

# The Source Roundup: December 2020 Edition

In the final monthly roundup of this tumultuous year, we highlight articles and reports that examine 1) rising and varying healthcare costs and their pronounced impact on Americans during the pandemic; 2) antitrust enforcement challenges of private equity partial ownership and joint ventures; 3) continued success of the Affordable Care Act in both marketplace participation and coverage protections for Americans amidst the pandemic; and 4) value-based pricing for COVID-19 treatment and vaccines.

## **Rising and Varying Healthcare Costs Increase Burden to Americans**

In the Kaiser Family Foundation report [How costly are common health services in the United States?](#), Daniel McDermott et al. examine the actual costs of specific healthcare services in the United States to further understand the driver behind high healthcare spending in this country. The authors studied the average cost of common healthcare services using health claims from adults enrolled in large employer plans and found these costs varied widely by geographic regions and continued to rise in general. McDermott et al. found that from 2008 to 2018, the average cost of a hospital admission increased by 68% and the cost for a laparoscopic appendectomy increased nearly five times faster than inflation. The type of admission in inpatient hospital admission contributed to variations in average costs for hospitalization, with psychiatric and substance use disorder being the lowest (\$13,635) and surgical being the highest (\$47,345). Alarming, the cost of surgical hospitalization nearly doubled from 2008 to 2018, while other costs increased at a much lower rate. The report also found wide variation of costs across the country. For example, a lower back MRI costs \$1,106 in Houston while only \$404 in Las Vegas. Overall, the cost of inpatient admission has increased across all markets from 2008 to 2018, with the highest costs seen in San Diego and the least expensive in the Midwest regions such as St. Louis and Louisville. McDermott et al. conclude that the lack of price transparency contributed to this variation in pricing.

As seen from the study, while some variation can be explained by the nature of the healthcare service, many other high prices remain more questionable.

In a similar vein, the Commonwealth Fund also conducted a study on [State Trends in Employer Premiums and Deductibles, 2010-2019](#). Sara R. Collins et al. focused on how spending on premiums and deductibles compared to median income in each state prior to the COVID-19 pandemic and how they increased over time. The brief reports that premium and deductible spending in employer plans accounted for 11.5% of median household income in 2019, compared to 9.1% in 2010. Additionally, while such spending accounted for more than 10% of median income of households in 10 states in 2010, that number jumped sharply to 37 states in 2019. On average, cost of premiums and deductibles ranged from \$5,535 in Hawaii to more than \$8,500 in 9 states, including Massachusetts and Connecticut. Overall, Collins et al. concluded that the burden of healthcare costs for U.S. workers with employer coverage has increased because the growth in premium rates and deductibles outpaced the growth in household income in the past decade. As a result, the authors showed concern that such burden will exacerbate for middle-income families that lose their household income due to the pandemic-induced economic crisis.

## **New Forms of Partial Horizontal Control Concerning for Antitrust Enforcement**

The American Antitrust Institute (AAI) published a white paper titled [What Does Expanding Horizontal Control Mean for Antitrust Enforcement? A Look at Mergers, Partial Ownership, and Joint Ventures](#). Authored by AAI President and economist, Diana Moss, the paper asserts that the expansion of horizontal ownership and control in industries including hospitals and health insurance presents challenges for merger enforcement. This is particularly true for less conventional forms of horizontal control that involve acquisition of partial ownership and joint venture agreements, which do not completely eliminate an independent competing entity. It follows that when competitors acquire partial ownership stakes in each other, they have less incentives to compete with each other. Specifically, private equity buyout is one form of such new form of horizontal control and is concerning for antitrust

enforcement due to the lack of transparency of such transactions. Moss raised concerns regarding the general direction of antitrust enforcement, as research shows enforcement agencies turn increasingly to imposing remedies and conditions for potential mergers, instead of blocking them outright. The paper analyzes failed merger remedies and the effect of enforcement litigation and urges a new look at horizontal control and its dynamics and impact to the market.

## **ACA Marketplaces Thrive as the ACA Provides Protection for Americans Amidst the Pandemic**

As the Supreme Court deliberates on the fate of the Affordable Care Act (ACA), two analyses highlight the impact of the law, which has provided coverage options for Americans in the coronavirus pandemic. The Kaiser Family Foundation report [Insurer Participation on the ACA Marketplaces, 2014-2021](#) shows that the number of insurers participating in the ACA exchanges has grown for the third straight year, with 38% of counties to see more insurers on their marketplaces in 2021. The report found that in 2021, only 3% of marketplace enrollees will have only one choice of insurer, compared to a whopping 26% having such limited choice in 2018. Additionally, 78% of enrollees will have a choice of at least three insurers, an increase from 48% in 2018. Overall, the average number of insurers per state in 2021 is 5.0, just below the peak of 6.0 in 2015. The authors believe the increase in marketplace participation underscores the stability and appeal of the individual market, even as insurers across the country maneuver the uncertainty of the pandemic.

Another report looks closer at the impact of the COVID-19 pandemic on insurance coverage. The Urban Institute analysis [ACA Offers Protection as the COVID-19 Pandemic Erodes Employer Health Insurance Coverage](#) found that as 3.1 million adults lost employer-sponsored insurance coverage due to the pandemic, most of them were able to fall back on coverage offered by protections mandated under the ACA. Authors Michael Karpman and Stephen Zuckerman found the loss in employer coverage were offset by increases in Medicaid and CHIP enrollment and private nongroup coverage. As a result, even as employer coverage fell 1.5%, there was no

corresponding drop in uninsurance rate. The implication from this shows the ACA to be pivotal in providing healthcare coverage to Americans, as its fate is up for debate at the Supreme Court. Karpman et al. also estimated that if the landmark law were found to be unconstitutional, an additional 21 million people would become uninsured in 2022.

## **Value-Based Pricing for COVID-19 Treatment and Vaccines Ensures Incentives for Innovation**

As the world awaits anxiously for COVID-19 treatment and vaccine distribution to combat the pandemic, the spotlight is once again on pharmaceutical pricing. This month, *Health Affairs* published a paper that advocates [Consideration Of Value-Based Pricing For Treatments And Vaccines Is Important, Even In The COVID-19 Pandemic](#). Peter Neumann et al. first consider the three types of alternative pricing models, namely cost-recovery, monetary prizes, and advanced market commitments, for pricing COVID-19 drugs and vaccines. The authors assert that even in a pandemic, value-based pricing should be considered, as they stimulate innovation. This posits the question of how value should be measured. Neumann et al. consider taking into account the added value of social benefits in the cost-effectiveness analysis, which may be particularly relevant for drugs and vaccines in a pandemic. However, they quickly point out that paying a price to reflect the full societal value may be infeasible and also unnecessary. The authors conclude that a balance of all the data and information, including factors of societal benefits, will help inform the value analysis to achieve prices that are optimal for both feasibility and innovation.

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!