Addressing High Health Care Prices: Transparency, Enforcement, and Legislation

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Nevada Patient Protection Commission
What if the price of food increased like the price of health care?

$57  $65  $160

*Source:* Institute of Medicine, Best Care at Lower Cost: The Path to Continuously Learning Health Care in America (2013) and updated to 2019 dollars with the Federal Reserve Bank Consumer Price Index Inflation Calculator.
“Prices are the **primary** reason why US spends more on health care than any other country”


What Happened to Health Care Prices?

- Failure to protect essential elements of a free market system – price transparency and competition.

- Failure to rigorously enforce antitrust laws.

- Failure to regulate to control prices when competition no longer exists.
Failure to Protect Price Transparency

Nearly Two-Thirds Say It Is Difficult To Find Out What Medical Care Will Cost

In general, how easy or difficult would you say it is to find out how much medical treatments and procedures provided by different doctors or hospitals would cost you?

- Very easy: 10%
- Somewhat easy: 23%
- Somewhat difficult: 35%
- Very difficult: 29%
- Don’t know/Refused: 3%

SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted April 8-14, 2015)
THE 2020 REPORT CARD ON STATE PRICE TRANSPARENCY LAWS

Grade States

A
Maine
New Hampshire
Colorado
Connecticut
Maryland
Massachusetts
Florida
Minnesota
New Mexico
Oregon
Virginia
Arkansas
California
Utah
Vermont
Washington

B
California
Utah
Vermont
Washington

C
Alabama
Alaska
Arizona
Delaware
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Michigan
Mississippi
Missouri
Montana

D
Nebraska
Nevada
New Jersey
New York
North Carolina
North Dakota
Ohio
Oklahoma
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
West Virginia
Wisconsin
Wyoming

F

### Antitrust Enforcement Losses Fuel Consolidation

Table 1: Litigated Hospital Merger Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Case</th>
<th>Location</th>
<th>Blocked?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>In re Evanston Nw. Healthcare Corp., No. 9315 (F.T.C. Aug. 6, 2007).</td>
<td>Evanston, IL</td>
<td>N/A</td>
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<tr>
<td>2011</td>
<td>In re ProMedica Health Sys., No. 12-3583 (6th Cir. Apr. 22, 2014).</td>
<td>Toledo, OH</td>
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<tr>
<td>2012</td>
<td>FTC v. OSF Healthcare Sys., No. 11 C 50344 (N.D. Ill. Apr. 5, 2012).</td>
<td>Rockford, IL</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Author’s review of hospital merger cases. Inova abandoned its proposed acquisition after the FTC filed suit to block the deal.

Healthcare Merger Mania

- **Horizontal**
- **Vertical**
- **Cross-Market**
**Healthcare Merger Mania**

**Horizontal (Part 1)**

- **Increased Prices:** Post-merger hospital prices increased 20-44% (Dafny, 2009; Haas-Wilson & Garmon, 2011; Tenn, 2011; Gaynor & Town, 2012)

- **Reduced Quality:** Hospital acquisition associated with modestly worse patient experiences or reduced quality (Gaynor et al. 2013; Koch et al. 2018; Short and Ho, 2019; Beaulieu, Dafny, et al., 2020)

  - California hospital mergers associated with higher inpatient mortality rates among heart disease patients (Hayford, 2011)
Healthcare Merger Mania

Horizontal (Part 2)

- **Increased Premiums**: Higher hospital concentration associated with higher ACA premiums (Boozary, et al., 2019)
- **Reduced Wage Growth**: Hospital mergers reduced wage growth by 6.3% for nurses and pharmacists (Prager and Schmitt, 2019)
- **Higher Costs**: Hospitals in larger systems have higher operating costs than hospitals in smaller systems (Burns et al., 2015)
Healthcare Merger Mania

**Vertical**

- **Higher Physician Prices**: Physician prices increase post-merger by an average of 14% (Capps, Dranove, & Ody, 2018)
  - Cardiologist prices increased by 33.5% (Ibid.)
  - Orthopedist prices increased by 12-20% (Koch and Ulrick, 2017)

- **Higher Clinic Prices**: Hospital-acquired clinic prices increased 32–47% within four years (Carlin, Feldman & Dowd, 2017)

- **Higher Hospital Prices** (Baker, Bundorf, Kessler, 2014)

- **Little to no quality improvements** (McWilliams et al. 2013; Neprash et al. 2015; Short and Ho, 2019)

- Unlikely to trigger federal antitrust review
Cross-Market

- Rising number of cross-market mergers
- **Increased Prices:** 7-17% increases in prices for independent hospitals purchased by out-of-market systems (Lewis & Pflum, 2016; Dafny, Ho, & Lee, 2019)
- **Increased Competing Hospital Prices:** Price increases by 7.8% in nearby rival hospitals (Lewis & Pflum, 2016)
Health Care Consolidation

Figure 1: Healthcare Market Concentration Levels 2010-2018

Source: Nicholas C. Petris Center on Health Care Markets and Consumer Welfare (petris.org), University of California, Berkeley, analysis of data from the American Hospital Association Annual Survey, SK&A Office Based Physicians Database from IQVIA, and Managed Market Surveyor File from HealthLeaders InterStudy (Decision Resources Group).
Figure 8: Reno and Las Vegas Percent of Primary Care Physicians in Practices Owned by Hospitals/Health Systems, 2010-2018

Source: Authors’ analysis of data from SKA’s Office-Based Physicians Database.
Notes: MSA-level measures. Only cardiologists, hematologists/oncologists, orthopedists, and radiologists are included.
Reno = Reno, NV MSA
Las Vegas = Las Vegas-Henderson-Paradise, NV MSA
Inpatient Hospital Market Concentration in U.S. Metros, 2017

Las Vegas, NV  
Las Vegas-Henderson-Paradise, NV
2017 HHI: 2,736  
Change since 2013: +110

Reno, NV  
Reno, NV
2017 HHI: 4,663  
Change since 2013: +353

Salt Lake City, UT  
Salt Lake City, UT
2017 HHI: 4,864  
Change since 2013: -758

Phoenix, AZ  
Phoenix-Mesa-Scottsdale, AZ
2017 HHI: 2,924  
Change since 2013: +237
Compare Health Care Price Levels and Growth in Select U.S. Metros

Las Vegas, NV
Las Vegas-Henderson-Paradise, NV

- Price level: 10% above national median 2017
- Price Growth: +21% since 2013

Reno, NV
Reno, NV

- Price level: 3% above national median 2017
- Price Growth: +12% since 2013

Salt Lake City, UT
Salt Lake City, UT

- Price level: 8% below national median 2017
- Price Growth: +14% since 2013

Phoenix, AZ
Phoenix-Mesa-Scottsdale, AZ

- Price level: 4% below national median 2017
- Price Growth: +15% since 2013
### Las Vegas, NV
Las Vegas-Henderson-Paradise, NV

#### 2017 OVERALL LEVELS

- **Price**
  - 10% above nat'l median
  - -27% below nat'l median

- **Use**
  - -27% below nat'l median
  - -80% Nat'l Median

#### CHANGE SINCE 2013

- **Price**
  - +21%

- **Use**
  - -8%

### Reno, NV
Reno, NV

#### 2017 OVERALL LEVELS

- **Price**
  - 3% above nat'l median
  - -27% below nat'l median

- **Use**
  - -27% below nat'l median
  - -80% Nat'l Median

#### CHANGE SINCE 2013

- **Price**
  - +12%

- **Use**
  - -5%

### Salt Lake City, UT
Salt Lake City, UT

#### 2017 OVERALL LEVELS

- **Price**
  - -8% below nat'l median

- **Use**
  - -15% below nat'l median

#### CHANGE SINCE 2013

- **Price**
  - +14%

- **Use**
  - -5%

### Phoenix, AZ
Phoenix-Mesa-Scottsdale, AZ

#### 2017 OVERALL LEVELS

- **Price**
  - -4% below nat'l median

- **Use**
  - -9% below nat'l median

#### CHANGE SINCE 2013

- **Price**
  - +15%

- **Use**
  - -9%
### Compare Health Care Price Levels and Growth in Select U.S. Metros

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Over, Inpatient, Outpatient, Professional</th>
</tr>
</thead>
</table>

#### Las Vegas, NV
- **Price level**: 19% above nat'l median 2017
- **Price Growth**: +26% since 2013
- **Graph**: 40% Nat'l Median -80%

#### Reno, NV
- **Price level**: 8% below nat'l median 2017
- **Price Growth**: +6% since 2013
- **Graph**: 40% Nat'l Median -80%

#### Salt Lake City, UT
- **Price level**: 2% below nat'l median 2017
- **Price Growth**: +20% since 2013
- **Graph**: 40% Nat'l Median -80%

#### Phoenix, AZ
- **Price level**: 1% below nat'l median 2017
- **Price Growth**: +21% since 2013
- **Graph**: 40% Nat'l Median -80%
## Compare Health Care Price Levels and Growth in Select U.S. Metros

<table>
<thead>
<tr>
<th>City</th>
<th>Service Category</th>
<th>Price Level</th>
<th>Price Growth</th>
<th>Nat’l Median</th>
<th>Nat’l Median Price Level</th>
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</thead>
<tbody>
<tr>
<td>Las Vegas, NV</td>
<td>OUTPATIENT</td>
<td>35% above</td>
<td>+32% since 2013</td>
<td>Nat’l Median</td>
<td>Nat’l Median</td>
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<tr>
<td>Reno, NV</td>
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<td>10% above</td>
<td>+26% since 2013</td>
<td>Nat’l Median</td>
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<tr>
<td>Salt Lake City, UT</td>
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<td>16% below</td>
<td>+20% since 2013</td>
<td>Nat’l Median</td>
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<tr>
<td>Phoenix, AZ</td>
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<td>5% above</td>
<td>+20% since 2013</td>
<td>Nat’l Median</td>
<td>Nat’l Median</td>
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### Graphs:

- Las Vegas-Henderson-Paradise, NV
- Reno, NV
- Salt Lake City, UT
- Phoenix-Mesa-Scottsdale, AZ

The graphs illustrate the price levels and growth for different categories of services in each location, comparing them to the national median.
Figure 3: Reno and Las Vegas Average Price of an Emergency Room Visit (Level 5), 2008-2017

Source: Authors’ analysis of data from the Health Care Cost Institute (HCCI)’s outpatient claims database.
Notes: Emergency Room Visit (Level 5) corresponds to CPT Code 99825. CPT Code 99825 was the third most common emergency room service (# claims = 934) provided in Reno in 2017 according to HCCI data. The minimum number of claims used to calculate a data point was 152.
Reno = Reno, NV MSA
Las Vegas = Las Vegas-Henderson-Paradise, NV MSA
What can be done?

• Get the data.

• Enhance antitrust enforcement.

• Pass legislation to support competition and address market deficiencies.
Create an All Payer Claims Database

Nevada

Nevada introduced SB472 to establish an APCD in March 2019.

Category
Strong Interest

More Information
Uses for All Payer Claims Database Data

- **Consumers**
  - Inform selection of "shoppable" health care services
  - Promote comparison of health plans and providers

- **Policy and Enforcement**
  - Provide accurate information on functioning of health care markets
  - Inform merger analysis and review
  - Identify the drivers of cost and track prices post consolidation
  - Track utilization and price trends
  - Identify low value services
  - Inform policy goals and monitor policy initiatives
  - Facilitate analysis of price variation
  - Establish benchmark pricing
## State Statutory Authority

### Provider Merger vs Insurance Merger

### Statutory Requirement for State Insurance Commissioner Review: Click to sort by Requirements

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Download data

- Domestic and Nondomestic
- Domestic and All Health Plans
- Domestic Only
- Nondomestic Only
- None
### State Statutory Authority

#### Provider Merger

<table>
<thead>
<tr>
<th>State</th>
<th>Pre-Merger Notice Required</th>
<th>Approval of Merger Required</th>
<th>Review of Health Access, Pricing, or Competition Required</th>
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<td>Nebraska</td>
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<td>Nevada</td>
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<td>New Hampshire</td>
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<td>North Carolina</td>
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</table>

Download data

- All Hospitals and Physician Groups
- All Hospitals
- All Hospitals, Merger is Approved if AG Does Not Act
- Nonprofit Hospitals (Acquisition, Merger, or Conversion)
- Limited Review of Nonprofit Hospitals; AG or Court May Decide
- None
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<th>Notice</th>
<th>Review</th>
<th>Approval and Conditions</th>
<th>Post Transaction Monitoring</th>
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<tr>
<td><strong>Broad Scope of Entities</strong></td>
<td>Substantive Review Criteria</td>
<td>Require Pre-Transaction Approval</td>
<td>Independent Monitors</td>
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<tr>
<td>(all providers - hospitals,</td>
<td>- Competition</td>
<td>Can be tacit or actual depending on</td>
<td>Paid for by merging entities</td>
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<tr>
<td>physicians, clinics,</td>
<td>- Affordability and Prices</td>
<td>Tiered Level</td>
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<td>laboratories, etc)</td>
<td>- Access</td>
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<td>- Fiduciary Duty</td>
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<td>- Public Interest</td>
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<tr>
<td><strong>Broad Scope of Transactions</strong></td>
<td><strong>Tiered Level of Review</strong></td>
<td>Judicial Deference to Agency Decisions</td>
<td>Require Annual Compliance Reports</td>
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<td>(mergers, affiliations, “any material change”)</td>
<td>Depending on level of antitrust risk and size of transaction</td>
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<td><strong>Multiple State Entities</strong></td>
<td>Independent Consultants</td>
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<td>should receive notice</td>
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<td><strong>Waiting Period</strong></td>
<td>Subpoena Power</td>
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# Legislative Options

<table>
<thead>
<tr>
<th>Legislation Type</th>
<th>Examples</th>
</tr>
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<tbody>
<tr>
<td><strong>Address Specific Market Imperfections</strong></td>
<td>Most Favored Nations Prohibitions</td>
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<tr>
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<td>Surprise Billing Laws</td>
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<td>Anti-Steering Prohibitions</td>
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<tr>
<td><strong>Improve Market Function</strong></td>
<td>Price Transparency Laws/APCDs</td>
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<td>Enhance Merger Review</td>
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<td><strong>Market Regulation</strong></td>
<td>Rate Review</td>
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<td>Public Option</td>
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<td></td>
<td>Single Payer</td>
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</table>
Takeaways

(1) Increasing consolidation has led to higher healthcare prices in Nevada.

(2) Increased transparency initiatives can inform and improve policy choices.

(3) Increased merger review and oversight can help limit further consolidation.
Thank You!

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