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The Honorable Tom Marino
Chairman
Subcommittee on Regulatory Reform, Commercial and Antitrust Law
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Marino:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, and our 43,000 individual members, the American Hospital Association (AHA) would like to take this opportunity to comment on one aspect of the America's Health Insurance Plans' (AHIP) testimony for the House Judiciary Committee, Subcommittee on Regulatory Reform, Commercial and Antitrust Law's September 10, 2015 hearing on "The State of Competition in the Health Care Marketplace."

In its testimony, AHIP cites research to support the contention there has been consolidation among hospitals and other health care providers that is directly correlated to higher-than-anticipated price hikes. The AHA has reviewed this research and found that many of the studies **rely on old data, are limited in geographic scope, or fail to look at the broader determinants of price** and, therefore, should be treated with considerable skepticism as a basis for future policy deliberations.

AHIP cited a recent study on the impact of hospital consolidation that found higher premiums in regions with high hospital consolidation.[1] Of the 12 states examined in the study, however, AHIP found only **three** instances of higher premiums, hardly enough from which to draw any strong conclusions about the relationship between hospital consolidation and premium growth. This study failed to look at other factors that might be driving premium growth, such as health insurer consolidation. In fact, another study that looked at health plans in 34 states found that the largest insurance company in each state, on average, increased their rates by 75 percent more than the smaller insurers in the same state.[2] This much larger and more conclusive study found that it was plan and not provider consolidation that was leading to higher premiums.

[1] AHIP Data Brief, Impact of Hospital Consolidation on Health Insurance Premiums, June 2015.
[2] Eugene Wang and Grace Gee, Larger Premium Increases: Health Insurer Competition Post ACA, *Technology Science*, 2105081104, August 11, 2015.

AHIP also cited a January 2015 study that it commissioned looking at the association between hospital concentration and premiums in California exchange markets.[3] This study only found a small difference in premiums of 8 percent. Again, the study was very limited in geographic scope (focused solely on California) and failed to look at insurer consolidation as a factor in premium levels.

Many studies cited by AHIP rely on old data that is not reflective of the current drivers of hospital integration, including the desire to coordinate care across the continuum, incentives to improve quality by standardizing protocols and applying best practices, payment system reform, the need for capital to invest in health information technology and pressures to achieve operational efficiencies. Furthermore, despite an increase in hospital mergers and acquisitions, hospital price growth is at the lowest level since 1998 and quality is improving.[4]

AHIP cited a June 2012 research summary by the Robert Wood Johnson Foundation.[5] The most current data used in the studies reviewed in the summary was from 2005. Even so, the literature review shows that the relationship between price and concentration is often imprecisely defined and varies widely. Whether each study finds a relationship depends on the time period under review and the specific geography covered. A more recent study conducted by the Center for Healthcare Economics and Policy used a large number of markets and much more contemporary data – 2010 through 2012.[6] **This study did not find a consistent relationship between price and concentration.**

Another study cited was a 2013 report by the Massachusetts Center for Health Information and Analysis.[7] This study claimed that higher prices were associated with organizational size. A study by Compass Lexicon that assessed a broader range of factors that might influence costs, and therefore prices, found that price differences are better explained by other factors than mergers, including case mix, teaching status, availability of specialized services and level of capital investment.[8]

AHIP also notes a research brief by the Center for Studying Health System Change that found that hospitals that can gain "must have" status command higher prices.[9] However, factors such as reputation, convenience and the availability of specialized services influence consumer preferences much more than size. In addition, some of the findings of this study are no longer true. For example, this study found that increases in provider prices are driving the increase in

[3] Bates White Economic Consulting, ACA Exchange Premiums and Hospital Concentration in California, January 2015.
[4] Bureau of Labor Statistics, Producer Price Index data, 1998-2015 for hospitals (622), August 2015.
[5] Martin Gaynor, PhD and Robert Town, PhD, Robert Wood Johnson Foundation, The impact of hospital consolidation-Update, June 2012.
[6] Center for Healthcare Economics and Policy, Price-Concentration: What's the Relationship? February 2014.
[7] Massachusetts Center for Health Information and Analysis, 2013 Annual Report on the Massachusetts Health Care Market, August 2013.
[8] Compass Lexicon, Assessment of Cost Trends and Price Differences for US Hospitals, March 2011.
[9] Center for Studying Health System Change, High and Varying Prices for Privately Insured Patients Underscore Hospital Market Power, September 2013.

premiums. With hospital price growth at its lowest level since 1998, price is clearly not the driver of premium growth today.

As we noted in our testimony, hospitals are woven into the fabric of their communities, and as such, they know what their patients need and how to deliver care at lower costs while improving quality. Hospitals are responding to the enormous change that is occurring in the health care landscape by realigning in ways that promote high-quality, well-coordinated care and contribute to lower cost growth. We believe the studies AHIP cites for a contrary proposition should be treated with considerable skepticism.

Sincerely,

/s/

Richard J. Pollack
President and CEO