

The Source Roundup: April 2022 Edition

This month, we are pleased to highlight new publications co-authored by The Source-affiliated health policy researchers and scholars, discussing 1) the potential benefits of all-payer hospital global budgets, and 2) the legal viability and policy effects of state public option health plans. Additionally, we examine articles covering research on 3) hospital service offerings based on ownership type, 4) the correlation between hospital prices and patient outcomes, 5) data sources within California's physician practice landscape, and 6) the labor market impact of hospital mergers.

Healthcare Reform and Cost Containment

High healthcare prices and rising market concentration have led to a range of proposals to regulate hospital prices. In the issue brief "[Hospital Global Budgets: A Promising State Tool for Controlling Health Care Spending](#)" for the Commonwealth Fund, [Robert Murray](#), a Source-affiliated Senior Health Policy Researcher, looks at government-administered and -regulated pricing systems as a potential solution for states to consider. After reviewing literature and analyses of past and existing pricing systems, Murray determined that an all-payer hospital global budget, in which revenues are capped for a specified period for all services provided to patients, could help remove fee-for-service incentives that induce hospitals to provide unnecessary and low-value care, while at the same time giving states a tool to effectively constrain hospital expenditure growth for all payers. Another benefit of a global budget arrangement is that such a payment system is less complex than

systems that set explicit prices or price caps for every service. Overall, Murray shows how hospital global budget arrangements can create the conditions necessary to hold hospitals accountable for the costs of services they provide while emphasizing the policy objective of cost containment.

After publishing in the [New England Journal of Medicine](#), the research article “[Are State Public Option Health Plans Worth It?](#)”, co-authored by The Source’s Katie Gudiksen and Jaime King, along with Erin C. Fuse Brown, was recently published in the Harvard Journal of Legislation. The article evaluates and provides a comprehensive survey and taxonomy of state public option proposals from 2010-2021, including legislation advanced in Washington, Colorado, and Nevada, identifying three basic models: 1) Medicaid buy-in public options; 2) marketplace-based public options; and 3) comprehensive public options. In this paper, the researchers try to quantify whether such plans are worthwhile and legally viable for states. The answer, the authors write, is yes to both. Surprisingly though, the legal viability and policy effects increase with the scope of the plan. In other words, with state public option plans, bigger is better. Ultimately, the article shows that despite legal and fiscal hurdles to state health system reforms, states developing public options may offer the federal government important policy design lessons in expanding access to care at a lower cost.

Provider/Hospital Services

Over fifteen years ago, health policy researcher Jill R. Horwitz demonstrated that nonprofit and for-profit hospitals offered different mixes of services, with the differences depending on the services’ relative profitability. Since then, the Affordable Care Act (ACA) has led to dramatic changes in health care

financing and delivery. In a new *Health Affairs* article, [Hospital Service Offerings Still Differ Substantially By Ownership Type](#), Horwitz and Austin Nichols consider whether nonprofits still differ meaningfully from for-profits in their role as medical service providers, and find results similar to those they found before the ACA health reform. Their study found that compared to their nonprofit and government counterparts, for-profit urban hospitals are significantly less likely to offer and pursue care services that don't turn a profit. Similarly, these for-profits were more likely to offer profitable care service lines than facilities with nonprofit or government ownership, although all three groups, on average, were more likely to offer any given profitable service than an unprofitable service. Moreover, nonprofit and government hospitals alike were more likely to offer any given service, on average, due to their larger size. While nonprofits often receive criticism for not doing enough to justify their tax-exempt status, the researchers argue that it's also important to evaluate what services hospitals offer when gauging whether nonprofits earn their tax exemptions.

In another article studying hospital services, researchers examine the correlation between prices and quality. Higher prices generally imply increased quality in most consumer markets, but health prices and health quality can be difficult to interpret. A working paper from the National Bureau of Economic Research challenged the assumption that higher prices translate to better quality of care. In "[Do Higher-Priced Hospitals Deliver Higher-Quality Care?](#)", Zack Cooper, Joseph J. Doyle Jr., John A. Graves, and Jonathan Gruber consider whether patients get better health outcomes when they are treated at higher-priced hospitals and explore how the relationship between providers' prices and quality varies in concentrated and unconcentrated hospital markets. Within this context, the

researchers conducted a study to analyze whether receiving care from higher-priced hospitals leads to lower mortality. Their findings showed that getting care from higher-priced hospitals in an emergency doesn't necessarily result in better outcomes – at least in markets that have little competition. The study found that mortality rates decreased in hospitals with higher prices in only unconcentrated markets, while no correlation was observed with hospitals in concentrated markets. In concentrated markets, high prices likely reflect patients' lack of choices in getting care, not hospital quality. The researchers conclude that more vigorous antitrust enforcement can lead to more efficient outcomes in markets where competition is geographically possible.

Aside from hospitals, physician practice has understandably drawn scrutiny from policymakers with such services accounting for 20% of total health care spending, the second-largest category behind hospital care (31%). A recent California Health Care Foundation report describes California's physician practice landscape and specifically sheds light on the significant gaps in information about the state's physician services market. In ["California's Physician Practice Landscape: A Rapidly Changing Market with Limited Data"](#), Jill Yegian and Marta Green explain that existing sources on the structure, characteristics, and financing of physician practices are piecemeal and often not publicly available. In addition, lack of shared definitions and language about the structure and characteristics of physician practices can create confusion, further complicated by the variation in contractual relationships and payment arrangements between payers and providers. The authors address these challenges by reviewing available information sources on the physician practice landscape in California, with a focus on existing regulatory and reporting requirements. Further, their paper begins to create common language and terminology about

physician practices and organizations with the goal of enabling a more substantive discussion of relevant policy issues, including gaps in currently available information and prospects for new accountability measures. Addressing the physician market from a policy perspective, the report shows how healthcare policymakers could benefit from enhanced data access and accountability.

Effects of Healthcare Consolidation

Antitrust investigations into hospital mergers have mainly focused on whether mergers lead to anticompetitive behavior that may limit patient access to care or raise prices for services. While there is significant research showing that hospital mergers raise prices, little work has been done on the broader ramifications of hospital consolidation on the labor market. A new study, "[Employer Consolidation and Wages: Evidence from Hospitals](#)", examines the impact of hospital consolidation on employee wages. Writing for the American Economic Association, Elena Prager and Matt Schmitt demonstrate that mergers that significantly increased hospital concentration in the local labor market slowed wage growth for workers whose employment prospects were closely linked to hospitals. Certain types of hospital mergers causally decrease wages for certain healthcare workers, according to the report's citation of research published in the American Economic Review in February 2021. Hospital mergers that cause the largest gains to hospital concentration under the Herfindahl-Hirschman Index (HHI), which measures market concentration, cause wage growth to slow for skilled workers, nurses, and pharmacy workers. The article's findings support the idea that merging hospitals can gain labor market power over some categories of workers and suggest that labor market considerations may be a warranted addition to the

antitrust merger review criteria used to identify mergers with potentially detrimental impacts.

Prager and Schmitt's study also corroborates findings from the U.S. Treasury Department's latest report on competition in the labor market. The report, "[The State of Labor Market Competition in the U.S. Economy](#)," describes in its hospitals and nurses subsection how hospital consolidation can negatively impact nurses. "When the hospital industry consolidates by closing hospitals, it increases monopsony power mechanically by increasing the cost among nurses to find work elsewhere (i.e., longer commutes)," according to the report. "Even when consolidation does not reduce the number of hospitals (e.g., through a merger of hospital systems) it can increase the monopsony power by reducing competition among the remaining firms." The report concludes with a forward-looking policy agenda to increase labor market competition, ranging from renewed antitrust enforcement to progressive legislation.

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.