



AHIP: Hospital Consolidation is Driving Health Costs

Joe Cantlupe, for HealthLeaders Media, February 9, 2010

When the Massachusetts Attorney General's Office released a recent report sharply critical of office's most often used words was "driver"—referring to hidden forces steering potentially out

Reacting to the AG's decision, health insurers' major lobby in Washington blames hospital consolidation for the soaring price of healthcare.

"The data shows that [hospital consolidation] has increased healthcare costs—with a higher price tag," said Tom Zirkelbach, spokesman for the America's Health Insurance Plans. "It's something that hasn't been something we're looking at."

Zirkelbach pointed to studies and reports:

- Hospitalization markets have increased their concentration by 47% during a 13-year period, according to the [Robert Wood Johnson Foundation](#). In addition, the foundation reported 88% of U.S. metropolitan hospital market areas.
- Significant price increases for hospital services after mergers—including findings by the Department of Justice after extensive 2002 and 2003 hearings—and reports from the [Irvington Institute](#) and the [Robert Wood Johnson Foundation](#).

These reports show higher prices for consumers and insurers that do not lead to better care, but rather to higher costs.

The report from the Robert Wood Johnson Foundation says "research suggests that hospital consolidation increases prices by at least 5% and likely significantly more. Prices increase 40% or more when merging hospitals."

Generally, when "hospitals merge, prices rise for consumers and quality declines," according to the report.

The issue of hospital consolidation was raised the [Massachusetts Attorney General's Office](#) previous report, which found that insurance companies pay some hospitals and doctors twice as much as others for essentially the same care. The report suggested the state's best-paid providers were the main driver of the state's soaring healthcare costs.

Attorney General Martha Coakley says the findings "raise concerns that existing systemic disparities in the provider marketplace dominated by very expensive "haves" as the lower and more numerous "have-nots" are likely to close or consolidate with higher paid systems.

The attorney general's report notes that the Massachusetts Association of Health Plans concludes that 75% of total healthcare costs "are attributed to price—not utilization.

"Although our investigation continues, it is clear that prices paid for healthcare services reflect the value of the services. As a greater portion of the commercial healthcare dollar shifts, for reasons other than higher payment rates and leverage, costs of the overall system will increase and hospital consolidation will continue to be disadvantaged."

Zirkelbach indicated that Massachusetts Attorney General's findings appear to be credible. In a statement, the Massachusetts Association of Health Plans noted, "The AG's interim report on provider payments is an important step in the process of addressing the issue of healthcare costs."

aspects of healthcare costs that also need to be examined in order for there to be a more cor healthcare cost drivers and how to address concerns over rising costs. Increasing transparent healthcare stakeholders can only help this effort."

The American Hospital Association declined to comment on the Massachusetts report or the A

Spokesman Matt Fenwick referred to an AHA finding that it approves hospital pricing transpar information about the price of their hospital care. Hospitals are committed to sharing informa decisions about their healthcare."

Joe Cantlupe is a senior editor with HealthLeaders Media Online. He can be reached at [jcantlu](#)

Back