The Source Roundup: May 2024 Edition

Healthcare Cost and Spending

[Promoting Value-Based Healthcare Decisions: A Case Study of Shared Savings Programs in New Hampshire and Maine] (*Pepperdine Policy Review*)

Christopher LaCreta and Lawson Mansell

Shared savings programs (SSPs) are an emerging policy solution to combatting the rise of healthcare costs. SSPs enable patients to compare prices and receive incentives for saving money on some elective services. Researchers from Pepperdine University's School of Public Policy recently published results from their case study on the disparities between SSPs in Maine and New Hampshire. Both states passed legislation to enact SSPs between the years of 2019 and 2022 but the case study found that New Hampshire's program outperformed the fully insured competitive market in both New Hampshire and Maine, and saved patients 183 times more than participants in Maine's program within the same time span. Researchers from the study interviewed a variety of stakeholders and policy experts who identified potential disparities in program outcomes and explained the importance of aligning incentive structures amongst stakeholders when designing similar programs in the future.

[Federal Legislation and State Policy Efforts Promote Access To and Use of Discounted Cash]

Prices (*Health Affairs Forefront*)

Jonathan Wolfson, Josh Archambault, Christopher M. Whaley, Cynthia Fisher, and Ge Bai

The Department of Health and Human Services has made it mandatory for U.S. hospitals to increase transparency by requiring hospitals to disclose their charges, negotiated prices, and discounted cash prices for all services. This move is aimed at empowering patients and insurance sponsors to compare prices and thereby reduce healthcare spending. Keeping in line with these efforts, the U.S. House of Representatives recently passed H.R. 5378 to solidify these regulations, while the Senate has introduced S.B. 3548 to focus on discounted cash prices. Cash prices are often lower than negotiated rates and state-level policies like deductive credits can better incentivize the use of cash prices. A new article in *Health Affairs'* Provider Prices in the Commercial Sector series assesses these two bills and emphasizes how the potential Senate bill can promote competition and affordability through incentivizing discounted cash prices. Overall, the authors call for lawmakers to continue adopting measures that will improve price transparency and provide more affordable access to healthcare for patients.

Basic Health Programs: An Alternative to Public Options (*The Commonwealth Fund*)

Naomi Zewde, Coleman Drake, and Adam Biener

More than 20 years after their inception, states have begun implementing public option health plans in their Affordable Care Act marketplaces. Public options are proposals that increase the public sector's regulation and management of insurance products across markets. These types of health plans have been enacted so far in Washington state and

Colorado but have faced difficulties in attaining their goals of improving affordability and reducing overall health care costs. Alternatively, some states have created Basic Health Programs (BHPs) to replace marketplace coverage for residents with low incomes who are eligible for premium subsidies. This new article analyzes the evolution of Washington's public option rollout against that of BHPs and found that public options struggle to achieve their affordability targets when they lack sufficient network participation or enrollment. However, BHPs do not face those same challenges since BHPs contract with safety-net providers at Medicaid-like rates. Due to these reasons, BHPs provide an affordable consumer option with minimal out-of-pocket costs while keeping costs low for the state and federal government.

Market Consolidation and Antitrust Enforcement

Matching Competition Policy in the U.S. Healthcare Industry to Address a New Generation of Challenges in Provider Markets (*Washington Center for Equitable Growth*)

Barak D. Richman

Antitrust policy has become an increasing concern in the U.S. healthcare industry. For decades, many felt that a lack of antitrust policy in the healthcare field was affecting competition, pricing, and ultimately, quality of care for patients. All of this was predicted to change when the Biden administration enacted their July 2021 "Executive Order on Promoting Competition in the American Economy." Thus far, the changes that have stemmed from the executive order have made some improvements, but Barak Richman argues that they are not

enough. In his new issue brief for the *Washington Center for Equitable Growth*, Richman outlines how the U.S. hospital sector succumbed to market consolidation and discusses the key competition challenges affecting the current market. The brief ends by presenting several solutions that policymakers can utilize to improve antitrust policies including engaging with the Centers for Medicare and Medicaid Services in competition policy and bolstering fiduciary duties via the Employment Retirement Income Security Act of 1974.

Hospital Consolidation and Physician Unionization (*New England Journal of Medicine*)

Kevin Schulman and Barak Richman

The post-Affordable Care Act era in the U.S. healthcare system has been led by hospital consolidation and the acquisition of physician practices by large corporate entities resulting in a dramatic shift to physician employment structures. Currently, over half of physicians are employed by either hospitals or other corporate entities which has spurred a concurrent rise in physician unionization efforts. The desire for unionization has grown out of concerns over staffing, burnout, and the quality of patient care. This new article by Kevin Schulman and Barak Richman discusses the tie between these two emerging parallel trends. While unionization provides an opportunity for physicians to negotiate fair wages and address non-wage-related issues such as job satisfaction and professional autonomy, it also presents added strategic considerations to be affected. As the situation evolves, the authors note that it remains important for policymakers and physicians to monitor the growth of unionization efforts in order to evaluate their effectiveness in achieving their stated goals and to address the potential harms associated with this current era of

healthcare restructuring.

Ten Things to Know About Consolidation in Health Care Provider Markets (*KFF*)

Zachary Levinson, Jamie Godwin, Scott Hulver, and Tricia Neuman

In 2022, national health spending comprised almost one-fifth of the U.S. GDP, reaching $4.5 trillion, and is projected to continue outpacing GDP growth until at least 2031. The ultimate result of this trend lies in outsized costs for individuals, employers, states, and the federal government. Recently, policymakers have shifted their attention to healthcare consolidation's potential impacts on care costs and quality of care. While consolidation tactics, namely mergers and acquisitions, have the potential to improve efficiency and provide support for healthcare workers, it also risks eradicating competition, resulting in monopolies that create higher costs for consumers. As the Federal Trade Commission (FTC) shifts their focus to litigating and regulating the practice of healthcare consolidation, the authors of this article summarize ten key points for the public to know about provider consolidation. Among their points, they highlight the prevalence of consolidation, its effects on prices and quality, and potential policy options to foster broader competition within the healthcare marketplace.

Recent Trends in Hospital Market Concentration and Profitability: The Case of New Jersey (*Journal of Hospital Management and Health Policy*)

Rose Lu, Sujoy Chakravarty, Bingxiao Wu, and Joel C. Cantor

The U.S. healthcare system relies on private negotiations between insurance companies and hospitals to set hospital prices. Researchers assessed changes in hospital financial margins in New Jersey during a period of sustained consolidation activities to better understand the impact of the recent increases in hospital market consolidation in a new study in the *Journal of Hospital Management and Health Policy*. The study assessed market concentration and operating margins for eight hospital market areas (HMAs) from 2010 to 2020 and examined the associations in trends between these measures. The results confirmed that the New Jersey hospital market underwent increasing consolidations during the study period and demonstrated a need for continued scrutiny over proposed consolidation activity, rigorous antitrust enforcement, and healthcare price and quality monitoring and regulation in highly concentrated markets by state and federal governments.

Healthcare System Mergers and Investments

A Call to Arms: Private Equity and the US Healthcare System (*British Journal of Anaesthesia*)

Irim Salik

The rise in private equity influence over the U.S. healthcare system has led to a lot of analysis and rampant discussion. While private equity acquisitions of hospitals were once predicted to result in the reduction of regulatory burdens,

administrative efficiency, improvements to revenue cycle management, financial gains for doctors, and a shifted focus from administrative metrics to patient care quality, the result hasn't quite met up to these predictions. This new article in the *British Journal of Anaesthesia* dives into the discordance between the high expectations that were previously predicted for private equity's entrance into the American healthcare system with the rampant criticisms against firms for favoring investor returns at the expense of patient care quality and physician wellbeing. The author further discusses private equity's role in healthcare market consolidation and explores how rapid consolidation to change healthcare delivery has been marred with unmet expectations.

How Do Regulatory Costs Affect Mergers and Acquisitions Decisions and Outcomes? (*Journal of Banking and Finance*)

Baris Ince

The impact of increased regulation in healthcare mergers and acquisitions has become an increasingly more prevalent hot topic in the healthcare competition space. A new article in the *Journal of Banking and Finance* argues that government merger and acquisition regulations make it substantially more expensive for companies to do business. Specifically, the author finds that when looking within the same industry, big companies with high regulatory costs are more likely to buy other companies, while small companies with high regulatory costs are more likely to be bought. However, when companies across different industries merge, regulatory costs are less substantial and impactful. The author introduces a variety of econometric techniques to quantify these findings and argues that regulatory costs play a big role in merger and acquisition decisions which ultimately affects how much money

shareholders will walk away with in these deals and the attractiveness of the overall transaction.

Quality and Price Transparency

Empowering Employer Purchasers: Recommendations to Support Market Transparency and Health System Performance (*Health Affairs*)

Caroline Pearson, Kevin McAvey, Mairin Mancino, Frederica Stahl, and Kalyani Thampi

The mounting growth of U.S. healthcare costs increasingly threatens the financial stability of both employers and consumers, with employers lacking the necessary tools and market influence to effectively manage and negotiate healthcare costs on behalf of their staff. In the latest post to *Health Affairs'* Provider Prices in the Commercial Sector Series, The Peterson Center on Healthcare and Manatt Health Strategies engaged with major employers and healthcare purchasers to understand what data they needed to better their vendor contracting and network negotiation efforts. Among their needs, employers highlighted the importance of data availability, usability, and translation in aiding their purchasing decisions. The authors of this piece suggest steps such as strengthening employers' rights to access their own data, improving the availability of usable market price and utilization data, and supporting employers in translating healthcare data to make informed decisions as crucial steps to addressing the healthcare cost crisis. Ultimately, improving data accessibility and translation for employers can potentially improve market competition while creating a more transparent and accountable healthcare system for all.

Medical Debt in US Linked with Worse Health, More Deaths (*JAMA*)

Emily Harris

It is estimated that approximately 20 million Americans (or about 8% of US adults) currently have medical debt of at least $250, with the majority owing more than $1000 for medical expenses. This article reports on a new study that found that unpaid medical bills may be resulting in worsened physical and mental health outcomes, including shortened lifespans, for medical debtholders. The study, which examined data from 93% of U.S. counties found that for every 1-percentage point increase in medical debt (defined as bills sent to a third-party debt collector or assigned to a creditor's internal collections department), there were 18 more physically and mentally unhealthy days each month per 1000 people after accounting for sociodemographic factors. Medical debt was also found to be deadly with it being partially linked to more premature deaths resulting from a myriad of causes including cancer, heart disease, and suicide. The author emphasizes how healthcare professionals have a responsibility to mitigate the burden of medical debt on patients with the most financial needs and suggests possible policy solutions including ending hospital litigation against patients and suggests nonprofit hospitals investing their tax benefits back into their communities.

Industry Payments to US Physicians by Specialty and Product Type (*JAMA*)

Ahmed Sayed, Joseph S. Ross, and John Mandrola

Financial conflicts of interest have long influenced physician prescribing patterns and have been found to also affect patients' trust in medical professionals.

Nevertheless, the trend has persisted with many physicians still facing financial conflicts of interest in their prescribing practices. As a result of these trends, the Physician Payments Sunshine Act created the Open Payments database in August 2013, which created a repository of industry payments to health care professionals. A new article in *JAMA* examined the distribution of payments within and across specialties and the medical products associated with the largest total payments. Payment calculations included cash and noncash equivalents for consulting services, non-consulting services, food and beverages, travel and lodging, entertainment, gifts, grants, charitable contributions, and honoraria made to physicians for the period of August 2013 to December 2022. Orthopedics, neurology and psychiatry, and cardiology were among the specialties who received the most payments, with each specialty netting over $1 billion in payments for the nine-year period.