Why do Employers Care About the Consolidation of Health Care Providers?

Presentation to the National Association of Attorneys General

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About CPR

An independent non-profit corporation working to catalyze employers, public purchasers and others to implement strategies that produce higher-value health care and improve the functioning of the health care marketplace.

- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- The Boeing Company
- CalPERS
- City and County of San Francisco
- Comcast
- Covered California
- Dow Chemical Company
- Equity Healthcare
- FedEx Corporation
- GE
- Google, Inc.
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Mercer
- Ohio Medicaid
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Qualcomm Incorporated
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Wal-Mart Stores, Inc.
- The Walt Disney Company
- Wells Fargo & Company
- Willis Towers Watson
Employers provide health insurance for 150 million Americans, that’s more than Medicare and Medicaid.

Health care costs make up about 8% of employers’ operating costs, averaging just over $8,000 per employee per year.

Over time, rising health care costs have led to greater cost sharing for employees and eaten into wages, which have remained stagnant.
Health care costs continue to rise despite brief slow down.

Quality of care is uneven across providers.
- Patient with common chronic conditions get the right care only 50% of the time.

One of the biggest drivers of health care cost growth is price increases.
Consolidation Among Providers Partly Responsible

Prices increase due to consolidation.

Consolidation does not improve quality of care – it can even make it worse.

Higher prices are passed on to employers and employees – health insurance plans don’t absorb these higher prices for self-insured employers.
Horizontal and vertical consolidation among providers continues – it’s no longer the world of Marcus Welby.

Vertical is where to watch now; it’s likely to continue due to MACRA requirements which are hard for small, independent physician practices to meet.

Competition among health plans is limited as well, though some argue further consolidation among health plans could keep prices lower in some markets.
Push for price and quality transparency.

Introduce new benefit designs that encourage employees to use high-value providers (i.e. reference pricing or centers of excellence).

Customize provider network designs based on value.

- Narrow network
- Tiered network
- Direct contracting for ACO or episodes/procedures
- Onsite/near-site clinics
Pay providers differently through alternative payment methods that hold them responsible for quality and spending.

Encourage new entrants into the market to compete.
- Telehealth
- Onsite/near-site clinics
- Retail clinics, urgent care centers etc.
A dominant provider with “must have” network status can:

- Refuse to be **transparent**.
- **Insist on being in a preferred tier**, even when they don’t meet the payer’s criteria.
- Ultimately **create access issues** if prices are too high or lines are drawn in contracting relationships.
- Be lazy about **improvements to quality and efficiency**.
- Refuse to accept **new forms of payment**.
What Laws & Regulations Can States Put into Place?

- Anti-trust
- Encouraging **transparency** on quality and price
- Encouraging **competitive behavior** in health plan contracting
- Implementing the monitoring or **regulating of prices**
- Around development of **ACOs**
- Expanding the authority of **Departments of Insurance**
- Facilitating or reducing barriers for **new entrants** to the market
State Attorneys General Can…

Support state efforts to make health care prices and quality more transparent.

Educate legislatures to put the right laws and regulations in place (e.g. to address negative consequences of any willing provider, certificate of need, most favored nation contract clauses, gag clauses, etc.).
State Attorneys General Can...

Question proposed mergers/acquisitions.

Breakup dominant providers in extreme cases.

Use conduct remedies only if you have resources to monitor and to act on deleterious results.
Coordination is Key

Be active and coordinate with the FTC and other departments in your state.

Your states are spending billions of dollars on health care, few people in charge know what’s going on. You—the enforcers—can make a difference!
Opportunities to Learn More


CPR Virtual Summit on Provider Consolidation Trends and Implications, August 16, 2017 – sign up at www.catalyze.org
QUESTIONS?

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