

Consolidation Among Health Care Providers

Chapin White
cwhite@rand.org
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Backdrop

- Medicare/
Medicaid

- Private
health plans

Administered
prices



Negotiated
prices

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Forms of Consolidation

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

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Why Consolidate?

- Scale economies
- Clinical integration

- Pricing leverage

*Administered
prices*

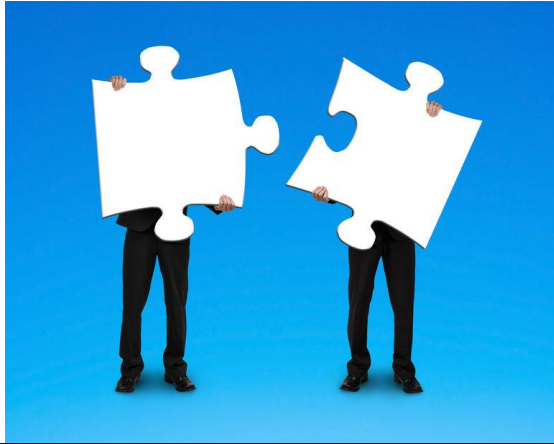
- Exploit site-of-service pay gaps

*Negotiated
prices*

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So, ...

- Competition policy
- Pricing policy



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Impacts of Consolidation (I)

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

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Impacts of Consolidation (II)

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

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Impacts of Consolidation (III)

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

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Impacts of Consolidation (IV)

- Clinically Integrated Networks
 - *impacts unknown*

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Administer Prices

- Limits on payments for out-of-network
- Medicare buy-in
- Single payer

Promote Competition

- Block M&A
- Ban “all-or-nothing” contracting
- Allow new entrants



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