

The Source Roundup: April 2021 Edition

Happy April! This month's roundup centers on articles and reports that discuss: 1) healthcare markets and competition; 2) payment reform, and 3) healthcare costs, and 4) price transparency.

Healthcare Markets and Competition

In a piece published in the *Harvard Business Review* titled [The Pandemic Will Fuel Consolidation in U.S. Health Care](#), Lovisa Gustafsson and David Blumenthal, researchers at the Commonwealth Fund, predict that mergers of key players in the U.S. healthcare system will continue as a result of provider financial challenges during the COVID-19 pandemic. While the Federal Trade Commission (FTC) took steps in January 2021 to understand how these mergers affect competition, these actions may not lead to more rigorous antitrust enforcement because most of these individual transactions are not large enough to require federal reporting. The aggregation of these smaller transactions, however, can lead to significant market concentration that significantly weakens the level of competition. These researchers recommend that Congress should make steps toward prohibiting transactions that adversely affect payers and patients because studies to date suggest consolidation increases prices and does not improve the quality of care. Congress could, for example, prohibit or restrict anticompetitive contract provisions or mandate all healthcare entities to report merger and acquisition activities.

The *New England Journal of Medicine* published a piece titled [Private Equity and Physician Medical Practices — Navigating a Changing Ecosystem](#) that discusses how physician-owned medical practices are driving the healthcare industry toward consolidation, corporatization, and administrative management. Jane M. Zhu and Daniel Polsky suggest these changes result in two outcomes for independent practices: 1) these smaller practices must compete against larger practices, and 2) they must turn to new sources of capital, which has increasingly become private-

equity firms during the COVID-19 pandemic. Benefits of investment from these private-equity firms include increasing referrals to internal clinicians, expanding market share, and creating operational improvements that heighten efficiency. Drawbacks, however, include higher costs for patients and payers, deteriorating clinicians' job satisfaction and performance. The authors suggest that greater standardization, monitoring, enforcement of safeguards, and reducing the size-of-transaction threshold that prompts FTC review will protect against poor quality clinical care.

Payment Reform

In [An Employer-Provider Direct Payment Program Is Associated With Lower Episode Costs](#) published by *Health Affairs*, Christopher M. Whaley, et al. found that bundled payments reduced medical spending by approximately ten percent. While employers captured approximately 85% of all savings, patient cost-sharing decreased by nearly thirty percent. Meanwhile, the changing nature of primary care payment is documented in another NEJM piece titled [Reform of Payment for Primary Care — From Evolution to Revolution](#) by Allan H. Goroll, et al. Fee-for-service (FFS) persists as the predominant method of primary care compensation in the United States; however, the unfavorable consequences of this method call for reimbursement to center around value. A value-based approach focuses on prospective, comprehensive payment (capitation), and it allows clinicians to spend greater time with patients and explore innovative care for each patient. Slower, evolutionary strategies of reforming payment practices have paradoxically encouraged FFS payment, and thus Goroll et al. recommend accelerated payment reform to better patient experience and outcomes.

Healthcare Costs

In an article published by the Kaiser Family Foundation, [Limiting Private Insurance Reimbursement to Medicare Rates Would Reduce Health Spending by About \\$350 Billion in 2021](#), Karyn Schwartz, et al. report that healthcare costs are on the rise for

privately-insured individuals and employers who provide health insurance coverage. Capping the amount that private insurers pay to Medicare rates would reduce total healthcare spending in the U.S. by approximately forty percent; however, these changes may result in reduced revenues for hospitals and other providers. Employees and their dependents would spend \$116 billion less for healthcare, and privately-insured individuals aged 55-64 would spend \$115 billion less. Nearly half (45%) of the reduction in spending would be from outpatient hospital services.

Price Transparency

Two articles this month suggest that price transparency initiatives may not always work as intended. A new price transparency rule implemented by the Centers for Medicare and Medicaid (CMS) went into effect on January 1, 2021. This new federal rule requires hospitals to make public a machine-readable file listing standard charges for all items and services. In the *Health Affairs* study [Low Compliance From Big Hospitals On CMS's Hospital Price Transparency Rule](#), analysts from the Hilltop Institute looked at price transparency files from the 100 largest hospitals in the U.S. Morgan Henderson and Morgane C. Mouslim discovered that the majority of hospitals (65%) were “unambiguously noncompliant” with the federal price transparency regulation. Many hospitals have negotiated with the Department of Health and Human Services to ease the enforcement of this regulation until the end of the COVID-19 pandemic, claiming unique challenges due to the pandemic. Nonetheless, the authors urge hospitals to adhere to the federal regulation because assembling and posting required files of information already in their possession is not too great a burden, even during the pandemic.

While healthcare transparency websites may have good intentions, they might not actually produce the desired result of increased use of lower-price providers. Sunita M. Desai, Sonali Shambhu, and Ateev Mehrotra published a report in *Health Affairs* titled [Online Advertising Increased New Hampshire Residents' Use of Provider Price Tool but Not Use of Lower-Price Providers](#) that detailed the result of the authors' advertising campaign on a New Hampshire healthcare price transparency webpage. While the campaign led to a more than 600 percent increase in visits to the

webpage, it did not result in increased use of lower-price providers. This result may be because not all patients are price sensitive with their healthcare costs, and the ones that are concerned about price may not know the details of their benefit design to accurately calculate out-of-pocket costs. This outcome suggests that consumers are limited in their ability to use healthcare price information rather than being limited by a lack of awareness about price transparency tools since these tools were made available to them in the study.

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. Stay safe and healthy!