

# The Source Roundup: September 2023 Edition

Our roundup of studies and reports for this month focuses on healthcare costs and consolidation, including a paper written by The Source teama examining state action to regulate healthcare mergers and acquisitions. We also share two studies relating to impacts of consolidation and acquisition; one compares post-surgery outcomes in high and low concentration markets, and the other takes a broad view of costs and quality at acquired hospitals. Next, a systemic review analyzes trends and impacts of private equity acquisition and a study compares hospital prices paid between Medicare Advantage and commercial insurance plans. Finally, one survey assesses employers' strategies for their healthcare plans and predicts higher costs in 2024.

## Consolidation/Competition

The Source's Alex Montague, Robin Davison, Katie Gudiksen, and Jaime King published a paper in the Health Economics section of Frontiers. The paper, titled [Considerations for state-imposed conditions on healthcare provider transactions](#), examines the use of conditional approvals by state officials on hospital and health system mergers, acquisitions, and other consolidating transactions. The paper provides an overview of state healthcare transaction conditional approval authority, a taxonomy of state-imposed conditions, and considerations and recommendations for states in imposing conditions for the effective use of conditions moving forward.

One study, titled [Outcomes for High-Risk Surgical Procedures Across High- and Low-Competition Hospital Markets](#) by Sherri R.

Thumma, Shukri H. A. Dualeh, Nicholas J. Kunnath, et al., found no association between hospital market competition and outcomes after high-risk surgery. The researchers concluded that these findings “challenge the common assumption that hospital competition may be good for care as it relates to complex surgical procedures.” Hospitals in more competitive markets demonstrated higher 30-day readmissions for 5 out of 10 procedures and no significant difference for 3 procedures. It is worth noting, however, that patients at hospitals in high-competition markets tended to be older and have more comorbidities and were more likely to belong to racial and ethnic minorities.

## **Healthcare costs**

An interesting counterpoint to the study above is Elevance Health Public Policy Institute's report, [Costs and Quality After Independent Hospitals Are Acquired by Health Systems](#). The report examines how health systems' acquisition of previously independent hospitals impacts prices, costs, and quality. The study relies on 2012-2018 data from hospitals affiliated with Elevance Health, an insurance provider. The study found that post-acquisition, previously independent hospitals saw a 6% decline in operating expenses; 60% of this decline was attributed to reductions in personnel spending. Employment decreased by 3%, driven largely by lower numbers of administrative staff. Significantly, prices increased by 5 to 8% across all major diagnostic categories, including labor and delivery, digestive, and circulatory. Meanwhile, readmission rates for some types of patients increased and many hospitals, particularly those in rural areas, faced closure of their maternity wards.

Shifting the focus to private equity acquisition, a systematic review recently published in The BMJ analyzes the results of studies that evaluated trends and impacts of private equity (PE) ownership in healthcare. [Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review](#) by Alexander Borsa, Geronimo Bejarano, Moriah Ellen, and Joseph Dov Bruch covers fifty-five studies from eight countries, with most addressing PE-owned healthcare companies in the United States. The authors conclude that PE ownership has rapidly increased and is often associated with harmful impacts on cost and harmful or mixed impacts on quality of care.

Mark Katz Meiselbach, Yang Wang, Jianhui Xu, Ge Bai, and Gerard F. Anderson published a research article in Health Affairs, titled [Hospital Prices For Commercial Plans Are Twice Those For Medicare Advantage Plans When Negotiated By The Same Insurer](#). The article compares prices paid for the same services, at the same hospital, and by the same insurer under commercial health insurance and Medicare Advantage (MA) plans. Analyzing 2022 price information, researchers found that, although median commercial-to-MA price ratios varied by type of service, commercial plans paid double what MA plans did on average. Commercial-to-MA price ratios also varied by state; for example, Delaware's was highest at 5.1, while California's was 2.8. Greater hospital market consolidation was associated with modestly higher ratios.

Lastly, Business Group on Health released their [2024 Large Employer Health Care Strategy Survey](#), which assesses 152 large employers' views on health care delivery, pharmacy trends and health care costs to predict 2024 employer-sponsored health care strategy. Notable trends include expansion of mental health services, increased demand for vendor transparency, and significant concern about the cost of prescription drugs. The report predicts that health care costs will rise by 6% in 2024,

driven largely by drug prices.

That's a wrap on this month's roundup. If you find articles or reports that you think should be included, please [send](#) them our way.