026; establishing requirements and prohibitions related to Healthy Maryland, including provisions regarding eligibility, participation by and payments to health care providers, benefits, payroll premiums, funding, and collective negotiations with health care providers; etc.

Summary of State Legislative Efforts Aimed at Health Care Transformation Reforms

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CMS unveils new payment model targeting population health

Average annual healthcare cost in all 50 states

The Source Roundup: August 2023 Edition

This month’s roundup of studies and reports highlights growing consolidation in health care as well as increasing costs of care. One report predicts higher medical costs in 2024—a trend that continued from the last two years. Another report highlights that policy efforts to reduce facility fees charged by hospitals are a potential avenue for controlling costs. Global capitation, in particular one value-based model utilized in Maryland, may help reduce the cost of specialty care delivery. Meanwhile, trends in the size of physician practices and recent M&A activity are indicators of growing consolidation. Lastly, our roundup highlights a noteworthy study that examines the effect that rising private equity acquisitions in health care has had on prices, particularly in highly consolidated markets.

Healthcare Costs

PwC Health Research Institute's (HRI) report, Medical cost trend: Behind the numbers 2024, shares results from surveys of actuaries working with U.S. health plans as well as analysis of various factors impacting cost of care. HRI predicts a 7.0% year-on-year rise in medical costs for 2024, which compares to 5.5% and 6.0% increases in 2022 and 2023, respectively. This trend reflects the impacts of inflation and rising expenses as well as a persistent shortage of clinical workers, both of which reduce revenue and spur hospitals to seek higher reimbursement rates from payers. Additionally, the report predicts that introduction of new cell and gene therapies will result in an increase in the median price of pharmaceuticals for 2024.

One source of the higher out-of-pocket costs that patients have been facing is "facility fees" charged by hospitals. Hospitals have increasingly been using these fees to raise revenue; the fees are often unexpected by patients and have been a source of significant frustration. In a report by Georgetown University's Center on Health Insurance Reforms and West Health, titled Protecting Patients from Unexpected Outpatient Facility Fees: States on the Precipice of Broader Reform, Christine H. Monahan et al. analyze laws and regulations in eleven states regarding outpatient facility fee billing. The laws take a variety of approaches, from outright prohibition on facility fees to caps or disclosure requirements. The report advocates for continued reforms that will contain facility fees and promote affordability in health care.

An article by Kushal T. Kadakia, Nancy L. Keating, and Anaeze C. Offodile II published in JAMA Health Forum, Transforming Specialty Care Delivery and Payment Under Global Budgets—Insights from the Provision of Surgical Services in Maryland, examines one potential strategy for addressing rising costs in specialty health care. The global budget

revenue (GBR) model utilized in Maryland aims to improve integration between primary and specialty care as Medicare beneficiaries transition into value-based care arrangements. GBR is a global capitation model that "centrally regulates reimbursement rates for all payers via a hospital-specific, prospectively set cap on total annual revenue across all care sites." Maryland's use of the GBR model resulted in a 2.8% reduction in expenditure growth for Medicare beneficiaries, largely due to $677 million in savings in hospital outpatient settings. The article also shares lessons learned for implementation of specialty care payment reforms, such as the need for nuanced quality measures.

Consolidation/Competition

The American Medical Association released its 2022 Physician Practice Benchmark Survey, which reports on the practice arrangements of physicians. One of the report's most notable findings is that between 2012 and 2022, the percentage of physicians in private practice dropped 13%, from 60.1% to 46.7%. Additionally, the percentage of physicians in practices of 10 or fewer physicians fell from 61.4% to 58.8%. Around 4% of physicians have shifted from single specialty to multi-specialty practices. Physician responses to the survey indicated the driving factors for selling their private practices to hospitals or health systems. The main reasons include their desires to negotiate more favorable payment rates with payers, better manage payers' regulatory and administrative requirements, and improve access to costly resources.

Along with increased physician practice acquisitions, there is a rise in overall healthcare merger and acquisition activity. According to Kaufman Hall's M&A Quarterly Activity Report: Q2 2023, announced transactions have increased from 15 in Q1 of 2023 to 20 in Q2, the highest number of transactions in a

quarter since Q1 of 2020. Deal size continues to be high, averaging at $664 million. While this deal size is down from Q2 of 2022 ($852 million on average), it is still higher than pre-pandemic levels. Notably, there have been three "mega mergers" in Q2: Froedtert Health and ThedaCare in Wisconsin; BJC HealthCare and St. Luke's Health System in Missouri; and Geisinger Health and Kaiser Foundation Hospitals, which announced the creation of Risant Health, a non-profit system focused on expansion of value-based care. Risant Health was created by Kaiser, and Geisinger Health will be the first health system to join, subject to regulatory approval. The report notes that, increasingly, large transactions function to expand the organizational capabilities of a health system.

Additionally, a report jointly published by The American Antitrust Institute, University of California at Berkeley (UCB) Petris Center on Health Care Markets and Consumer Welfare, and the Washington Center for Equitable Growth, titled Monetizing Medicine: Private Equity and Competition in Physician Practice Markets, found that the number of private equity (PE) acquisitions grew from 75 deals in 2012 to 484 in 2021. The report examines the impact that PE acquisition of physician practices has on market shares, concentration, price, and expenditures. Significantly, individual PE firms may have large market shares, sometimes over 50% in some areas. PE acquisition was associated with raised prices in 8 of the 10 physician specialties that the report examined. Furthermore, areas where PE controls a competitively significant share of the market saw greater price hikes. The authors Richard M. Scheffler et al. recommend several policy changes to address this concerning trend, including heightened reporting requirements for deals in concentrated markets or by serial acquirers.

That concludes this month's Roundup. If you find articles or reports that you think should be included in the monthly

Roundup, please send them our way.

SB 678 (see companion bill HB 1151)

Requiring the Maryland Medical Assistance Program, the Maryland Children's Health Program, and certain insurers, nonprofit health service plans, and health maintenance organizations to provide coverage for all services rendered to an enrollee by a licensed pharmacist within the pharmacist's lawful scope of practice, rather than only certain services, to the same extent as services rendered by any other health care practitioner.

HB 1151 (see companion bill SB 678)

Requiring the Maryland Medical Assistance Program, the Maryland Children's Health Program, and certain insurers, nonprofit health service plans, and health maintenance organizations to provide coverage for all services rendered to an enrollee by a licensed pharmacist within the pharmacist's lawful scope of practice, rather than only certain services, to the same extent as services rendered by any other health care practitioner.

SB 725

Authorizing certain insurers, nonprofit health service plans, and health maintenance organizations to offer and provide certain products or services in conjunction with a policy at no charge or at a discounted price under certain circumstances; and prohibiting certain insurers, nonprofit health service plans, and health maintenance organizations from increasing a premium or denying a claim of a policyholder if the policyholder accepts, rejects, uses, or fails to use a certain product or service.

HB 1217 (see companion bill SB 805)

Requiring the Maryland Medical Assistance Program and certain insurers, nonprofit health service plans, health maintenance organizations, and managed care organizations to provide coverage for biomarker testing that is supported by medical and scientific evidence; establishing requirements for deductibles, copayments, and coinsurance for biomarker testing; and requiring the Maryland Health Care Commission to report to certain committees of the General Assembly on the impact of providing biomarker testing.