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## House Panel Wants Study on Hospital Mergers, Medicare Costs

A panel of Medicare advisers should look at the impact of hospital consolidation on the health-care program's costs, according to the Republican leaders of a key House committee.

The lawmakers want to ''determine the impact consolidation has on patients, and if patients end up paying higher prices due to consolidation for no identifiable benefit to the [Medicare] beneficiary,'' according to the Aug. 30 letter, which was signed by Energy and Commerce Committee Chairman Greg Walden (R-Ore.), health subcommittee Chairman Michael Burgess (R-Texas), and oversight subcommittee Chairman Gregg Harper (R-Miss.).

They also asked the Medicare Payment Advisory Commission (MedPAC), which advises Congress on Medicare policy, to look into what degree federal policies may be accelerating hospital consolidation. The research the lawmakers requested would build on MedPAC's work in this area in recent years, the letter said.

Centers for Medicare & Medicaid Services Administrator Seema Verma has previously expressed concern about consolidation within the health-care industry. Recent Medicare proposals to discourage consolidation include paying the same for inpatient and outpatient care and requiring health-care providers to take on more financial risk for their patients' health-care costs.

The letter comes as MedPAC is set to hold an early September meeting. The panel will meet to discuss Medicare issues and policy questions on Sept. 6 and 7 in Washington, but not the issue raised in the letter. A spokesperson for MedPAC told Bloomberg Law Aug. 31 the commission is reviewing the letter.

**Drug Discount Program** The lawmakers' letter also took aim at an outpatient drug discount program that certain nonprofit hospitals use. They expressed concern that Medicare patients may be facing higher drug costs because the 340B drug discount program could be increasing hospital consolidation. The lawmakers asked MedPAC to find out if 340B drug discounts create incentives for hospitals to choose more expensive products.

340B Health, an association of 1,300 hospitals that participate in the drug discount, supports the committee's ''ongoing efforts to strengthen oversight of the 340B program. It is important to consider the full breadth of evidence on the issues highlighted in the letter,'' a spokesperson told Bloomberg Law.

Congressional Republicans have been highly critical of the program. And the Trump administration has reduced some Medicare payments to hospitals that receive drugs at a discount from pharmaceutical companies under 340B.

**Increasing Consolidation** Hospital and health system merger and acquisition activity has been increasing over the last 15 years, from 38 transactions in 2003 to 115 in 2017, according to an analysis by management consulting and software firm Kaufman Hall, based in Skokie, Ill.

The number of vertically consolidated hospitals increased 18 percent from 2007 through 2013, according to a 2015 report from the Government Accountability Office. Vertical mergers involve two companies that did not compete in an existing market.

''Horizontal hospital consolidation can contribute to higher commercial prices and therefore contribute to the growing gap between the prices paid by Medicare and those paid by commercial insurers,'' according MedPAC's own report from June 2017. Horizontal mergers happen when a company buys a competing company and decreases competition in a market.

The House Energy & Commerce oversight subcommittee held a hearing in February about concerns that health-care consolidation is increasing costs without enough of a positive effect on quality or value.

**Concerns From Hospitals** The lawmakers' request comes as more hospitals are closing or consolidating due to financial pressures, including those from Medicare, which plans to make payment changes that will further affect hospitals' bottom line next year.

Hospitals are concerned about the CMS's push to pay the same amount for inpatient and outpatient care, known as site-neutral payments. The CMS expanded site-neutral payments in its 2019 proposed outpatient payment rule, issued this summer. Comments on the rule are due Sept. 24.

These problems are leading to hospitals closing or providing fewer services in an increasing number of communities, especially rural ones. The problems will continue to grow if something isn't done, Harold Miller, president and CEO of the Pittsburgh-based Center for Healthcare Quality and Payment Reform, told Bloomberg Law. The policy center focuses on improvement in health-care payment and delivery systems.

More hospitals are struggling because ''we haven't confronted the fact that they need to be paid differently,'' Miller said. Hospitals are paid only when patients are treated, but they are expected to have certain standby services, such as the emergency room and cardiac catheterization suite, available 24 hours a day. Lower occupancy rates prevent hospitals from having the income to support those services, Miller said.

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A solution could involve paying the hospitals for standby services, based on the number of people in the community who would benefit from having those services available, not the number of people who use them, Miller said.

And the push from the CMS to keep patients out of hospitals has resulted in falling occupancy rates, Fred Bentley, vice president of Washington-based health-care consulting firm Avalere Health, told Bloomberg Law. Those falling occupancy rates have, in turn, driven consolidation of hospitals and health-care systems, and led to safety net hospitals closing or contracting services.

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