

2022 HEALTH CARE COST TRENDS HEARING

KEYNOTE PRESENTATION

Provider Consolidation in the
Failure of Antitrust Law

Dr. Barak D. Richman



MASSACHUSETTS
HEALTH POLICY COMMISSION

#CTH22

Provider Consolidation and the Limits of Antitrust Law

Massachusetts Health Policy Commission
November 2, 2022

Barak Richman

Duke Law School

Fuqua School of Business

Stanford Clinical Excellence Research Center

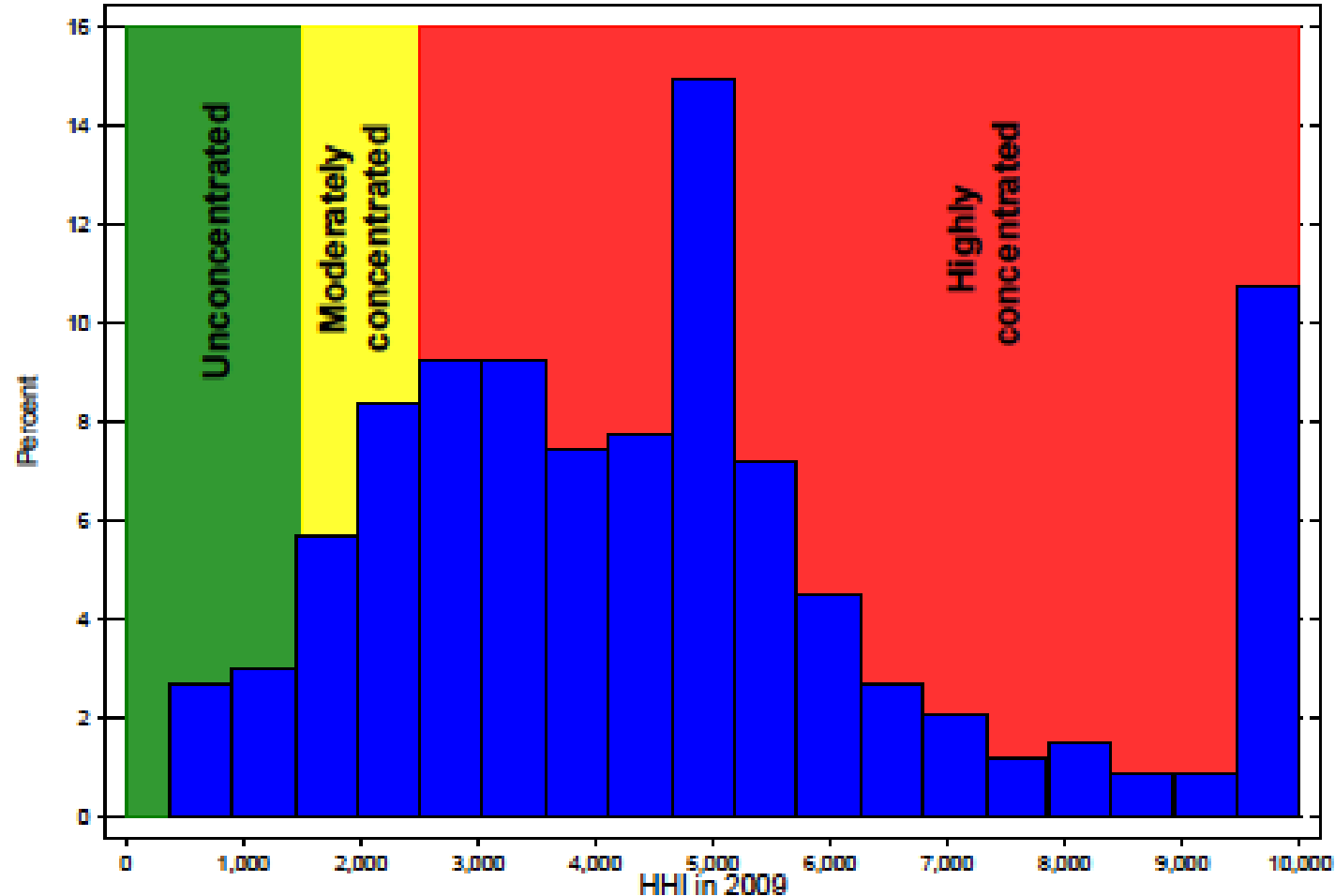


Overview

1. Provider Consolidation from the Limits of ~~Antitrust~~ Law
2. Provider Consolidation understanding the Limits of ~~Antitrust~~ Law
3. Provider Consolidation given the Limits of ~~Antitrust~~ Law

... FROM the Limits of Antitrust

The concentration of hospital ownership in MSAs



Source: 2009 AHA Annual Survey

... FROM the Limits of Antitrust, II

Modern Problems:

1. Hospitals purchasing physicians
→ Considered “vertical” acquisitions
2. Mergers of Health Systems
→ Considered “cross-market”
3. Monopolists behaving badly
→ Expensive, hard to win (see Sutter cases)
→ But ... still worth pursuing

... UNDERSTANDING the Limits of Antitrust Law

Lessons:

1. The limitations of
 - a. courts
 - b. the law
 - c. judges
 - d. and thus, of agencies

2. We cannot “assume a (policy) can opener”

... UNDERSTANDING the Limits of Antitrust Law, II

Lessons:

3. Lessons from telecom regulation
 - a) Price cap regulation
 - b) Innovation & entry
 - c) Antitrust & break-ups?
4. Lessons from the health sector
 - a) Medicare vs private insurance
 - McAllen, TX vs. Grand Junction, CO
 - b) The case of Medicare Advantage
 - Recruiting healthy patients, recruiting “sick” patients

... GIVEN the Limits of Antitrust

Main Argument:

*We Need to Change the Political Economy of
Health Care
(or Healthcare)*

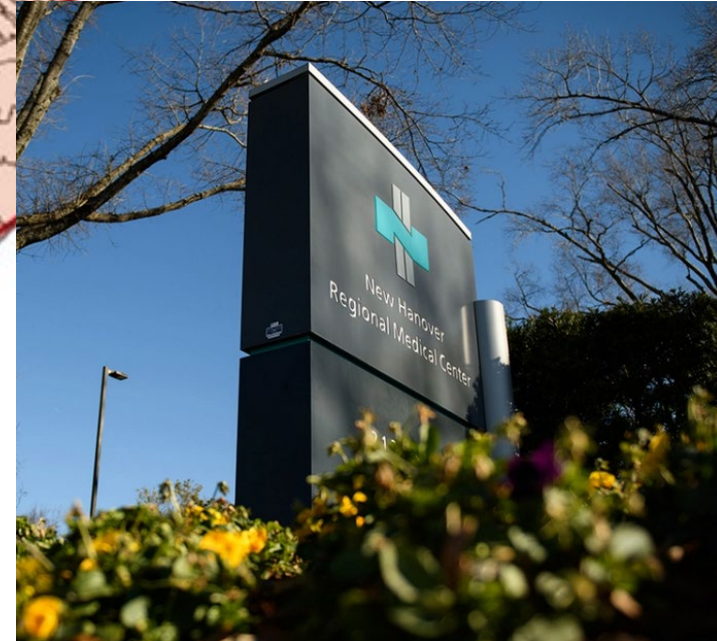
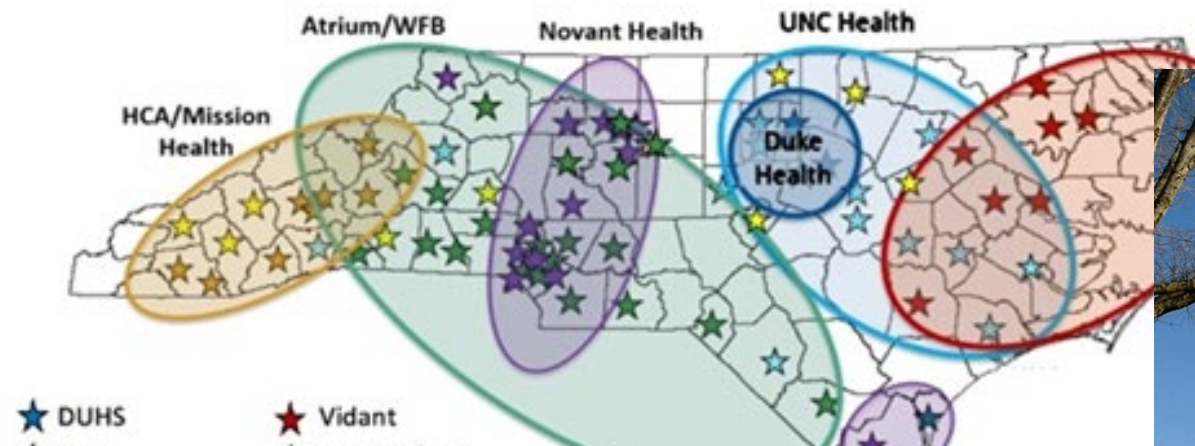
An Illustration

“In an interview at The News & Observer’s offices on Wednesday, executives of the two companies said the partnership would give them the leverage to negotiate better deals with insurance companies and vendors, saving the hospitals millions of dollars.”



<http://www.newsobserver.com/news/business/article170437247.html>

A Possible Solution



HPC is a Success Story!

If HPC were in NC, maybe NHRMC stays independent

Talks about prices and costs

- AGO report in 2010, HPC reports have revolutionized the study of private healthcare financing
- Policy Effects: South Shore & Hallmark Health Hospitals

But maybe can do more:

- 1) Buyers
- 2) Reporters
- 3) New Reports
- 4) Local Collaborations

Mobilizing Buyers

Largest Employers in Massachusetts Ranked by Total Mass. employees

	COMPANY/PRIOR RANK (*UNRANKED IN 2021)/ URL	COMPANY/PRIOR RANK (*UNRANKED IN 2021)/ URL	MASS. ADDRESS PHONE	TOTAL MASS. EMPLOYEES ↓	MASS. FT EMPLOYEES	MASS. PT EMPLOYEES	
1	MASS GENERAL brigham.org	1	MASS GENERAL BRIGHAM massgeneralbrigham.org	399 Revolution Drive, Somerville, MA 02145 857-282-1429	74,013	51,512	22,501
2	BETH ISRAEL LAHEY HEALTH bilh.org	2	BETH ISRAEL LAHEY HEALTH bilh.org	20 University Road, Cambridge, MA 02138	27,107	21,641	5,466
3	UNIVERSITY OF MASSACHUSETTS massachusetts.edu	3	UNIVERSITY OF MASSACHUSETTS massachusetts.edu	1 Beacon St., Boston, MA 02108 617-287-7050	23,614	15,166	8,448
4	AMAZON amazon.com	4	THE STOP & SHOP SUPERMARKET CO. LLC stopandshop.com	1385 Hancock St., Quincy, MA 02169 800-767-7772	20,153	6,229	13,924
5	THE TJX tjx.com	5	HARVARD UNIVERSITY harvard.edu	Massachusetts Hall, Cambridge, MA 02138 617-495-1000	19,460	17,113	2,345

Source: Boston

Source: Boston

Mobilizing Buyers

Department of
Economic Research

Largest 250 Employers in Massachusetts



Mass.gov

Brigham & Women's Hospital	Francis St	Boston	MA	10,000+	6221
Dan Farber Cancer Institute	Brookline Ave	Boston	MA	10,000+	6221
Massachusetts General Hospital	Fruit St	Boston	MA	10,000+	6221
Partners Healthcare System Inc	Summit Ridge Dr	Braintree	MA	10,000+	5611
Raytheon Systems Intl Co	Lowell St	Andover	MA	10,000+	3364
U Mass System Admin Ofc	Plantation St # 300	Worcester	MA	10,000+	5611
Beth Israel Deaconess Med Ctr	Brookline Ave	Boston	MA	5,000-9,999	6221
Boston Children's Hospital	Longwood Ave	Boston	MA	5,000-9,999	6221
Boston Medical Ctr Corp	Boston Medical Ctr Pl # 1	Boston	MA	5,000-9,999	6221
Massachusetts Bay Trnsprt	Park Plz # 4160	Boston	MA	5,000-9,999	4882
Boston University Sch-M	Msc Industrial Supply Co	Grove St	Worcester	MA	5,000-9,999 4238
Dell EMC Corp	Staples Inc	Staples Dr	Framingham	MA	5,000-9,999 4594
	TIAA	Boylston St	Boston	MA	5,000-9,999 5239

Mobilizing Media

KFF Media Fellowships in Health Reporting

Kaiser Media Fellowships in Health provide selected journalists with unique opportunities to gain an in-depth grasp of U.S. health and health policy issues, through site visits, briefings and discussions with policy experts and fellow editors and reporters. The focus is squarely on state, national and global health policy issues, with the aim of encouraging and informing coverage of the complex economic, political and medical issues involved for a broad range of audiences.



The screenshot shows the NIHCM Foundation website. The header is dark blue with the NIHCM logo and a 'TOPICS' dropdown menu. Below the header is a navigation bar with links for 'Grants', 'Journalism Grants', 'Research Grants', and 'Research Insights'. The main content area has a breadcrumb trail 'Home > Grants > Journalism Grants' and a large heading 'Journalism Grants'. The text describes the foundation's support for health care journalism. At the bottom, a section titled 'GRANTS PROVIDE FUNDING FOR:' lists three bullet points: Health Reporting, Educational Opportunities for health care Reporters, and Support for documentary films and their public engagement campaigns.

Journalism Grants

NIHCM Foundation supports timely health care journalism that informs efforts to improve the health of Americans and that examines emerging health issues and their implications for cost, quality and access. Grants provide funding for health reporting, educational opportunities for health care reporters and support for documentary films and their public engagement campaigns.

GRANTS PROVIDE FUNDING FOR:

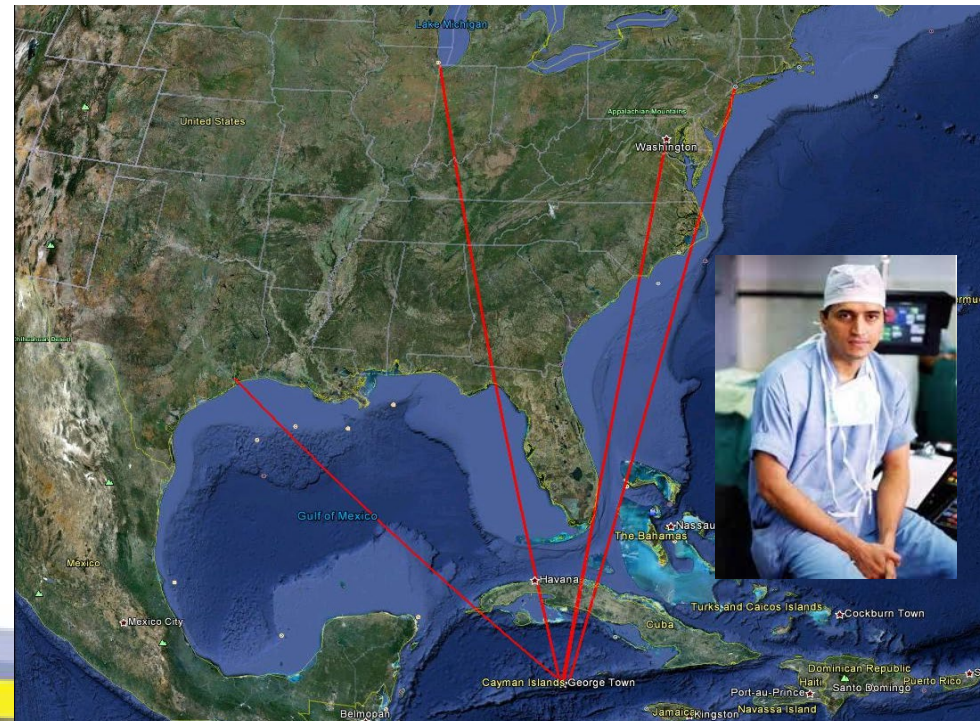
- Health Reporting
- Educational Opportunities for health care Reporters
- Support for documentary films and their public engagement campaigns



Duke | SANFORD SCHOOL of
PUBLIC POLICY

Share Info on Massachusetts Competitors

Can we expand the market definition beyond conventional boundaries?



Emphasis on the Local

Reducing Administrative Costs:

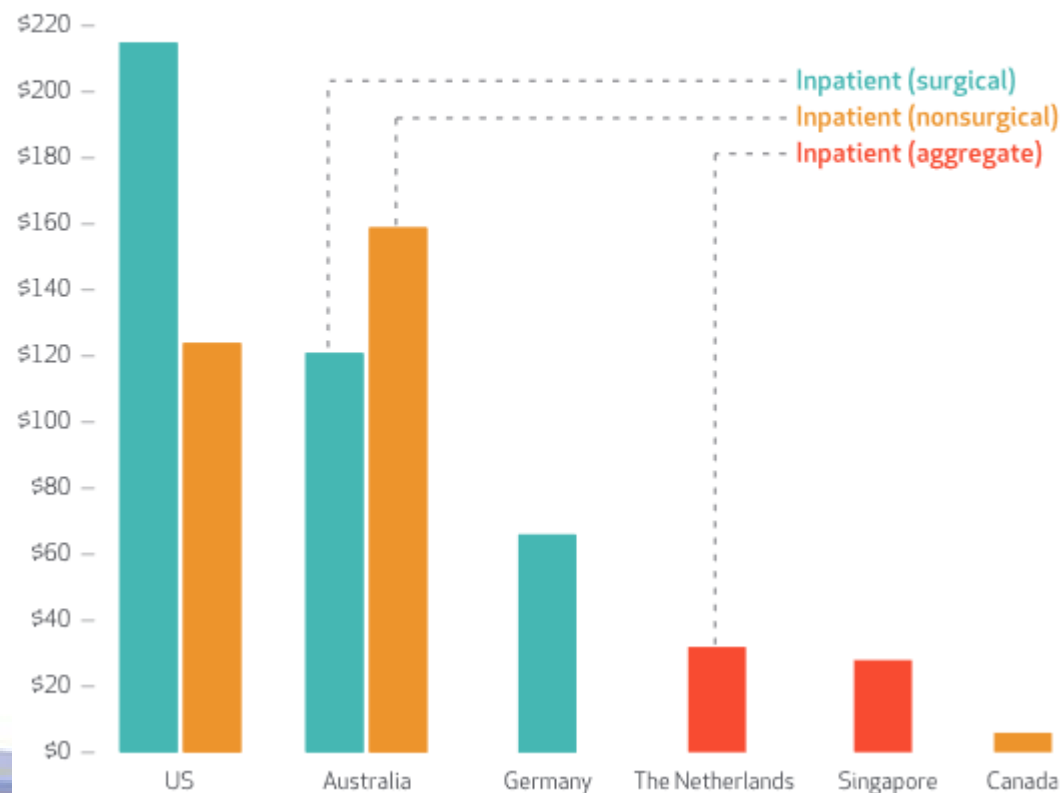
By Barak D. Richman, Robert S. Kaplan, Japees Kohli, Dennis Purcell, Mahek Shah, Igna Bonfrer, Brian Golden, Rosemary Hannam, Will Mitchell, Daniel Cehic, Garry Crispin, and Kevin A. Schulman

Billing And Insurance-Related Administrative Costs: A Cross- National Analysis

HealthAffairs

Estimated cost per bill for inpatient encounters in six countries derived from a time-driven activity-based costing study, 2018-20

Cost per bill, purchasing
power parity-adjusted



Emphasis on the Local

Reducing Administrative Costs:

- Standardize Contracts

Contractual complexity & contractual variation cause excess administrative costs

- Local EHR system

<https://www.mahealthconnector.org/>

<https://www.maEHRconnector.org/>

→ Areas of collective agreement

Main Argument, redux

*We Need to Change the Political Economy of
Health Care
(or Healthcare)*

And if we do, then policy corrections become easier.

Or less urgent.