The Source Roundup: August 2022 Edition

Summer may be going by like a breeze, but you can still catch up on some of the latest studies and reports in healthcare market and prices in the Source Roundup as usual. In this issue, we first take a look at the latest trends in hospital and health system consolidation. More than a year since the implementation of the federal hospital transparency rule, researchers continue to study and examine the hospital price data that were disclosed, including characteristics of hospitals that have complied with the rule, trends in prices of specific healthcare services like cardiovascular procedures, and charges at emergency departments. Additionally, we highlight reports and analyses that project a rise in healthcare premium in 2023 and the factors that drive the anticipated increase.

Healthcare Consolidation

Three years into the COVID-19 pandemic, the emerging trend in hospital mergers and acquisitions seems to be lower transacting frequency but higher transacting dollar amounts. According to the latest quarterly activity report on Transactions Between Hospitals and Health Systems released by Kaufman Hall, 13 M&A deals were announced in Q2 2022, similar to the 14 deals in Q2 of the past two years, but quite low compared to the high of 31 in the equivalent quarter of 2017. At the same time, however, the dollar amount in revenue of transacting entities is at a record-setting high due to mega transactions. Driven by the $27 billion megamerger of Advocate Aurora and Atrium Health, the latest quarter saw a historical high of $19.2 billion total transactions. In addition to this merger, the average size of the smaller entity in the mergers of 2022 was $1.48 billion, which is double the previous year of $619 million. Kaufman Hall noted that the latest trend may indicate a long-term shift to fewer but larger hospital and health system transactions as the new norm.

Price Transparency

Since the implementation of the federal Hospital Transparency Rule in January 2021, studies and reports continue to examine the compliance rate and trends revealed from the data across the country. In the latest report published in JAMA Health Forum, US Hospital Characteristics Associated With Price Transparency Regulation Compliance, authors Yunan Ji and Edward Kong studied the compliance levels of all 4,484 acute care hospitals in the U.S., which include 2,892 hospital systems, as of December 2021. The findings revealed a strong relationship between the competitiveness of a hospital's region and the level of compliance with the transparency rule. Specifically, hospitals and systems in less competitive regions (i.e. highly concentrated markets with HHI of 2500 or greater), as well as those with greater market shares, had a higher level of compliance. Additionally, multi-hospital systems, for-profit hospitals, and teaching hospitals had higher compliance, while government hospitals had lower compliance. Notably, this finding of negative association between compliance and competitiveness of the hospital region is consistent with another study published in the Journal of General Internal Medicine in June 2021. The authors noted that this is consistent with the need of hospitals in more competitive regions to safeguard their negotiated prices in the face of greater competition.

Another study of hospital data revealed from the federal transparency rule examines the characteristics of emergency department (ED) facility fees, which are flat fees that hospital ED charges to cover overhead costs. In a Health Affairs article, Hospital And Regional Characteristics Associated With Emergency Department Facility Fee Cash Pricing, authors Morgan A. Henderson and Morgane C. Mouslim analyzed price data for emergency care from 1,600 hospitals from 2021. The pricing data disclosed varied widely, ranging from $161 to $1,097 for the median cash price for facility fees. Of the reported data, EDs at for-profit hospitals charged an average of $1,218 more in cash price facility fees for emergency care compared to those at nonprofit hospitals. Similarly, larger hospitals (those with more than 250 beds) charged an average of $826 more in facility fees, while system-affiliated hospitals charged $311 more, compared to nonprofit and independent hospitals. Henderson et al. indicated that this data shows profit maximization of health systems which may discourage those who are uninsured or underinsured from obtaining emergency care.

Relatedly, researchers also looked at the pricing data for cardiovascular services in a cross-sectional study. In Assessment of Prices for Cardiovascular Tests and Procedures at Top-Ranked US Hospitals, published in JAMA Internal Medicine, Andrew S. Oseran et al. studied the prices reported for these common and routinely performed services at the top 20 hospitals as ranked by *US News & World Report*. In terms of compliance, 80% reported prices for some cardiovascular tests or procedures, while only 35% reported prices for all cardiovascular services. Most notably, the study found that the prices reported varied widely across the hospitals. For example, the researchers observed a 10-fold difference in the median price of an echocardiogram, and prices for stress test ranged from $463 to $3,230, while a pacemaker implantation could cost between $506 and $20,002. Moreover, Oseran et al. noted that the difference in prices were more likely associated with market dynamics such as physician and payer consolidation, rather than differences in quality of care, hence highlighting the importance of price transparency to track changes in hospital prices.

Overall, studies and analysis of the price data revealed from the price transparency rule suggest that it could encourage and foster greater consumer price shopping as well as accountability and competition among providers.

Healthcare Costs

In addition to rising inflation rate and gas prices, healthcare premiums are again on the rise. According to the Kaiser Family Foundation analysis, An early look at what is driving health costs in 2023 ACA Markets, after the consistent drop in premium for the previous three years, the analysis by Jared Ortaliza et al. anticipates a significant jump of 10% in median premium rate in the ACA marketplace in 2023. Based on the review of early rate filings of 72 insurers participating in the ACA marketplace in 13 states and the District of Columbia, this projected increase is in part driven by prices insurers pay to hospitals, physicians, and pharmaceutical companies, as well as increased utilization of healthcare services by plan enrollees compared to earlier in the pandemic. Additionally, the possible expiration of the premium subsidy provided by the American Rescue Plan Act, originally enacted in March 2021, also contributes to the anticipated rise in rates, particularly for the subsidized enrollees.

Similarly, the American Academy of Actuaries also projected a premium increase in the individual and small group markets in 2023, as analyzed in Drivers of 2023 Health Insurance Premium Changes. Consistent with the Kaiser Family Foundation report, the issue brief points to the end of federal subsidies and rising inflation as the factors driving the expected increase in premiums. Specifically, the report expects healthier enrollees originally incentivized by the tax break to leave the market once the subsidies expire, which would in turn drive up the risk pool and costs. Additionally, providers are likely to be affected by rising inflation in the supply chain costs, which would in turn impact their rate negotiations with health plans. While the actual premium rate in 2023 may still change depending on a variety of factors, it appears more than likely from the two reports that it will increase at a greater rate than in the previous two years.

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.