Consolidation Among Health Care Providers

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Backdrop

- Medicare/Medicaid
- Private health plans
**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
- Exploit site-of-service pay gaps
So, ...

• Competition policy

• Pricing policy

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
  - *impacts unknown*

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
Competition and Consolidation: Understanding Recent Trends in the U.S. Health Care Market