California Health Care Foundation

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Contact: Lisa Aliferis
CHCF Senior Communications Officer
510.604.5400 (call or text)
laliferis@chcf.org

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CALIFORNIA HEALTH CARE FOUNDATION STUDY:

Health Care Markets in California Approaching "Monopoly Levels." New CHCF Report Reviews Impacts and Offers Policy Recommendations.

After waves of mergers over the last three decades, California's health care system has become highly consolidated: Studies find most markets no longer qualify as "competitive" — with hospital markets approaching "monopoly levels," especially in rural areas

Mounting evidence finds insurer, provider, and hospital mergers are resulting in higher prices and "little to no improvement in quality" — while also decreasing wages for health workers

CHCF report highlights policies for reducing the impact of mergers and acquisitions on health care costs

OAKLAND — As California's landmark antitrust settlement with Sutter Health is finalized, a new California Health Care Foundation report shows that consolidation is not limited to any one health system, market segment, or geographic region in the state: Most markets across California are highly concentrated. Hospital markets are now approaching "monopoly levels" in most California counties. In addition, evidence is mounting that mergers of health care companies are resulting in increased prices for health care services, with "little to no improvement in quality," while also reducing wages for health workers.

"Quality suffers in highly concentrated markets," concludes the report, which was authored by researchers at The Source on Healthcare Price and Competition at UC Hastings College of the Law. "California's health care provider and insurer markets are highly concentrated, and empirical research has consistently shown that health care consolidation drives increases in health care prices and insurance premiums without commensurate improvements in health care quality."

The report highlights several actions policymakers could consider, given significant consolidation. Among the ideas mentioned: Requiring all health care companies to obtain consent from the state attorney general prior to entering into transactions that transfer a material amount of their assets and expanding the authority of state regulatory agencies to include "affordability standards" when they review health insurance plans for sale in California.

"The settlement with Sutter Health Systems doesn't change the fact that California's health care markets are highly concentrated," says Kristof Stremikis, director of Market Analysis and Insight at the California Health Care Foundation. "Consolidation is still reducing consumer choice, adding to the rising costs of care, decreasing wages for health care workers, and negatively impacting health outcomes. This new report gathers what we know today about the extent and impact of health system consolidation in California — and what some of the policy options are for addressing it."

The study, *Markets or Monopolies? Considerations for Addressing Health Care Consolidation in California*, was published in partnership with The Source on Healthcare Price and Competition, a project of the UC Hastings College of the Law. The report was authored by Katherine L. Gudiksen, PhD, MS, a senior health policy researcher; Amy Y. Gu, JD, managing editor; and Jaime S. King, JD, PhD, executive editor. King is also the John and Marylyn Mayo Chair in Health Law and a professor of law at the University of Auckland Law School.

After compiling the latest research and data on California's health care systems, the authors find growing levels of consolidation in the state's hospital, specialist, and insurance markets. Using the Herfindahl–Hirschman Index (HHI), a commonly accepted measure of market concentration relied on by the US Department of Justice, researchers from the Petris Center at the University of California, Berkeley, recently calculated that many of the state's health care markets are no longer "competitive" — and most exceed the HHI's "highly concentrated" threshold. Hospitals in particular are "approaching monopoly levels of concentration, especially in rural areas," the CHCF report notes.

High levels of consolidation are also occurring among physicians: Recent research has shown that 52% of specialists now work in practices owned by a health system — double the percentage of 10 years ago. Studies also find that physicians often change their referral and prescribing patterns after their practices are acquired by hospitals in ways that lead to "wasteful spending." For example, one recent report found that the odds of a patient receiving an inappropriate MRI referral increased by more than 20% after a physician transitioned from independent practice to hospital employment.

The CHCF report cites a number of other examples of recent research on the impact of market consolidation on health care costs and wage growth for health workers.

The full study, *Markets or Monopolies? Considerations for Addressing Health Care Consolidation in California,* is available here (may need to copy and paste into your browser):

https://www.chcf.org/publication/markets-monopolies-health-care-consolidation-california

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