



## Provider Consolidation

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**Chapin White**

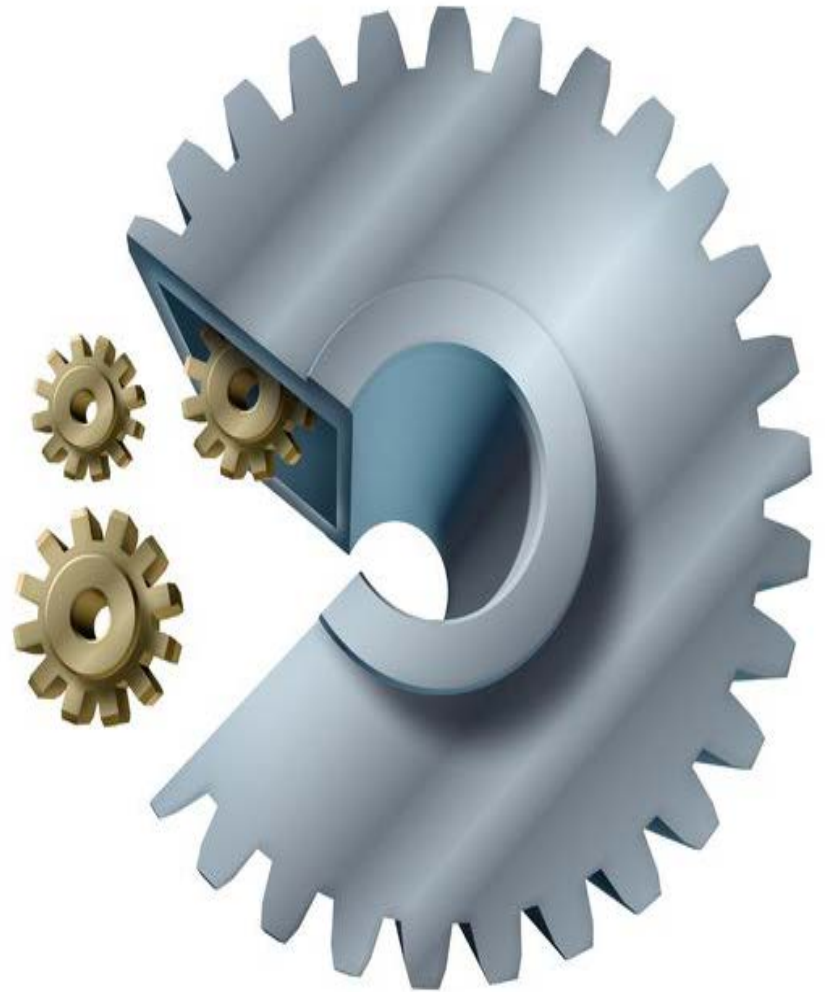
**RAND Corporation**



# Consolidation Among Health Care Providers

Chapin White

January 15, 2016



# Consolidation Among Health Care Providers: Causes and Consequences

Chapin White

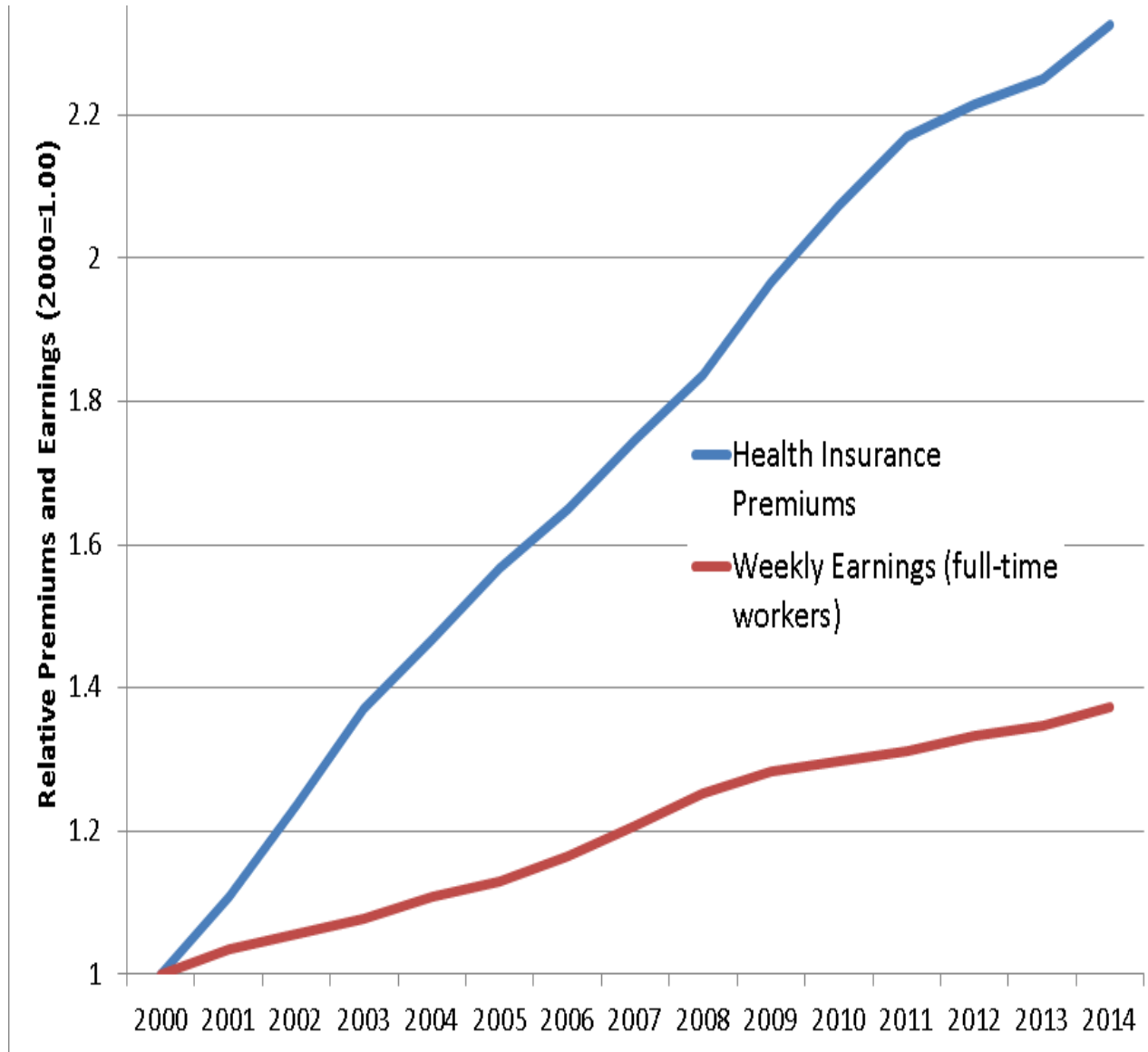
January 15, 2016



# Context

- Health care costs in the U.S. highest in the world, by far
- For a typical family from 1999-2009, health care cost growth wiped out all gains in compensation (Auerbach and Kellerman, 2011)

# Context: Growth in Health Insurance Premiums Far Outpaces Earnings

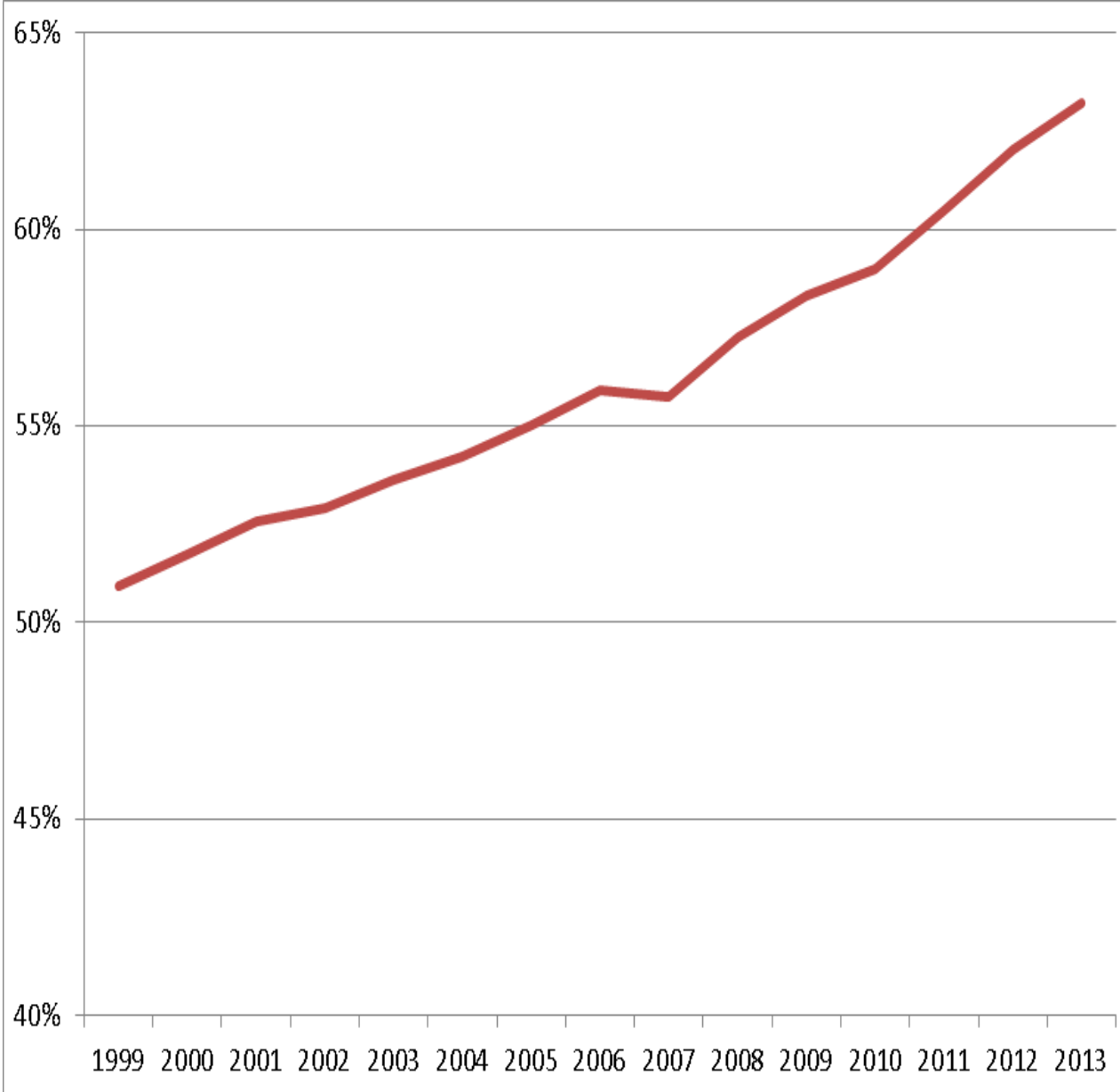


Sources: Chapin White's analysis of employer-sponsored private health insurance premiums per enrollee from the Office of the Actuary's National Health Expenditures (Table 21), and data on weekly and hourly earnings from the Current Population Survey as reported by the Bureau of Labor Statistics.

# Forms of Consolidation

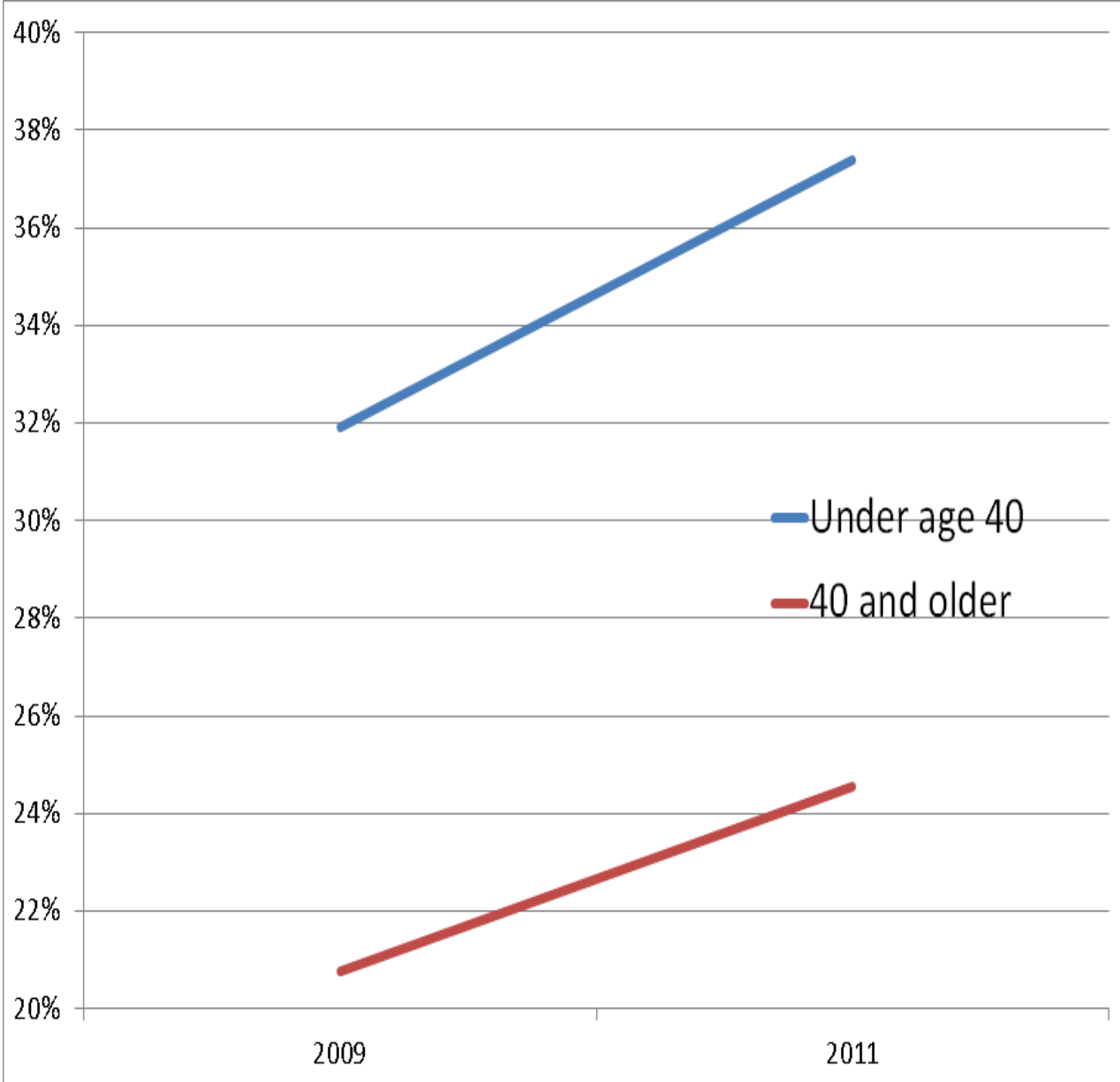
- Hospitals mergers & acquisitions
- Physicians moving into larger practices
- Hospitals purchasing physician practices
- “Clinically integrated networks”

# Rising Share of Hospitals in Systems



Sources: Author's analysis of the American Hospital Association's Chartbook: Trends Affecting Hospitals and Health Systems (Updated February 19, 2015), Table 2.1.

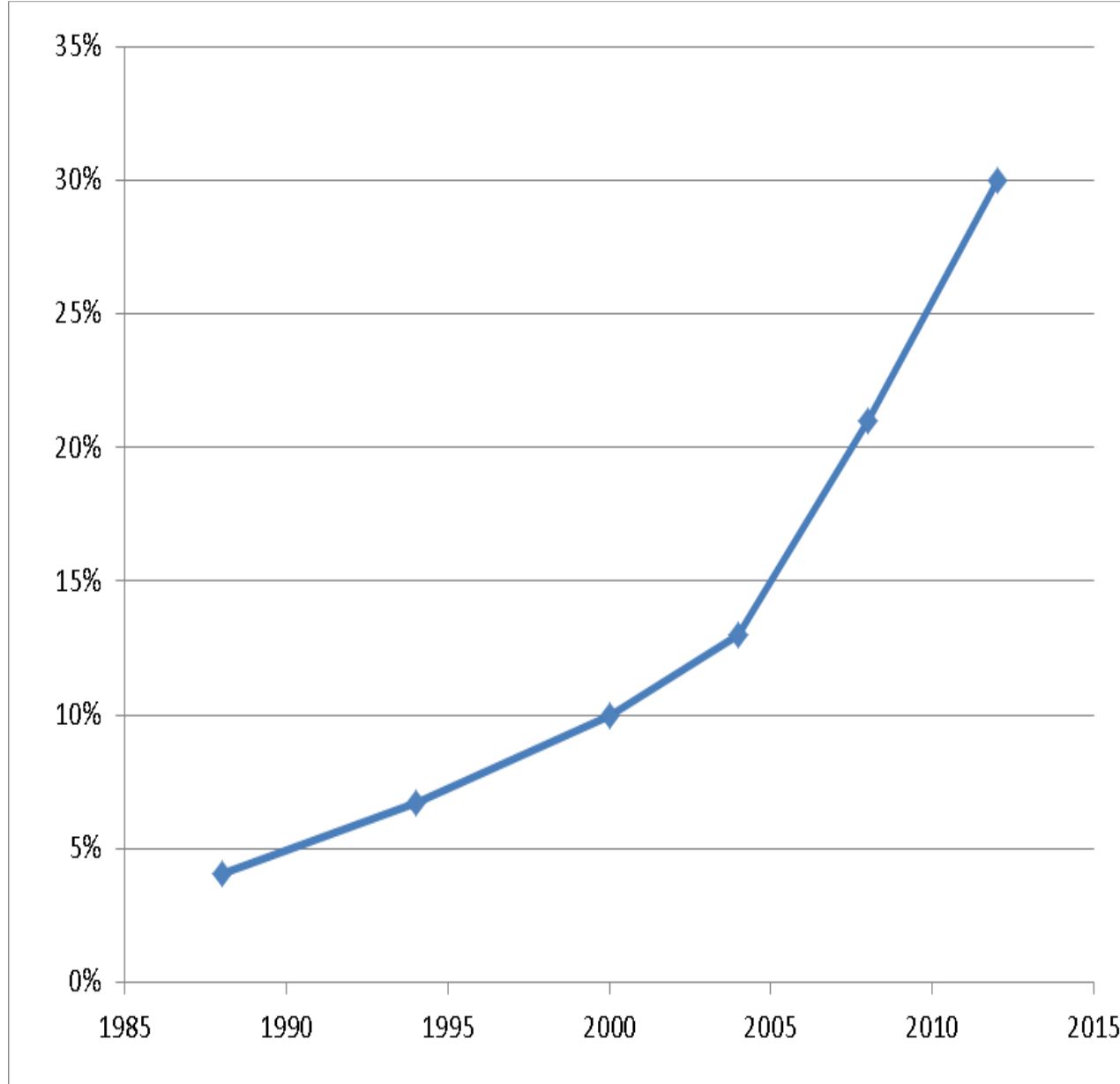
# Rising Share of Physicians in Very Large (100+) Practices



Sources: Welch, W. P., A. E. Cuellar, S. C. Stearns, and A. B. Bindman, "Proportion Of Physicians In Large Group Practices Continued To Grow In 2009-11," Health Affairs, Vol. 32, No. 9, 2013, pp. 1659-1666. <http://content.healthaffairs.org/content/32/9/1659.full.pdf>.



# Rising Share of Physicians Employed by Hospitals



Sources: Author's analysis of Kletke, Emmons, and Gillis, "Current trends in physicians' practice arrangements. From owners to employees," *JAMA*, Vol. 276, No. 7, August 21, 1996, pp. 555-560; and Kocher, Robert, and Nikhil R. Sahni, "Hospitals' Race to Employ Physicians — The Logic behind a Money-Losing Proposition," *New England Journal of Medicine*, Vol. 364, No. 19, 2011, pp. 1790-1793. <http://www.nejm.org/doi/pdf/10.1056/NEJMp1101959>.

Note: The data points from 2004, 2008, and 2012 are from Kocher and Sahni, who report hospital employment separately for primary care physicians and specialists. This figure presents an approximation assuming 1/3 primary care physicians

# Impacts of Consolidation (I)

- Hospitals merging
  - *higher prices*
  - *lower quality*
  - *worse outcomes*
  - *no evidence of economies of scale*

# Impacts of Consolidation (II)

- Physicians moving into larger practices
  - *higher prices*
  - *higher volumes*
  - *improved care processes*

# Impacts of Consolidation (III)

- Hospitals purchasing physician practices
  - *2 bills (facility + professional), not 1*
  - *higher prices*
  - *patients channeled to owning hospital*

# Impacts of Consolidation (IV)

- Clinically Integrated Networks
  - ???

# Toolkit

- Get the facts
  - e.g. Massachusetts all-payer claims database
  - large employers/unions: analyze your own data
- Challenge
  - mergers & acquisitions
  - formation of clinically integrated networks

# Toolkit (II)

- Ban “all-or-nothing” contracting
- Limit payments for out-of-network care
- Develop a rate-setting backup plan

