



CONSUMERS F1RST

The Alliance to Make the Health Care
System Work for Everyone

Statement for the Record

Senate Finance Committee

Hearing on “Consolidation and Corporate Ownership in Health Care:
Trends and Impacts on Access, Quality, and Costs”

Prepared by *Consumers First: The Alliance to Make the Health Care System Work for Everyone*

June 8, 2023

Chair Wyden and Ranking Member Crapo, on behalf of *Consumers First* and our undersigned allies we want to thank you for holding this important and timely hearing on transparency and competition in health care, and to offer our sincere appreciation to all of the witnesses and senators who are lifting up the impact that unaffordable health care costs have on people all across this country. As an alliance that brings together the interests of consumers, employers, labor unions, and primary care clinicians working to realign and improve the fundamental economic incentives and design of the health care system, *Consumers First* thanks you for being responsive to our call to actionⁱ and stands ready to support you as you embark on this critical work.

Our country is in the midst of a health care affordability crisis where consumers, employers, workers, and clinicians are struggling in a health care system whose payment and delivery structure incentivizes high cost, low quality care. Families are experiencing rising health insurance premiums, reduced access to care, and record levels of medical debt.ⁱⁱ

This crisis is overwhelmingly being driven by health care industry consolidation - particularly among hospitals - that has eliminated healthy competition and led to irrational health care prices and anticompetitive behavior.ⁱⁱⁱ Hospital prices have become highly problematic as the role of hospitals in our economy has shifted over the last 60 years from charitable institutions to corporate entities, resulting in a fundamental misalignment between the business interests of the hospital sector and the interests of our nation's families, workers and employers. The impact is stark:

- Since 2010, more than 1,600 hospitals have merged, and the number of doctor's offices being bought by health care monopolies has increased dramatically, with more than half of all physicians now being employed by hospital-owned practices.^{iv,v,vi}
- Since 2015, hospital prices increased by more than 30 percent, accounting for one-third of U.S. health care spending, and growing *four times* faster than workers' paychecks.^{vii,viii,ix}
- High hospital prices result in one-quarter of a trillion dollars in waste each year, which accounts for a quarter of *all* waste annually generated by the US health system.^x
- And importantly, hospital prices are not only high, but have become essentially irrational. In 2020, across all hospital inpatient and outpatient services, employers and private insurers paid on average 224 percent of what Medicare pays for the same services.^{xi}
- Prices at hospitals in concentrated markets are 12 percent higher than those in markets with four or more rivals without any demonstrated improvement in the quality or access to care.^{xii,xiii,xiv} All the while, the workforce in these concentrated markets suffers - wages for nurses and other health care workers decrease significantly after mergers and acquisitions.^{xv}
- Prices for the exact same service vary widely: A colonoscopy at a single medical center in Mississippi can range from \$782 to \$2,144 depending on insurance.^{xvi} At one health system in Wisconsin, an MRI costs between \$1,093 and \$4,029 depending on level of insurance.^{xvii} Across the country, the average price for a knee replacement ranges from \$21,976 in Tucson, Arizona to \$60,000 in Sacramento California.^{xviii}

It is time to implement policy changes that will make the health care sector more competitive, make health care more affordable, and allow our nation's families to access the health and health care they deserve.

The Senate Finance Committee has a key role to play in both uncovering concerning health industry behavior through bipartisan oversight and hearings such as this one, and addressing those behaviors through legislation. We urge the Committee to consider well-vetted, bipartisan, and commonsense legislation that would remedy some of the most obvious health system failings, and to take on rising health industry consolidation among hospitals, insurers, and other health care organizations that enables anticompetitive behaviors, prevents healthy competition in markets and results in monopolies that have the ability to set outrageous and unjustifiable prices.

Site-neutral payments. One crucial policy area where this Committee can lead is addressing payment differentials across sites of service that financially incentivize further consolidation. This flaw in Medicare's current payment structure unnecessarily promotes care in more expensive settings with no corresponding improvement in quality or access while failing to appropriately pay some clinicians and other health care workers in non-hospital settings. Advancing comprehensive site-neutral payment reforms would be a welcome first step to crack down on industry gaming that uses misaligned payment incentives to drive up costs without investing in quality, and these policies are estimated to result in billions of dollars of savings for Medicare beneficiaries and the Medicare program.^{xix}

Additionally, we encourage you to work with colleagues on the other committees of jurisdiction on policy solutions related to price transparency, anticompetitive contracting clauses, and antitrust enforcement.

Price transparency. Unveiling prices is a critical step towards achieving truly affordable health care, improved health, and more competitive health care markets across the U.S. health care system. Price transparency pulls back the curtain on prices so that policymakers, researchers, employers, and consumers can see how irrational health care prices have become and take action to rein in pricing abuses. Further, unveiling prices can inform where the highest and most irrational prices are occurring in the health care system, so policymakers can implement more targeted policy solutions to bring down the cost of health care. We strongly support the administration's efforts to increase hospital price transparency and urge Congress to strengthen and codify the Hospital Price Transparency Rule.

Anti-competitive contracting. Anticompetitive practices and clauses in health care contracting agreements occur in a variety of places including between providers and insurers and in clinician and health care worker employment arrangements. In contracts between provider entities and insurers, large entities in highly consolidated markets have the upper hand in contract negotiations to build networks and set prices. As a result, many of these contracts include terms that limit access to higher-quality, lower-cost care. When anticompetitive terms are present in health care clinician and worker employment contracts, they can further stifle competition, lead to burnout exacerbating workforce shortages^{xx}, impede patient access to preferred providers and care, and in some cases lead to higher prices for health care services^{xxi}.

Anti-trust enforcement. Congress should ensure that the Federal Trade Commission and U.S. Department of Justice Antitrust Division are appropriately resourced and have the legal tools needed to exert meaningful oversight of health care merger and acquisitions, including examining the impact on patient access to quality care.

Enacting these policies would set critical groundwork to reduce inflated spending throughout the system and make health care more affordable and value-driven for consumers.^{xxii}

Consumers First and our undersigned allies look forward the discussion today and to working with you to enact bipartisan and commonsense improvements to our nation’s health care payment and delivery system. Please contact Jane Sheehan, Director of Federal Relations at Families USA, JSheehan@familiesusa.org, for further information and to let us know how we can best be of service to you.

Sincerely,

Consumers First Steering Committee

American Academy of Family Physicians
American Benefits Council
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Families USA
Purchasers Business Group on Health

Supporting Organizations

ACA Consumer Advocacy	Justice in Aging
Alabama Arise	MomsRising
Allergy and Asthma Network	National Association of Social Workers (NASW)
American Medical Student Association	National Consumers League
American Muslim Health Professionals	National MS Society
Colorado Consumer Health Initiative	National Partnerships for Women and Families
Community Catalyst	North Carolina Justice Center
Connecticut Oral Health Initiative	Northwest Health Law Advocates
Consumers for Affordable Health Care, Maine	Pennsylvania Health Access Network (PHAN)
Consumers for Quality Care	PIRG
Florida Voices for Health	Small Business Majority
Georgian’s for a Healthy Future	Tennessee Justice Center
Health Access California	The ERISA Industry Committee
Health Care Voices	Third Way
Utah Health Policy Project	Virginia Organizing

ⁱ <https://familiesusa.org/wp-content/uploads/2023/01/Consumers-First-letter-to-118th-Congress-final-1.23.23.pdf>

ⁱⁱ Gaynor, M. “*Examining the Impact of Health Care Consolidation*” *Statement Before the Committee on Energy and Commerce, Oversight and Investigations Subcommittee, U.S. House of Representatives*. 2018.

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