

AHIP Files Amicus Brief on Impact of Hospital Consolidation

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Increasing hospital consolidation leads to higher costs, less choice for consumers and employers

New [infographic](#) on impact of provider consolidation

Fact Sheet: [Provider Consolidation – What You Need to Know](#)

Washington, D.C. – Escalating hospital consolidation is leading to higher prices for services, and its impact is being felt by consumers and employers who are footing the bill, according to an [amicus brief](#) filed by America’s Health Insurance Plans (AHIP) in the Court of Appeals for the Sixth Circuit in support of the Federal Trade Commission (FTC).

The FTC challenged the merger of two hospital providers in Toledo, OH, asserting that it would violate antitrust law, reducing the number of competing hospital providers in the area from 4 to 3, and further consolidating an already concentrated market. Following several proceedings and a determination by the FTC that the merger would violate antitrust law, the hospitals appealed to the United States Court of Appeals for the Sixth Circuit.

"Experience demonstrates that hospital consolidation results in higher prices for medical services and higher health care costs for consumers and employers," said AHIP President and CEO Karen Ignagni.

In filing its brief, AHIP underscores the FTC’s position that the merger is anticompetitive and runs contrary to the goal of providing high-quality, affordable health care to consumers. According to AHIP’s brief:

“Consumers have borne a tremendous cost from anticompetitive hospital mergers...A hospital transaction that eliminates competition between significant competitors increases the ability of those formerly competing hospitals to demand and obtain higher prices. Those increased prices are ultimately paid by consumers, who also must bear the additional harm created by reduced incentives to improve quality.”

[Data](#) show that rising health care costs are being driven largely by higher prices for medical services. Hospital prices, which represent the largest contributor to premium increases, are “estimated to rise more than 8% in 2013—more than any other sector of health care spending,” according to an article in the [Journal of the American Medical Association](#).

Increased consolidation gives hospitals greater negotiating strength by limiting competition. Research shows that hospital systems with strong market influence can often negotiate higher rates for their services than they would otherwise receive:

- A recent [issue brief](#) from the Robert Wood Johnson Foundation found that “increases in hospital market concentration lead to increases in the price of hospital care,” and that “when hospitals merge in already concentrated markets, the price increase can be dramatic, often exceeding 20 percent.”
- An [article](#) by James Robinson in the *American Journal of Managed Care* found that “hospitals in concentrated markets were able to charge higher prices to commercial insurers than otherwise-similar hospitals in competitive markets.”
- An [issue brief](#) from the National Institute for Health Care Management found that one of the factors contributing to higher prices is “ongoing provider consolidation and enhanced negotiating strength vis-à-vis insurers, resulting in an ability to extract higher payment rates from insurers.”

Paul Ginsburg and Robert Berenson wrote in a *Health Affairs* [article](#) that “providers’ growing market power to negotiate higher payment rates from private insurers is the ‘elephant in the room’ that is rarely mentioned.”

In its brief, AHIP states that hospitals seeking to pursue the goals of health reform – higher quality, more efficient care – have many options without undertaking anticompetitive consolidation. Through the appropriate use of technology and care coordination measures with partners, hospitals can address health care quality and cost without the harmful effects of anticompetitive consolidation.

“Indeed, it is quite likely that such consolidation would have the opposite impact on such efforts. Just as anticompetitive consolidation has been recognized to have a chilling effect on innovation in many other markets, such consolidation among hospitals is likely to reduce and perhaps foreclose innovative collaborations between plans and providers... This would be to the detriment of the consumers who have and will benefit from the improvements in quality and efficiency generated by these innovative collaborations.”

Controlling the rise in medical costs is essential to make health care coverage more affordable for consumers and employers. To learn more about health care affordability, visit www.AHIP.org/Affordability.

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