



**Presentation to Nevada State Senate Joint Interim Standing Committee on Health and Human Services
Consolidation as a Key Driver of Health Care Costs: Challenges and Solutions**

March 11, 2024

*Dedicated to creating a nation where the best health and
health care are equally accessible and affordable to all*

Families USA's Mission and Focus Areas

Families USA, a leading national voice for health care consumers, is dedicated to the achievement of high-quality, affordable health care and improved health for all.

Working at the national, state and community level for over 40 years, we advance our mission through public policy analysis, advocacy, and collaboration with partners to promote a patient-and community-centered health system.

HEALTH EQUITY

HEALTH CARE VALUE

COVERAGE

PEOPLE'S EXPERIENCE



Today's Agenda

- America's Health Care Cost and Quality Crisis
- The Role of Consolidation
- A Closer Look at Nevada
- Federal and State Policy Solutions
- Q&A

The Problem: U.S. Health Care Costs are Crippling Families – And Hospital Prices are a Major Driver

- **The cost of American health care is a profound economic problem and an urgent public health problem.**
 - Roughly 100,000,000 people in the U.S. have some form of medical debt.¹
 - Up to 40% of U.S. adults report skipping medical tests or treatments due to cost; 30% report medical care interferes with their basic needs like food, housing, heat.²
 - Despite efforts by policymakers, advocates, and providers, prices continue to rise at unsustainable rates without commensurate improvements in quality.
- **Health care accounts for over 17% of the US economy, by 2030 it will account for about 20%.⁵**
 - Hospital care represents the largest share of national health spending – 33% – with an estimated \$1.2 trillion in spending each year.⁴
 - Since 2015, hospital prices have increased by as much as 31% and grown 4x faster than workers' paychecks.⁵
 - High hospital prices result in more than \$240 billion in waste a year, which accounts for ¼ of all waste generated by the U.S health system annually.⁷

Sources

1. Levey, 2022, 100 Million People in America Are Saddled With Health Care Debt
2. NORC, 2020 New Survey Finds Large Number of People Skipping Necessary Medical Care Because of Cost
3. KFF, 2023, National Health Spending Explorer
4. CMS, 2023, Cost Reports
5. Robert A. Berenson et al., 2020, Market Consolidation and High Prices
6. NORC, 2020 New Survey Finds Large Number of People Skipping Necessary Medical Care Because of Cost
7. Shrank et al, 2019, Waste in the US Health Care System Estimated Costs and Potential for Savings

Excessive Health Care Prices Driven by Big Health Care Corporations

- Hospital prices are both high and irrational, and have no relationship to quality of care:
 - Average Prices of MRI in the U.S. \$1,475; Switzerland \$503; Australia \$215⁴
 - Price of MRI in **one** U.S. hospital system: \$839 - \$4,200⁵
 - In 2020, privately insured consumers and employers paid on average 2.5 times what Medicare would have paid for same hospital inpatient and outpatient services.⁷
 - 72,000 hospital acquired Infections per year; High rates of preventable deaths due to system failure to provide effective care.⁸
- Excessive cost of U.S. health care is driven by high and rising health care prices due to health care industry consolidation — particularly among hospitals:³
- The role of hospitals in our economy has shifted over last 60 years: **charitable institutions vs. corporate entities**.¹ The result is a fundamental misalignment between hospital business interests and the interests of people.
 - Hospital sector business model: 1) generate high volumes of tests, procedures through fee-for-service payment and 2) generate highest possible fees (prices).²

1. Barbra Mann Wall, "History of Hospitals," *Nursing, History and Health Care*, University of Pennsylvania, n.d., <https://www.nursing.upenn.edu/nhnc/nurses-institutions-caring/history-of-hospitals/>. 2. Emily Sokol, "Healthcare Reimbursement Still Largely Fee-for-Service Driven," *RevCycle Intelligence*, March 26, 2020; 3. Gerard F. Anderson, Peter Hussey, and Varduhi Petrosyan, "It's Still the Prices, Stupid: Why the US Spends So Much on Health Care, and A Tribute to Uwe Reinhardt," *Health Affairs* 38, no. 1 (January 2019); 4. Sarah Kliff, "The Problem Is the Prices: Opaque and Sky High Bills Are Breaking Americans — and Our Health Care System," *Vox*, October 16, 2017; 5. Sarah Kliff and Josh Katz, "Hospitals and Insurers Didn't Want You to See These Prices. Here's Why," *New York Times*, August 22, 2021; 6. Drew DeSilver, "For Most U.S. Workers, Real Wages Have Barely Budged in Decades," *Pew Research Center*, August 7, 2018. 7. Christopher M. Whaley et al., *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans: Findings from Round 3 of an Employer-Led Transparency Initiative* (Santa Monica, CA: Rand Corporation, 2020); 8. Healthcare-Associated Infections (HAIs)," *Centers for Disease Control and Prevention*, last reviewed October 27, 2021

Good health and health care are not equally available to all in our nation, particularly for people of color.

- Cardiovascular disease is the leading cause of death in the United States. Non-Hispanic black adults are at least 50% more likely to die of heart disease or stroke prematurely (i.e., before age 75 years) than their non-Hispanic white counterparts¹
- The infant mortality rate for non-Hispanic blacks is more than double the rate for non-Hispanic whites¹
- Fewer than one-third of adults of color with a mental illness receive treatment, compared to half of White adults²

The Role of Consolidation

Health Care Consolidation Happening in Many Ways

**Horizontal
Consolidation**
of Hospitals

**Vertical
Consolidation -**
of hospitals and
independent
providers;
hospitals and
plans

Horizontal Consolidation of Insurers



Trends in Health Care Consolidation

- **There are few truly competitive health care markets left...**
 - 95% of metro areas have highly concentrated **hospital markets**¹
 - 80% of metro areas have highly concentrated **specialist physician markets**¹
 - 58% of metro area have highly concentrated **insurer markets**¹
- **Hospital Consolidation**
 - Between 1998 and 2017, there were **1,577** hospital mergers; 40% took place in the past 5 years.²
- **Insurer Consolidation**
 - Four major firms sell **83%** of private insurance plans.²
- **Vertical Integration**
 - Percentage of physicians employed by a hospital or hospital system doubled (**25% → 44%**) between 2012 and 2018.²

Sources

1. Jaime S. King et al., Preventing Anticompetitive Healthcare Consolidation: Lessons from Five States (Source on Healthcare Price and Competition and Nicholas C. Petris Center on Health Care Markets and Consumer Welfare of the University of California. Berkeley School of Public Health, June 2020), <https://sourceonhealthcare.org/profile/preventing-anticompetitive-healthcareconsolidation-lessons-from-five-states/>
2. Sophia Tripoli, *Testimony of Sophia Tripoli, MPH Director of the Center for Affordable Whole-Person Care Families USA*, March 28, 2023. <https://familiesusa.org/wp-content/uploads/2023/03/Sophia-Tripoli-Families-USA-Written-Testimony-for-EC-Health-Subcommittee-Hearing-3.28.23-final.pdf>



Consolidation: A significant driver of high and rising health care costs, lower quality

- Health care prices are established in closed-door negotiations between large hospital corporations and health plans based on who has more *market power*¹
- **Hospital Consolidation**
 - Mergers between hospitals in the same market raises prices by 20% to 50%¹
 - Mergers between hospitals in different markets (i.e., cross-market mergers) raise prices by 10% and 17%¹
 - Health care quality the same or decreases as a result.¹
- **Vertical Integration**
 - Average prices for physician services increased 14% post-acquisition by a hospital system.¹
 - Physicians within hospital-owned practices are more likely to direct patients to higher priced care (e.g., hospital-based care)¹

Sources

1. Cooper, Zack, Stuart V. Craig, Martin Gaynor, and John Van Reenen. 2019. "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured." *Quarterly Journal of Economics* 134 (1): 51–107.
2. Gaynor, Martin. 2020. "What to Do about Health-Care Markets? Policies to Make Health-Care Markets Work." Brookings Institution. Accessed Nov 30, 2020. https://www.brookings.edu/wp-content/uploads/2020/03/Gaynor_PP_FINAL.pdf.

A Closer Look at Nevada

Nevada Health Care Access and Affordability

- **Nevada residents cannot afford the care they need.**
 - 59% of Nevadans reported delaying or going without health care due to the cost.¹
 - 13% of Nevadans reported being unable to pay for basic necessities, like food or housing, due to their medical bills.¹
 - 83% of Nevadans reported being worried about affording health care in the future.¹
 - 16% of Nevadans have medical debt in collections³
- **Nevada ranked in the bottom half of all states in health care affordability and quality.**^{2,3}
 - 25% of adults do not have a usual source of care (46th)³
 - 15% of diabetic adults did not receive a hemoglobin test
 - 33% of adults did not receive recommended cancer tests
 - 67% of adults with a mental illness that did not receive treatment

Sources

1. United States of Care, *Overview of the Financial Performance of Nevada's Health Care Industry*. November 2023. <https://unitedstatesofcare.org/overview-nevada-health-care-industry/>
2. Altarum: Healthcare Value Hub, *2022 Healthcare Affordability State Policy Scorecard*, https://www.healthcarevaluehub.org/application/files/1116/6723/0917/Nevada_2022_Healthcare_Affordability_Scorecard.pdf
3. Commonwealth Fund, *2023 Scorecard on State Health System Performance*, June 2023. <https://www.commonwealthfund.org/publications/scorecard/2023/jun/2023-scorecard-state-health-system-performance>

Drivers of Unaffordable Health Care in Nevada

- **Health care spending in Nevada increased significantly over the past four decades.**
 - State-wide spending on hospital care increased [2,062%](#) from [\\$382 million](#) in 1980 to [\\$8.3 billion](#) in 2020.¹
 - Nearly *ten times* rate of inflation (9.6x)
 - Hospital care is the largest category of health care spending in the state
- **Health care prices in Nevada are high and irrational.**
 - Average [prices for hospital care](#) vary from [169% to 380%](#) of Medicare rates²
 - These prices are irrational: disconnected from quality²
- **Health insurance premiums for Nevadans have risen significantly.**
 - [Premium costs](#) for family coverage increased [116%](#) since 2010³
 - [Premium and deductibles](#) make up more than [14%](#) of median household income, almost 2x higher than a decade ago³
 - Nevada has the highest uninsured rate for a Medicaid expansion state; [11% of NV residents uninsured](#)⁴
 - Among uninsured, half said the high cost of insurance was a major reason for lack of coverage⁴

Sources

1. CMS, National Health Expenditure Data. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/state-residence>
2. RAND Corporation, *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans*, September 2020. https://www.rand.org/pubs/research_reports/RR4394.html#:~:text=This%20difference%20increased%20from%2022%20percent%20of%20Medicare,compounded%20annual%20rate%20of%20increase%20of%205.1%20percent
3. Commonwealth Fund, *State Trends in Employer Premiums and Deductibles, 2010-2020*. January 2022. <https://www.commonwealthfund.org/publications/fund-reports/2022/jan/state-trends-employer-premiums-deductibles-2010-2020>
4. United States of Care, *Overview of the Financial Performance of Nevada's Health Care Industry*. November 2023. <https://unitedstatesofcare.org/overview-nevada-health-care-industry/>

Role of Consolidation in Nevada Health Care Markets

- **Hospital markets in the Las Vegas and Reno metropolitan areas are both highly concentrated^{1,2}**
 - Reno: Two major health systems – including Renown Health & Universal Health Services
 - Las Vegas: Four major health systems – including HCA Health Care, Dignity Health, Universal Health Services, & UMC
- **Example of consolidation & hospital prices contributing to increases in health spending in Las Vegas²**
 - Between 2017 and 2021:
 - Inpatient hospital spending increased +44%
 - Inpatient hospital prices increased +21%
 - Inpatient hospital use decreased -2%
 - At the same time, hospital market concentration increased significantly (+199 HHI)
 - **Inpatient hospital prices** are **18% higher** than the national median

Sources

1. RAND Corporation, *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans*, September 2020.
https://www.rand.org/pubs/research_reports/RR4394.html#:~:text=This%20difference%20increased%20from%2022%20percent%20of%20Medicare,compounded%20annual%20rate%20of%20increase%20of%205.1%20percent.
2. Health Care Cost Institute, 2024. <https://healthcostinstitute.org>

Federal and State Policy Solutions

Policy Solutions To Lower Hospital and Health System Costs

- **Transparency**
 - All payer claims databases – national and state*
 - Codify and strengthen federal price transparency rules; state enforcement of federal price transparency regulations
 - Enhanced hospital financial reporting
- **Consolidation**
 - Enhanced state oversight of health care transactions; pre-transaction review* and approval of proposed transactions
 - Prohibit anticompetitive contract terms between health care providers and insurers*
 - Comprehensive site neutral policies
- **Combatting Spending Increases at System Level**
 - Health Care Affordability Board or Cost Commission*
 - Establish health care cost growth benchmarks*
 - Health insurance rate review – affordability standards
- **Regulating High Prices at Provider Level**
 - Ban/Limit outpatient facility fees
 - Establish maximum payment limits for out-of-network services
 - All-payer model, global budget, public insurance option*
 - Create new financial incentives to move towards population-based reimbursement (Advanced APMs)

*Nevada policies in place/being implemented



Increasing Federal Momentum on Affordability and System Abuses

Policymakers are increasingly focused on affordability issues related to the lack of competition in US health care markets, particularly around hospital pricing abuses:

- Federal

- Passage of *Consolidated Appropriations Act of 2015* – site neutral payments
- Introduction of *Lower Health Care Costs Act*, 2019
- Hospital Price Transparency Regulation; Transparency in Coverage Regulations – 2020
- Passage of the *No Surprises Act* – 2020
- White House Executive Order on Competition, 2021
- Key committee hearings on hospital consolidation, 2020-2024
- FTC public hearings on competition and RFI 2022
- Key pieces of legislation introduced: *Healthy Competition for Better Care Act*; Healthy Futures Task Force – 2021-2022
- *Lower Costs, More Transparency Act* passed House of Representatives in December 2023
- President Biden's White House Competition Council, announced 2024

State Movements to Lower Health Care Prices

22 states have existing APCDs¹

16 states have granted their attorney general or another agency the authority to review health care mergers²

9 states have considered or passed bans on anti-competitive practices

8 states have established drug affordability boards³

3 states have created penalties for hospital noncompliance with price transparency rule⁴

8 states have established health care spending growth targets⁵

Sources

1. APCD Council, 2023, *State Efforts*
2. Reed, 2023, *More states embrace drug price boards to curb health costs*
3. Hughes & Murphy, 2023, *Empowering State Attorneys General To Fight Health Care Consolidation*
4. Davenport & Pistor, 2023, *State Actions to Control Commercial Health Care Costs*
5. Gilburg, 2023, *Health Affairs Article Covers 2021 Health Care Spending Growth in Five States with Cost Growth Targets*

The American Public Wants Change

Health Care Affordability Concerns Are Widespread

- 75 percent of Americans grade U.S. health care affordability a D or F. (Gallup, West Health, 2022)
- 78 percent of Americans think the government should help make sure everyone has access to affordable, quality health care (Consumers Reports)
- In the 2020 election, 68 percent of voters stated that health care was “very important” to their vote, second only to the economy in the share of voters who listed it as very important (Pew Research Center)
- In 2022, 66 percent of voters said they were more likely to vote for candidates who supported limiting out-of-pocket costs in Medicare (KFF)

Like Americans Everywhere, Nevadans Want Change

Nevada residents strongly support solutions to reining in high and rising health care costs.¹

- 92% - Require hospitals and doctors to provide up-front cost estimates to consumers
- 88% - Set standard payments to hospitals for specific procedures
- 88% - Strengthen competition in health care markets to improve choice and access
- 85% - Regulate negotiated prices between insurers and healthcare providers
- 81% - Set limits on healthcare spending growth and penalize providers that fail to curb excessive spending growth

Nevada small businesses recognize the harm of health care consolidation and strongly support the government taking action.²

- 87% say it's important that federal and state governments address health care consolidation in the state.
- 94% say that the consolidation of hospitals in their areas have made the overall availability and quality of care worse.

Sources

1. Healthcare Value Hub; *Nevada Residents Worry about High Hospital Costs; Have Difficulty Estimating Quality/Cost of Care; and Express Bipartisan Support for Government Action*. September 2022. <https://www.healthcarevaluehub.org/advocate-resources/publications/nevada-residents-worry-about-high-hospital-costs-have-difficulty-estimating-qualitycost-care-and-express-bipartisan-support-gove>
2. Small Business for America's Future, *Survey: Hospital Consolidation Contributes to High Healthcare Costs for NV Small Business*, March 21, 2023. https://irp.cdn-website.com/b4559992/files/uploaded/SBAF%20Healthcare%20Survey%20March%202023%20--%20NEVADA%20FINDINGS_AAVJLVwwQ8ulJobDv7Tv.pdf

Questions?

For further information:

Jen Taylor

Senior Director of
Government Relations

jtaylor@familiesusa.org

Jane Sheehan

Deputy Senior Director of
Government Relations

jsheehan@familiesusa.org

Aaron Plotke

Senior Policy Analyst

aplotke@familiesusa.org



*Dedicated to creating a nation where the best health and
health care are equally accessible and affordable to all*



FamiliesUSA.org