The Source Roundup: April 2023 Edition

With the healthcare market at the most consolidated it has ever been, both federal and state action is needed to ensure health care systems provide high-quality, affordable care that is accessible. In this month’s roundup, we begin with several publications authored by The Source team on the ramifications of consolidation and the role of federal and state antitrust enforcers. Researchers also considered whether health care providers and insurers have returned to pre-pandemic performance levels. With the rise of health care spending and health care costs, understanding these trends becomes especially important when considering the high levels of medical debt in the United States.

Competition and Consolidation

Researchers have repeatedly warned about the negative ramifications of healthcare consolidation, such as increasing prices and decreasing access. In the latest perspective piece in the New England Journal of Medicine, On Consolidation and Competition — The Trials and Triumphs of Health Care Antitrust Law, the Source Founder & Distinguished Fellow Jamie S. King provides an overview of the history of healthcare antitrust law and enforcement and argues that the current health care market is the most consolidated market in U.S. history, partly due to consolidation moving faster than antitrust enforcement. Even as federal enforcement is increasing, King doubts that it will be enough to rectify the harms because enforcers have yet to break apart a conglomerate and still do not have the manpower to challenge every potentially anticompetitive transaction. She does see hope though in combining competitive and regulatory forces to create a system that can control health care prices, restore high-quality care, and expand access to care.

States have also increasingly become involved in regulating anticompetitive behavior within their health care industry. In 2021, Oregon created a health care market oversight program which allows the Oregon Health Authority (OHA) to place...
conditions and even block transactions they believe will have negative effects on
cost, competition, access, equity, or quality. In A Step Forward for Health Care
Market Oversight: Oregon Health Authority’s Health Care Market Oversight
Program, The Source’s Robin L. Davison, Katherine L. Gudiksen, Alexandra D.
Montague and Jamie S. King examines the review process of the new program.
Notably, OHA’s jurisdiction continues even after the transaction has concluded and
it must publish a statewide survey every four years to increase transparency while
monitoring trends. The authors note that an effective market oversight authority
program requires detailed understanding of the drivers of healthcare costs,
flexibility to respond to the market, a balance between state resources and breadth
of review, high-level of transparency and public participation, and enforceable and
targeted conditions. Oregon’s program meets all these requirements, yet the full
success of the program remains to be seen in the coming years. Based on the few
reviews that have been completed, the researchers are optimistic that Oregon will
be able to have more control over health care prices, quality of care, and increased
transparency.

Healthcare Provider and Payer Performance

As we transition into a post-pandemic world, the American Hospital Association
commissioned a report from KaufmanHall, providing The Current State of Hospital
Finances: Fall 2022 Update. According to the report, overall margins have not
recovered to pre-pandemic levels while expenses have significantly increased,
leading to many hospitals being in a precarious financial situation. Researchers
considered a variety of models, all of which projected significant losses for hospitals
in 2022 as a result of a combination of potential future COVID-19 surges, sicker
patients due to delayed care, and aggressive payer negotiations. In response to this
study, Christopher M. Whaley, Sebahattin Demirkan, and Ge Bai examined What’s
Behind Losses at Large Nonprofit Health Systems? Using quarterly financial
statements of 10 systems, the researchers found that all 10 reported negative overall
profit margins, of which 85% of overall financial losses were from investment losses.
Many of these large systems invest in the stock market and private equity that
experienced a harsh decline in 2022. The researchers conclude that evidence-based
decision making needs to consider the real primary driver of hospital losses and not put the burden on private payers and taxpayers to insulate hospitals from the ramifications of their decisions.

A similar retrospective study on Health Insurer Financial Performance in 2021 was conducted by Jared Ortaliza et al. for the Kaiser Family Foundation. Unlike hospitals, health insurance saw a return to pre-pandemic levels in the Medicare Advantage market and even saw a higher return in Medicaid margins. However, gross margins for individual and group markets remained below pre-pandemic levels. One reason for this discrepancy is that many Medicaid managed care organization states agreed to share profit or losses with these insurance companies, which allowed them to recoup funds. The researchers warn that 2021 could be an outlier year because the full impact of COVID-19 programs and subsequent program terminations, remains to be seen.

**Healthcare Prices and Costs**

Across all metrics, the United States spends more on health care than any other comparable industrialized nation. With the federally mandated Hospital Price Transparency rule, researchers are gaining more insights into provider prices. Published in JAMA, John Xuefeng Jiang, Ajay Malhotra, and Ge Bai examined the Factors Associated with Hospital Commercial Negotiated Price for Magnetic Resonance Imaging of Brain. Looking at 2630 hospitals, the researchers compared the commercial negotiated prices and number of contracted plans for magnetic resonance imaging (MRI), which is a common and expensive procedure. They found that contrary to common opinion, on average, public hospitals charged more than for-profit hospitals on a national and localized level. In general, hospitals with more bargaining power (e.g., being the only provider in a region or contracting with more Medicare patients) had higher MRI prices. Although there is increasing access to hospital pricing, the researchers were limited by both the self-reported nature of the prices and lack of compliance of many hospitals.

In California, the California Health Care Foundation also examined healthcare costs in 2023 Edition — California Health Care Spending. The report analyzed the data
released for 1991 to 2020 and found that California was ranked 29th of all states for health care spending per capita, but its average growth has outpaced the national rate from 2010 to 2020. The data is fairly comprehensive, but does not consider the cost of government administration, investment, public health activities, and the net cost of health insurance. Access to this data is especially important so researchers can better understand differences in health outcomes and prices amongst the states.

Related to the high cost of health care, and manifesting on a more individualized level, The Burden of Medical Debt in the United States cannot be understated. Published by the Kaiser Family Foundation, Matthew Rae et al. consider a Census Bureau analysis on medical debt. Despite the vast majority (over 90%) of people having some form of health insurance, nearly 1 in 10 adults owe at least $250 in unpaid medical debt, culminating in people in the United States owing a collective $195 billion in medical debt. Part of the reason is that many households cannot cover private insurer’s deductible and that lower-income households spend a disproportionate amount of their income on premiums and out-of-pocket costs. The report also points out that more research is needed to understand the impact of the pandemic and economic recession on medical debt.

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.