

The Source Roundup: December 2021 Edition

This month's Roundup focuses on articles highlighting market consolidation and healthcare affordability, which can both have important implications for patient outcomes. First, we examine articles and reports that study 1) the need for a robust administrative review process for all healthcare transactions, 2) post-merger outcomes for hospital system and patients, and 3) consolidation in the dialysis industry. Next, we highlight articles and reports focusing on growing healthcare costs and affordability that specifically examine 4) the impact of the American Rescue Plan Act of 2021, 5) changes in employer healthcare benefits and costs due to the COVID-19 pandemic, and 6) healthcare affordability rankings of all the states based on policy and outcome metrics.

Market Consolidation/Competition

Though the federal government has increased its attention on policies to promote competition in the healthcare industry, consolidation still occurs through transactions that avoid antitrust scrutiny. In "[A Tool for States to Address Health Care Consolidation: Improved Oversight of Health Care Provider Mergers](#)," published by the National Academy of State Health Policy (NASHP), the Source's Katie Gudiksen joined Erin Fuse Brown to explain that states have a crucial role in filling the gap in overseeing stealth health care consolidation at the state level. To assist states, the authors put forth a [Model Act for State Oversight of Proposed Health Care Mergers](#). The model legislation emphasizes a comprehensive, administrative review process of all transactions, including preliminary review by the attorney general, a two-component comprehensive review process, and post-approval monitoring. This model act

is a robust tool for *all* state policymakers to adopt to prevent harmful mergers and protect the public.

Two articles published this month examined the rising consolidation of healthcare facilities and their consequences. First, in "[The Anatomy of a Hospital System Merger: The Patient Did Not Respond Well to Treatment](#)," published by the National Bureau of Economic Research, Martin Gaynor et al. conducted a case study examining the consequences of a mega-merger between two large for-profit hospital chains. The authors found that despite achievement of some of the acquirer's post-merger aims, such as harmonization of medical records between the merging entities, the merger failed to improve profitability and patient clinical outcomes. Additionally, the researchers' findings suggest the significance of hospital organization and internal management processes in evaluating the mergers' claimed benefits. These findings provide a new perspective—the use of an organizational view—for antitrust policymakers and regulators to adopt when evaluating the claimed benefits of a proposed merger and its likelihood of success post-merger.

Second, in "[Trends in Dialysis Industry Consolidation After Medicare Payment Reform](#)," published in JAMA Health Forum, Caroline E. Sloan et al. studied the impact of Medicare's 2011 End-Stage Renal Disease Prospective Payment System (PPS) on dialysis facility acquisitions and closures. PPS converted treatment payment for end-stage kidney disease (ESKD) to a single bundled payment for dialysis treatment, which consequently left facilities unable to rely on fee-for-service payments. Though Sloan et al. found an initial spike in dialysis facility acquisitions immediately after PPS implementation, likely due to the uncertainties attributable to the new payment reform, the authors found an overall trend of decline in acquisitions and closures. However, they found that smaller at-risk facilities were more likely to suffer closure than newer, larger, and potentially more profitable

dialysis facilities, which were more likely to be acquired. Despite the increase in population of ESKD patients, the dialysis industry has become highly concentrated with only two for-profit large dialysis organizations dominating the market. With an increasing demand for dialysis and growth of the industry in general, policy makers must be vigilant in monitoring the dialysis industry because consolidation can have significant effects on the access to care and patient outcomes of ESKD patients.

Healthcare Costs and Affordability

The growing cost of health care coupled with the slower growth in income has caused significant difficulty for families in obtaining healthcare coverage. In a *Health Affairs* research article, "[ACA Marketplaces Became Less Affordable Over Time For Many Middle-Class Families, Especially The Near-Elderly](#)," authors Paul D. Jacobs and Steven C. Hill examined the consequences of the American Rescue Plan Act of 2021, which sought to increase healthcare coverage and affordability by providing tax credits for consumers to purchase coverage through ACA marketplaces. Specifically, the American Rescue Plan Act eliminated, through 2022, the eligibility restriction for families with incomes greater than four times the poverty level, who did not previously qualify for tax credits. Though these subsidized premiums could temporarily reduce financial burdens for middle-class families, the program expires in 2023. Thus, without expansion of the program beyond 2023 or additional policy ensuring healthcare affordability, middle-class families will continue to face substantial financial burdens in obtaining affordable coverage, resulting in decline in healthcare coverage in this population.

Another recent report released by the Kaiser Family Foundation examined effect of the COVID-19 pandemic on healthcare coverage and costs. The [2021 Employer Health Benefits Survey](#)

noted a 4% increase in premiums for employer-sponsored health plans, which is fairly stable compared to 2020 due to lower utilization during the pandemic. At the same time, deductibles have remained high since pre-pandemic. Nonetheless, the pandemic has encouraged changes to employer benefits. For example, more employers added additional mental and behavioral health benefits likely due to consequences of the pandemic. Additionally, the survey found a significant increase in expansion of telehealth benefits, such as online counseling services. Though employers have pivoted and adjusted their health and employment benefits in the wake of COVID-19, the pandemic's consequences are still of significance, and employers should be prepared to structure benefits accordingly for a post-pandemic world.

Not only is healthcare affordability a hot topic issue for policymakers and in the healthcare field, but it consistently ranks as the top issue that state residents want their policymakers to address. Altarum's Healthcare Value Hub recently published its "[Healthcare Affordability State Policy Scorecard](#)," which ranks states' healthcare affordability based on their healthcare policy as well as actual outcomes. The four policy areas considered in ranking the states are: 1) curbing excess prices in the system; 2) reducing low-value care; 3) extending coverage to all residents; and 4) making out-of-pocket costs affordable. The outcomes are also ranked based on four factors: 1) private payer inpatient prices relative to the Medicare allowed amount; 2) rates of known low-value services delivered by providers; 3) percent of the population that is uninsured; and 4) percent of the population that forgo needed care due to cost. According to these metrics, Massachusetts ranked the highest among the states—with a score of 65.3 out of 80 total points—on their adoption of policies that improve healthcare affordability. California, in comparison, ranked right outside the top ten at 12, scoring 44.9, while Texas ranked last with a score of 17.9. The report also provides useful guides for each state's

policymakers on how to best focus their healthcare affordability reform efforts.

That concludes the last Roundup for 2021. 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 this holiday season!