CONFRONTING HOSPITAL CONSOLIDATION

STATES TAKE THE LEAD

HOSPITALS HAVE INCENTIVES TO GROW; DOCTORS HAVE INCENTIVE TO SELL

Regulations Permit Generous Outpatient Pricing

Hospitals Have Access to Capital for IT, back office

Federal Policy Contradictions

MORE PEOPLE INSURED…

POLITICO

7.3 million in Obamacare plans, beats CBO forecast

9/18/14

Federal Policy Contradictions

…BUT MORE PEOPLE UNDERINSURED

Employer Strategies for the Affordable Care Act			
Strategy	Have	Plan To	Total
Move employees to Consumer Directed Health Plans	56%	17%	**73%**
Raise employee contributions toward health insurance	52%	19%	**71%**

A University of South Carolina poll released in September shows that more than 70% of large employers have plans to move employees to high deductible "consumer directed" health plans or raise employees' contributions for health care – and a majority have already done so.

RUNAWAY PROVIDER PRICES AND COST SHARING: PERFECT STORM FOR PATIENTS

60/40 = "Affordable"

Example – Facility Fees:

- *Doctor's office visit costs rise 80% overnight*
- *Cost Medicare $2 billion per year*
- *Undermine High Deductible "Consumer Directed Health Plans"*

the ct mirror

Jepsen takes aim at health care 'facility fees'

ctwatchdog.com
we're watching out for you

Gov Malloy Signs Bill Requiring Greater Disclosure Of Hospital Facility Fees
June 9, 2014

New Haven Independent

Sleep Center's Fate Reflects Brave New Health Care World

News and Observer 12/15/2012:

Jenny Palmer of Durham had been seeing a Duke neurologist for years for her epilepsy. She was furious when her $50 copay turned into a $425 payment applied to her deductible. The visit was less than 10 minutes…

Federal Policy Contradictions

ACA PUSHES EDUCATION, PRIMARY AND PREVENTIVE CARE….

….But Provider Prices Threaten Gains

UNITE HERE BEST PRACTICES

Yale – Lorraine Skibitcky, Local 34

- Majority in tightly controlled staff model HMO ($0 premium) – incentivizing enrollment
- Open PPO replaced by tighter network
- Member Education:
  - Metrics
  - Chronic Disease Self Management Program Pilots

College and K-12 Cafeterias – Ken Blair, Local 217:

- Bargained into tailored Unite Here Health plan
- Members go from 20% to 0% premium and *employer still saves $1,000/member*
- Union wide health care committee for Member Education
  - 1,2,3 Program
  - Better Living Program

Federal Policy Contradictions

FTC Opposes Some Monopolies (OH, ID)....

....BUT ACA ACCELERATES CONSOLIDATION PROCESS....

CT CASE EXAMPLE: TENET AND YALE-NEW HAVEN HEALTH SERVICES CORP. STRATEGIC ALLIANCE

Regional Provider Organization: Joint Purchases

Risk Organization: Preparing for major risk contracts

Geographic Service Area: CT, RI, NY, Parts of MA

TENET/YALE-NEW HAVEN: SUPER-REGIONAL STRATEGIC ALLIANCE

Regional Provider Organization: Shared 80%/20% Equity Holdings

"The Strategic Alliance Agreement Provides that, for as long as [Yale-New Haven Health Services Corporation, (HSC)] is a member of the Regional Provider Organization, HSC may not acquire, own, manage or operate any licensed hospital or other health care facility within the Geographic Service Area other than through the Regional Provider Organization, with certain exceptions."

Exceptions:

- Non-profits that join but do not convert
- Existing Yale-New Haven Health Services Corp. facilities (i.e. Bridgeport, Greenwich systems)

TENET/YALE-NEW HAVEN: SUPER-REGIONAL STRATEGIC ALLIANCE

Risk Organization: Goal is system of owned and affiliated facilities and networks large enough to accept risk contracts.

"Manage increasing levels of risk of enrolled populations at participating locations within the Geographic Service Area, including managing such risk contracts with Medicare, Medicaid and other third-party payers as may be able to be negotiated by the Risk Organization"

YALE-NEW HAVEN TAKEOVER OF ST. RAE'S CREATED NEW HAVEN AREA MONOPOLY

Inpatient Discharges by Select Town and Hospital, 2010				
Town	YNHHS Before	HSR Before	All Others Before	YNHHS + HSR
New Haven	68.2%	29.8%	2%	98%
East Haven	54.8%	41.3%	3%	97%
Branford	66.2%	29.3%	4.%	96%
North Haven	45.3%	46.7%	8%	92%
West Haven	53.2%	35.6%	11%	89%
Hamden	50.7%	44.7%	5%	95%

Prior to purchasing the Hospital of St. Raphael, Yale-New Haven Health System's market share within an 18 minute drive was already at a level that caused the FTC to intervene in other states.

NEW PURCHASES EXPAND MONOPOLY SCOPE

Inpatient Discharges by Select Town and Hospital, 2010*				
Town	Waterbury Before	St. Mary's Before	YNHHS Before	Waterbury/St Mary's/YNHHS/Tenet Combined
Waterbury	40%	44.9%	7.0%	92.2%
Wolcott	26.2%	45.4%	17.2%	88.7%
Watertown	54.6%	25.6%	8.5%	88.6%
Middlebury	47.5%	25.7%	9.6%	82.8%
Naugatuck	37.4%	32.1%	13.3%	82.8%

**More current data may reflect different discharge patterns*

CONSOLIDATION RAISES PRICES

- Mergers and Acquisitions raise prices 10-40% *(Vogt and Town, 2006)*

- Mergers of hospitals located within five blocks of each other ("co-located") cause 40% marketwide price increase *(Dafny, 2005)*

PATIENTS HAVE VERY LIMITED HOSPITAL CHOICE

Majority **of Medicare knee replacement patients report *no choice* of hospital.**

Factors that affect choice for those who can choose:

- Size
- Depth of Service
- Reputation of Surgeon or Hospital
- Provider recommendation

Hospitals ≠ Toothpaste

Source: Losina et al, *Arthritis Care and Research,* 10/5/05

IS SO. CT HOSPITAL COMPETITION FINISHED?

Even BEFORE St. Raphael Takeover:

Milford Residents: 71 times more likely to be discharged from YNHH or HSR than New Haven residents to be discharged from Milford Hospital

Derby Residents (Derby): 89 times more likely

Meriden Residents (MidState): 95 times more likely

NO CAVALRY FROM GRIDLOCKED DC

Without Competition, States Need Strong Tools to Protect Patients from Market Excess

- MA Cost Commission
- Price Transparency (CA, MA).
- Anti-Trust (ID, MA)
- Rate Regulation