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January 16, 2024

Attorney General Michelle A. Henry and Charitable Trusts and Organizations Section team:

Thank you for the opportunity to provide written comments in advance of the January 18, 2024 public hearing on the proposed integration and affiliation of Washington Health Care Services, Inc., into the University of Pittsburgh Medical Center. We write today to express our concern about further consolidation in Pennsylvania's health care market and the negative impacts it might hold for health care consumers and their families.

For more than 40 years, Families USA has been a leading national, non-partisan voice for health care consumers working to achieve our vision of a nation where the best health and health care are equally accessible and affordable to all. In October 2022, we launched the Center for Affordable Whole Person Care in affirmation of our commitment to revolutionize America's health care system to hold the health care industry accountable for delivering affordable, equitable, high-quality health care and improved health for all.

The U.S. Health System in Crisis

Our health care system is in crisis, evidenced by a lack of affordability and poor quality.¹ At its core, our nation's affordability crisis is driven by a fundamental misalignment between the business interests of the health care sector and the health and financial security of our nation's families – a business model that allows industry to set prices that have little to do with the quality of the care they offer. These high and irrational prices are largely due to trends in health care industry consolidation that have eliminated competition and allowed monopolistic pricing to push our nation's families to the brink of financial ruin.²

Almost half of all Americans have reported having to forgo medical care due to the cost, and almost a third have indicated that the high cost of medical care is interfering with their ability to secure basic needs like food and housing,³ and over 40 percent of American adults – 100 million people – face medical debt.⁴ High and rising health care costs are a critical problem for national and state governments, and affect the economic vitality of middle-class and working families – crippling the ability of working people to earn a living wage. Today's real wages – wages after accounting for inflation – are roughly the same as four decades ago, while employer health insurance premiums have risen dramatically.⁵ At the same time, nearly 90% of

large employers say that rising health care costs will threaten their ability to provide health care benefits to employees over the next five to 10 years if costs are not lowered.⁶

Notably, the excessive cost of health care does not generally buy Americans higher-quality care or even higher volumes of care. In fact, the opposite is true. Despite spending two to three times more on health care than other industrialized countries, the United States has some of the worst health outcomes, including some of the lowest life expectancy and highest infant mortality rates.^{7,8,9} These health outcomes are even worse for people of color who experience higher rates of illness and death across a range of health conditions compared with their white counterparts.¹⁰

These abysmal health outcomes and extraordinarily high prices are the product of broken financial incentives within the U.S. health care system. Our current system rewards building local monopolies and price gouging instead of rewarding success in promoting the health, well-being and financial security of the community.¹¹ And hospital prices in particular 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 the patients they serve.¹² These higher prices result in \$240 billion annually coming out of workers' paychecks and instead becoming profits for large health care corporations.^{13,14,15}

Health Industry Consolidation Driving High Prices

America's health care affordability crisis stems from high, rising, and variable prices across a wide range of health care goods and services. For example, the average price of a hospital-based MRI in the United States is \$1,475.¹⁶ That same scan costs \$503 in Switzerland and \$215 in Australia.¹⁷ These higher prices for an identical service are the main driver of the dramatic increase in per capita health care spending in our country, where health care accounted for nearly 20% of the nation's GDP in 2020, far exceeding health care spending by any other industrialized country.¹⁸

These irrational and unjustifiable prices are largely due to trends in health care industry consolidation that have eliminated competition and allowed monopolistic pricing to flourish.¹⁹ This consolidation has taken place without meaningful regulatory oversight or intervention, and is becoming more acute.²⁰ In fact, there are few truly competitive health care markets left, with 95% of metropolitan statistical areas (MSAs) having highly concentrated hospital markets, nearly 80% of MSAs having highly concentrated specialist physician markets, and 58% of MSAs having highly concentrated insurer markets.²¹

- **Hospital consolidation:** Hospital mergers are occurring more frequently both within and across health care markets, leading to higher prices in both cases. According to the American Hospital Association, there were 1,577 hospital mergers from 1998 to 2017.^{22,23} An estimated 40% of those mergers took place from 2010 to 2015.²⁴

- **Vertical Integration:** The number of hospital-acquired physician practices grew from 35,700 in 2012 to more than 80,000 in 2018.²⁵ Over this same time period, the percentage of physicians employed by a hospital or health system nearly doubled, from 25% to 44%.²⁶ Recent research found that over 55% of physicians are now employed in hospital-owned practices.²⁷ This trend was accelerated by the COVID-19 pandemic, which exacerbated the financial vulnerabilities of independent and smaller physician practices and threatened the near collapse of entire sectors of the health care system — particularly primary care.²⁸ Nearly 23,000 physicians left independent practice to work for a hospital or other corporate entity after the onset of the COVID-19 pandemic, while hospitals and other corporate entities acquired nearly 21,000 additional physician practices from 2019 to 2020, representing a 25% increase in corporate-owned practices.²⁹

Hospital Pricing Abuses

Nowhere is the negative impact of consolidation more evident than the rising cost of hospital stays and services, which have increased dramatically in the last decade and make up a large portion of increasing health care costs overall.^{30,31,32} These cost increases have occurred despite lower hospital utilization and are largely due to escalating prices, which are the result of hospitals buying other hospitals and community doctors to eliminate competition and form big health care corporations and medical monopolies.^{33,34}

Americans in many communities have watched as their local hospitals became health systems, and those health systems were bought by large health care corporations. What most in the public and policymaking community have not realized is how much this has destroyed any real competition in our health care sector, allowing hospitals to dramatically increase their prices every year.^{35,36} Between 1990 and 2023, hospital prices have increased 600% — and just since 2015, hospital prices have increased as much as 31% nationally, now accounting for nearly one-third of U.S. health care spending, and growing more than four times faster than workers' paychecks.^{37,38,39,40}

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% of what Medicare pays for the same services.⁴¹
- Prices at hospitals in concentrated markets are 12% higher than those in markets with four or more rivals without any demonstrated improvement in the quality or access to care.^{42,43,44} All the while, the workforce in these concentrated markets suffers — wages for nurses and other health care workers decrease significantly after mergers and acquisitions.⁴⁵
- Prices for the exact same service vary widely, sometimes even within a single hospital system:
 - A colonoscopy at a single medical center in Mississippi can range from \$782 to \$2,144 depending on insurance.⁴⁶

- At one health system in Wisconsin, an MRI costs between \$1,093 and \$4,029 depending on level of insurance.⁴⁷
- Across the country, the average price for a knee replacement ranges from \$21,976 in Tucson, Arizona to \$60,000 in Sacramento California.⁴⁸
- The price of an MRI at Mass General Hospital in Boston Massachusetts ranged from \$830 to \$4,200 depending on the insurance carrier.⁴⁹

Impact on Pennsylvania

As Americans across the United States experience a severe healthcare affordability and quality crisis, so too do those who live in Pennsylvania. Over half of all Pennsylvania residents reported delaying or foregoing needed medical care due to cost, while over four in five Pennsylvania residents reported high levels of worry about affording the healthcare they may need in the future.⁵⁰ Of those who did seek needed medical care, nearly one in eight have their medical bills in collections.⁵¹

As described above, a leading driver of this crisis is the high and rising price of hospital care, which accounts for a growing proportion of our health care spending⁵² and is causing millions of Americans to go into debt, all while suppressing workers' wages through rising health care premiums. In Pennsylvania, spending on hospital care increased a staggering 240% over the past two decades, increasing from \$15.7 billion in 1991 to \$53.7 billion in 2020.⁵³ It has consistently made up the largest source of health care spending in the commonwealth.⁵⁴ At the same time, hospital utilization largely stayed the same and even at times decreased in the past decade, suggesting that increases in health care spending are largely driven by rising hospital prices.⁵⁵

These high and rising hospital prices are largely due to trends in health care industry consolidation that have eliminated healthy competition and allowed monopolistic pricing to flourish.⁵⁶ In Pennsylvania, these trends are no different. Large health care corporations continue to consolidate and become large medical monopolies so they can increase their market power and price gouge Pennsylvanians, all while paying exorbitant compensation to their executives and closing critical medical services that patients and families truly need, as evidenced by UPMC downsizing and closing critical care and intensive care units as well as the sole maternity ward in McKeesport.^{57,58,59,60,61}

The vast majority of hospital markets in Pennsylvania are now highly concentrated, including those in Pittsburgh, Allentown, Scranton, and Harrisburg, with only one or two major health systems serving a given geographic area.^{62,63} At the same time, Pennsylvanians living in these localities are experiencing significant increases in health care costs. In East Stroudsburg, PA, for instance, spending on inpatient hospital care rose 37% since 2017, with the price for inpatient care rising 22% despite inpatient volume going down 6% at the same time.⁶⁴

While Pennsylvania families are struggling to pay their medical bills or foregoing needed medical care entirely, hospital executives in Pennsylvania are enjoying millions of dollars in

executive compensation and hundreds of millions of dollars in local, state, and federal tax breaks.⁶⁵ For example, the president of Tower Health – a large health system in Pennsylvania - made more than \$2 million in 2019, while many other high-level executives made more than \$1 million each, with a significant proportion of their compensation (in the form of bonuses) linked to the financial performance of their organization rather than the quality of health care they delivered to the community.⁶⁶ Moreover, at least 40 non-profit hospital CEOs in Pennsylvania made at least \$1 million in 2019, and ten of them made \$2 million or more.⁶⁷

These salaries are particularly egregious given that Pennsylvania’s non-profit hospitals receive hundreds of millions of dollars in local, state, and federal tax breaks, yet provide very little community benefit as is required under federal tax law.⁶⁸ Under federal tax law, non-profit hospitals are granted tax exempt status in return for providing a community benefit and a public good, which includes ensuring low-income consumers receive medical care for free or at significantly reduced rates (i.e., charity care).⁶⁹ These hospitals spend less on charity care and community investment compared to the amount of tax breaks they receive. In fact, four Pennsylvania hospitals that are nationally ranked in the top 25 non-profit hospital systems are taking in more taxpayer money than they spend on helping their communities.⁷⁰

These behaviors are all part of a larger pattern in Pennsylvania and across the nation where hospitals that once were truly charitable institutions serving their local communities have become large health care corporations, focused on maximizing revenues and profits to the detriment of the health and well-being of patients and their communities.⁷¹

Role of Pennsylvania’s Attorney General

In the context of this ongoing health care affordability and quality crisis, State Attorney Generals play a critical role in overseeing health care markets, promoting healthy competition, and serving as a backstop against widespread industry consolidation and anti-competitive practices that are too often employed by large health care corporations and hospital systems. In particular, the Pennsylvania Office of Attorney General (i.e., the State AG) plays an important oversight role in the Commonwealth in reviewing hospital-related transactions and practices. Its authority and jurisdiction are multi-faceted and grounded in the commonwealth’s *parens patriae* responsibility to protect the health, safety and welfare of the people.⁷² In the case of market transactions involving non-profit hospitals, the State AG has the authority to review proposed mergers and acquisitions to ensure “that charitable institutions lawfully pursue their charitable missions for the benefit of the public” and that any given transaction(s) “will not unduly impact the community’s access and availability to health care.”⁷³

In the case of the proposed integration and affiliation of Washington Health Care Services Inc., into the University of Pittsburg Medical Center (UPMC), we urge the State AG to oppose any mergers and acquisitions that lead to more concentrated health care markets and that threaten the health and financial security of families and consumers in the Commonwealth of Pennsylvania.

In particular, we strongly encourage the State AG to consider UPMC's long track record of employing harmful business practices and anti-competitive behaviors that put Pennsylvanian's access to health care directly at risk and that drive up health care costs. UPMC is already the largest health care provider in Pennsylvania. It includes 40 hospitals and 800 outpatient facilities, with an annual revenue of \$26 billion.⁷⁴ UPMC holds significant market power in the commonwealth and has grown substantially over the past two decades due to regularly acquiring its competitors, furthering its market power and ability to unscrupulously drive up health care prices.⁷⁵ In Allegheny County alone, UPMC now owns more than 60% of the hospital beds and employs more than 65% of hospital workers.⁷⁶ With significant market power, UPMC has shown itself to abuse that market power regularly and substantively, undercutting healthy competition, overcharging patients for care, lowering standards of care, and even refusing to provide care to certain patients, all in order to maximize revenue and to the detriment of the health and well-being of people.^{77,78}

Particularly egregious and concerning was UPMC's alleged behavior of discriminating on the basis of a patient's form of insurance. As a vertically integrated health care corporation, UPMC, in addition to providing direct medical care, owns and operates a number of health insurance plans and products. In fact, it is one of the largest health insurers in western Pennsylvania. In an effort to undercut its competition, such as West Penn and Highmark, it sought to unfairly encourage patients with Highmark insurance to join UPMC's own health plan, regularly telling patients with life-threatening conditions they would no longer have access to UPMC care if they did not switch health insurance carriers.⁷⁹ In short, this was part of an extensive campaign on the part of UPMC to undercut its competition and gain additional market share and revenue, with direct and negative impacts on patients' access to care and treatment.⁸⁰

Also troubling is UPMC's practice of commonly closing and downsizing competitor hospitals in which it recently acquired, harming health care quality and patients' access to care. For example, after acquiring a hospital in Bedford, it later shut down its maternity unit, forcing patients in Bedford to travel roughly 40 miles to access needed maternity care instead of being able to seek care in the immediate city in which they reside.⁸¹ In other cases UPMC has closed entire hospitals in which it purchased, sometimes only a few years after acquisition, such as in the case of the hospitals it acquired in Lancaster and Sunbury.⁸² This pattern of behavior is particularly relevant to the review of the proposed merger as there is a significant risk that UPCM could choose to close key service lines delivered by the newly acquired provider. This would significantly reduce access to critical health care services for those residents who rely on Washington Health Care Services Inc.

Further, we urge the State AG to rely heavily on the academic literature that confirms the negative consequences associated with highly concentrated health care markets. As outlined above, there is substantial evidence that hospital mergers result in higher health care prices and lower quality. A number of studies that reviewed individual hospital mergers found price increases of more than 20 percent.⁸³ The Federal Trade Commission also found price increases of 20 percent to 50 percent after conducting a number of retroactive post-merger reviews.⁸⁴ Mergers that span multiple individual health care markets (i.e., cross-market mergers) were

also associated with price increases, between 10% and 17%.⁸⁵ Moreover, there is strong evidence that links hospital market concentration with reduced quality of care. For instance, one study found that mortality risk among heart attack patients is significantly higher in more concentrated hospital markets.⁸⁶

Conclusion

The American people are clear about their concerns regarding further hospital consolidation and its negative effects on health care affordability. Recent national polling shows voters from both sides of the aisle broadly support:^{87,88}

- **Preventing hospitals from engaging in business tactics that reduce competition (75%)**
- **Limiting mergers and acquisitions (74%)**
- Requiring all health care organizations to publicly disclose their prices (87%)
- Limiting outpatient fees to the same price charged by doctors in the community (85%)

Thank you again for holding this hearing. We encourage the AG to seize this momentum to exercise appropriate authority over mergers and acquisitions in Pennsylvania to rein in abusive health care prices and make health care more affordable for everyone. The journey to fully transform our health care system is long, but the AG holds essential powers to take critical steps. Families USA stands ready to support you in this essential and urgently needed work. For further information, please contact Aaron Plotke, APlotke@familiesusa.org.

Sincerely,



Sophia Tripoli

Senior Director of Health Policy

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