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Biden takes aim at hospital cartelization in new order

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July 9, 2021

President Joe Biden is taking aim at hospital and insurance company consolidation in a new executive order.

"Hospital consolidation has left many areas, especially rural communities, without good options for convenient and affordable healthcare service," the White House said in a press release. "Research shows that hospitals in consolidated markets charge far higher prices than hospitals in markets with several competitors."

The executive order will encourage the Federal Trade Commission and the Justice Department to review and revise their guidelines for hospital mergers. It also requires the Department of Health and Human Services to support existing regulations on hospital price transparency.

There were over 778 hospital mergers from 2010 to 2017, according to the Kaiser Family Foundation. A new report from Kaufman Hall shows that there were 14 hospital mergers and acquisitions in the second quarter of 2021 worth about $8.5 billion.

Research suggests that mergers lead to higher healthcare prices. An analysis by the University of California, Berkeley, found that the 25 metropolitan areas with the highest levels of hospital concentration saw prices for a hospital stay increased from 11% to 54%. A working paper at the National Bureau of Economic Research found that prices "at monopoly hospitals are 12 percent higher than those in markets with four or more rivals."

The executive order also addresses consolidation in the health insurance market by ordering HHS to standardize plans in the Obamacare exchanges so that consumers can more easily comparison shop.

In recent years, consolidation on the exchanges has occurred due to insurers leaving the market and the remaining insurers increasing their market share. According to data from the Heritage Foundation, a conservative think tank, 345 insurers offered coverage on the exchanges in 2013. By 2019, that had fallen to 202.

Some analysts blame government regulation for health insurance consolidation.

“When inefficient consolidation persists, it is almost always the result of bad policy decisions that encourage it,” Michael Cannon, the director of health policy studies at the libertarian Cato Institute, told the Washington Examiner.

But others say that the incentive to consolidate is built into health insurance markets.

“To be an insurer, you have to have enough customers because you can spread the risk,” Lovisa Gustafsson, vice president of controlling healthcare costs for the liberal Commonwealth Fund, told the Washington Examiner. “You need to have enough customers so that hospitals and other providers will take the time to contract with you.”