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by **Jan Wilson**

Fewer Choices, Better Care?

Consolidation among health care groups shrinks competition in the marketplace, so what are the ramifications, and will health care prices ever moderate?

Mergers and consolidations are commonplace across industries, but nowhere, it seems, have they muddied the waters more than in health care. And why? Corporate power? Better consumer access? Lower health care costs?

According to a September 2017 article in the peer-reviewed journal *Health Affairs* ["Insurer Market Power Lowers Prices in Numerous Concentrated Provider Markets," by Richard Scheffler and Daniel R. Arnold] there were 1,412 hospital mergers nationally between 1998 and 2015, with 40% taking place between 2010 and 2015 — thanks largely to the Affordable Care Act.

The good news is that Wisconsin traditionally has excellent health care. Recently, the federal Agency for Healthcare Research and Quality ranked the state No. 1 in overall health care quality, while health insurance costs ranked 11th best in a 2017 *Huffington Post* report.

But a lot is changing in the industry thanks to mergers and acquisitions, and

Reprinted from the October 2017 issue of IB In Business Greater Madison

locally there's a whole lotta shakin' going on, as well.

Can we maintain the health of our health care, or are we in for a sea change?

And what might consolidation mean to the average business or employee? Will any of this result in more affordable health care costs while maintaining quality?

The short answer: Probably not.

HEALTH CARE CATALYSTS

Suzanne Delbanco makes a living out of studying the affordable health care puzzle in hopes of finding a cure. Delbanco is the executive director of Catalyst for Payment Reform, an independent, nonprofit corporation working with employers, public purchasers, and others to implement strategies for efficient, high-quality health care.

"That's what we set out to do," Delbanco says, "but as we were trying to push for more payment reforms, we realized there was a tidal wave coming from the opposite direction that could easily swamp any benefits we might achieve through changing how we pay providers."

That tidal wave was health care consolidation.

"Given the history that shows that when providers merge or acquire or integrate, somehow it leads to higher prices and no evidence that it leads to higher quality, we realized we could no longer be silent," Delbanco says.

In 2012, the organization held a national summit on the topic in Washington, D.C. to raise people's awareness of the trends and what it might mean for those who use and pay for care. It quickly learned that everyone from state policy makers to journalists to people in the health care industry also were seeking a keener understanding.

"It used to be that consolidation was a simple story," Delbanco says, "hospitals merging with each other. But now it's not just hospitals, it's hospitals and health systems acquiring physicians groups, or what we call vertical integration." Such arrangements keep patients within ownership groups and sometimes result in extra fees, she notes.

In its research, CPR has found that over the last decade, health care costs are not a result of pharmaceuticals, new technology, or the aging population. "The truth is, the largest driver has simply been that prices charged by providers are higher than they used to be," Delbanco says.

Consolidation allows the organization with the largest market share a greater ability to call the shots and negotiate higher prices. "Even in nonprofit systems, it's rare that they don't take advantage of that market power," she adds. "So regardless of the claims that everyone makes around efficiency and improved quality, the evidence hasn't shown that lower prices or better care results."

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One reason, Delbanco explains, is that large health care systems typically negotiate across the board for insurance rates across all their regions.

"If you just look at the Greater Madison market, you wouldn't realize that the larger systems might be using their market power in a way that's not necessarily good for consumers, for example. You actually have to look across geographies. That doesn't have precedent in the law, and that's a new area people are starting to investigate because so many of the health insurers and providers cross state lines now. So it's extremely complicated."

In 2012, Robert Town, a health economist at the Wharton School at the University of Pennsylvania, researched national health system consolidations for the Robert Wood Johnson Foundation and concluded, "Health system mergers have worked out pretty well for management."

Does the same hold true here?

THE LOCAL PLAYERS

Health system consolidation is nothing new. In 1987, Madison General Hospital and Methodist Hospital merged to create Meriter Health Services.

In 1989, Group Health Cooperative of South Central Wisconsin, the area's first HMO, announced a partnership with UW Hospitals & Clinics. Eventually GHC-SCW would become the only health plan in Dane County to offer access to all Dane County specialists and hospitals.

In 2013, SSM Health Care, based in St. Louis, completed its acquisition of Dean Health System, including Dean Health Plan, Dean Clinics, and St. Mary's Hospital, cementing a 100-year relationship between the two. In Wisconsin, SSM also owns St. Clare Hospital in Baraboo, St. Mary's Janesville Hospital in Janesville, St. Mary's Care Center in Madison, and St. Clare Meadows Care Center in Baraboo. In August, SSM announced plans to also acquire Monroe Clinic and Agnesian HealthCare from The Congregation of Sisters of St. Agnes, which includes hospitals in Fond du Lac, Ripon, and Waupun. SSM also has operations in Illinois, Missouri, and Oklahoma.

In 2014, Iowa-based UnityPoint Health, which provides care across Iowa and Illinois, acquired Meriter Health Services, including Meriter Hospital and its physicians group. Meriter's insurance arm, Physicians Plus, fully merged with Unity Health Insurance and La Crosse-based Gundersen Health Plans under the name Quartz. Unity and Gundersen are co-owned by UW Health and Gundersen Health System.

UW Health merged with Swedish-American Hospital in Rockford, Ill. in 2014. Now, in addition to Quartz, the UW Health umbrella includes, but is not limited to University Hospital, UW Health at The American Center, American Family Children's Hospital, UW Carbone Cancer Center, and the UW Medical Foundation.

Most recently, UW Health signed a joint operating agreement with UnityPoint-Meriter Hospital that went into effect on Aug. 7, allowing the two entities to share a bud-

get, hospital beds, and coordinate, rather than compete, on overall patient care.

Clear as mud, right?

Todd Burchill, vice president of business development at UnityPoint Health-Meriter, clarifies the Meriter position: "Meriter is still owned by UnityPoint Health in Des Moines," he explains. "Meriter Hospital's day-to-day operation is still run by UnityPoint Health, "but UW Health will lead the regional strategy."

Burchill says the two entities have just begun deliberating on best practices and best use of their facilities because they were not allowed to convene while the Federal Trade Commission reviewed the agreement. But in terms of its long-term affect on the local health care market, he has confidence in the players.

"SSM regionally, and UW Health/UPH-Meriter regionally, are all good, course-correcting groups concerned with providing affordable health care," he says.

Dr. Alan Kaplan, UW Health CEO, touts UW's joint partnership with UPH-Meriter as great news for the local health care scene because it will improve patient access. UW, he says, was turning people away because it consistently operates at near capacity, while Meriter had beds to offer. He says the partnership will provide more people with right-sized care, and it also alleviates any need for UW to build more capacity (brick and mortar) to meet demand. "We estimated that we avoided $120 million in capital investment by utilizing Meriter's capacity," Kaplan adds.

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Within three years, all of Meriter's specialists will become a part of UW Health, which Kaplan says will allow for better-coordinated patient care.

"We'll no longer have separate billing systems or call groups or medical staffs, and we'll no longer be concerned with who goes where." That, he explains, puts patients at the forefront and ensures that they go to the right facility for their level of care.

"By taking that business dynamic out of the picture, we can return to what we really care about — the patient and creating greater value," remarks Kaplan.

It will take time, he admits, as it took several years to get to this point. "The next part — getting down to ground level — is more difficult." Committees at both UPH-Meriter and UW Health now are identifying priorities, particularly around the redistribution of payments when it comes to sharing hospital beds.

"Let me be very clear," Kaplan emphasizes. "We don't move patients from one hospital to the other." But the entities are studying how patients can proactively be assigned either to Meriter, a community-based hospital perfectly suited for traditional health issues, or to UW, a teaching academic hospital able to tackle more challenging cases.

In regards to health care in general, Kaplan says it's unlikely that costs will be reduced. "Not because we don't want to create greater value and lower costs, but I believe all of our efforts will only slow the acceleration of costs. It's not about having more competition, either. Competition is irrelevant."

Rather, he explains, downward payment pressure on Medicare and Medicaid causes financial pressures that take a lot of the current cost structure out from under a health system's control.

At the same time, pharmaceutical costs are continuing to increase. "Declining profit margins are commonplace across the country, and we are not immune because of the shifting of the government payment and escalating costs of pharmaceuticals."

Some large medical systems around the country have instituted hiring freezes or been forced to implement huge layoffs as a result. Kaplan insists UW has no such plans.

[UW Health's largest competitor in the market, SSM Health, was contacted but did not participate in this discussion.]

GHC'S WIN-WIN

While UW Health, UPH-Meriter and SSM/Dean deal with consolidation, Group Health Cooperative CEO Dr. Mark Huth views all the market changes as a win-win. GHC, a member-owned cooperative, operates under an entirely different business model. GHC does not own a hospital, but its main partner is UW Hospital & Clinics.

Can GHC survive in this shrinking arena? "Yes!" Huth says emphatically. "It presents a fantastic opportunity for us. Within a market or business venture, you always want to be different, the one that provides a service or product that others can't provide."

GHC's structure provides that difference, he maintains. "We're a cooperative owned by our members. I don't answer to stockholders. I don't have to generate certain earnings levels to keep my job. I work for the members of our cooperative who are also our patients. I don't have to worry about a corporate entity coming in to get me to change our corporate culture or do things that may not be good for our local community." That all results in a very workable and nimble health care group, he says.

In contrast, larger health care organizations, particularly those doing business across multiple markets, typically want to run their businesses with consistency and a common vision, Huth explains. "That actually works fine if the vision for your community is in alignment with the strategic vision for the entire system, but in my experience, that often doesn't happen." In fact, he explains, corporate decisions sometimes get in the way of local community priorities.

"I'm not saying that the large systems don't value the health of their patients,

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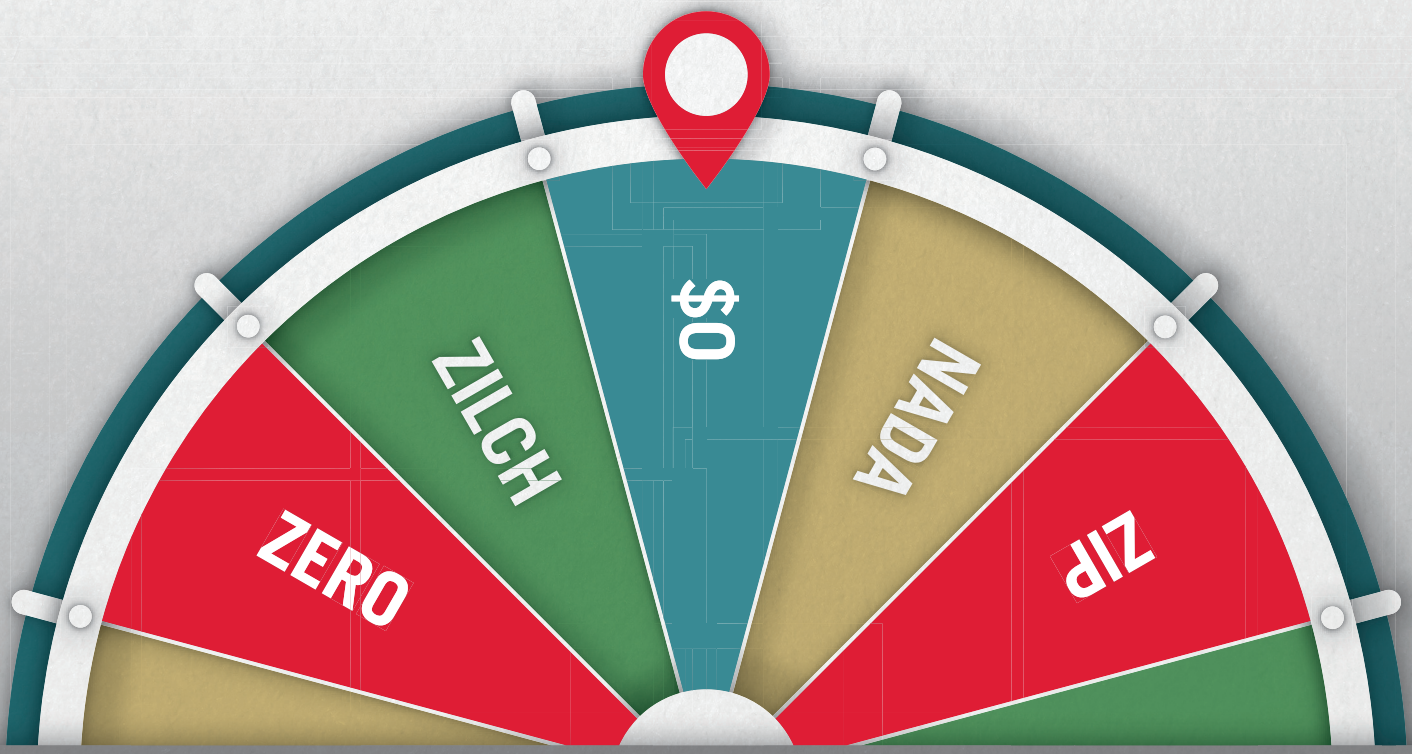

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but it's more difficult for a patient to raise a concern or attempt to work with their health plan for improved quality or access if they have to call someone in a much different community than they live in. I think the evidence is pretty clear that larger organizations tend to become less personal and issues become more difficult to address, in general. That's what we're at risk of losing here."

Huth praises the UPH-Meriter/UW Health agreement as a great benefit for the community and a smart move overall to solve a disproportionate hospital bed crunch, but he says many consolidations are often not so well intentioned. "In my view, some are more about regional power and pressure and being able to avoid negotiating or avoid the tough conversations you have to have to bring prices down."

Regarding the national health care scene, does Huth believe costs will ever moderate? "The jury is still out," he opines. "Consolidations have never been found to drive the cost of health care down." He is concerned that a lack of competition is creating large health systems that can do whatever they can get away with. "We're reforming the old Ma Bell phone company," he says, and risking the creation of monopolies.

Affordability is the critical issue, Huth remarks. "If I've had one frustration about the [nation's] health care debate, whether it's the good things the ACA did and does, or the bad things that have made it a challenge, or Congress' skinny repeal or replacement efforts, the truth is that none of them solve the underlying problem — that affordability within health care is going away. If we don't do something about the costs in health care, when you have medications that cost $30,000 a month to administer but cost $1 to manufacture, there's no payment mechanism that will ever be able to afford that."

Ironically, he adds, there is enough money in health care now to change things. "I'm all for the free market system and believe that drug manufacturers should be able to make a profit, but the type of profit that they're posting right now borders on obscene."

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That doesn't make drug companies evil, he clarifies, but publicly traded entities have income and profit expectations.

"So the underlying question is, does the big business/for-profit mentality work in something like health care that many people consider a human right and not a discretionary purchase? We don't choose health care in the same way we'd choose to buy our fruit at Whole Foods or Pick 'n Save, but we're a captive market."

INSURER'S VIEW

Health insurance brokers deal with various provider plans on a daily basis as they work to pair clients with the best health care plans. What have they been seeing in response to area consolidations?

Jesse Oberloh, benefits consultant at Hausmann-Johnson Insurance, agrees it may be too early to tell. "Unity went through this with Gundersen last year and we're just starting to see effects. It takes a while, especially on the insurance side."

With UW and Meriter's health plans combining under Quartz, Oberloh projects the biggest impact will be on smaller, local employers who will have one less option when it comes to shopping the marketplace. "We've had high competition and there always was another option if you weren't happy. You could always go to the competitor for a bid. Quartz eliminates the Physicians Plus and Unity options."

Before the merger, he adds, Physicians Plus and Unity shared doctors, so employees could switch between the two plans yet maintain their primary care physician. "Now that's gone away," Oberloh notes, so if an employer only has Dean and Quartz to choose from, primary care physicians might need to be changed.

Also, mergers and acquisitions have expanded health system coverage geographically. UW Health has moved into Rockford, and SSM has expanded into Janesville, Monroe and, with Agnesian, the Fox Valley. That helps access for people in rural areas, Oberloh explains, but because the Madison-based entities are provider or physician-owned, they've held national insurance groups (i.e., Blue Cross Blue Shield, Anthem, and Cigna) at bay, which lessens competition. "We're curious as to how that will continue to hold up," Oberloh says.

"Monroe Clinic is a great example," he continues. "They have a contract with The Alliance, but they used to have multiple options in that county because they were an independent hospital and contracted with multiple insurance carriers. Now that they've been acquired by SSM, the only option will be either The Alliance's self-funded contract, or an employer-insured site through SSM (Dean/St. Mary's).

"We all hope that things won't change, but eventually, when there are fewer

Reprinted from the October 2017 issue of IB In Business Greater Madison

players and less competition, we'd expect costs to rise."

Oberloh expects that all the players will be aggressively priced out of the gate, "but in year two, three, and down the line, it might come down to cash flow and success and some of the efficiencies they've talked about to keep expenses down."

He also hopes the health care groups refrain from building or expanding anytime soon, because those changes increase costs. "Consolidation makes us a little nervous on the insurance side. It's different on the hospital side, but reducing the number of players concerns us."

With the job market so tight, Oberloh says some employers have been adding benefits like pet insurance or student-loan repayment programs just to attract workers. An employee might pay more for such programs, "but they're requesting them."

A PUSH FOR TRANSPARENCY

The Alliance is a not-for-profit cooperative offering self-insurance plans. Cheryl DeMars, president and CEO, takes a cautious stance in her observations of the local market consolidations.

"I think that the delivery systems (i.e., providers) become preoccupied with operational integration and figuring out what the business combination should look like and what it will mean to revenues and market share," she says, "and that can become a distraction from other priorities that may have more to do with the needs of the local business community and patients."

Transparency of information is critical when it comes to comparing the costs and quality of care, she adds. "Electronic health records are more in use today than they've ever been, but the extent to which that's leading to more information that consumers can actually access and understand is debatable."

Employers need to push for more transparency to best monitor the impact of market shifts and consolidations on what matters most: health outcomes and the cost of care.

"The greatest hope for significant change lies with the business community that is paying the price in terms of their global competitiveness, as well as the financial wellbeing of the company and its employees by having health care consume so much of its resources."

DeMars has noted renewed interest in self-insurance, but does not attribute it to consolidations. The Affordable Care Act and the tax it imposed on fully insured

plans, as well as a desire on the part of employers to take more control over health benefits, are more likely spiking the interest.

"In the wake of failed attempts at meaningful cost control through federal health care reform, self-insurance is very attractive to employers who believe that real cost control is something that they need to manage," she says.

Does she believe the country is on the right track when it comes to health care and the costs associated with it? DeMars chooses her words carefully. "I wonder what track we are even on?" she sighs. "The ACA put us down a path of expanding coverage for people, which is a positive thing, but it expanded coverage without a dual focus on controlling costs. Our health care system is *not* efficient, so we expanded access to a broken system that is inefficient."

UW's Kaplan agrees there often is a misconception about the ACA being a health reform bill. "It's an insurance reform bill," he clarifies. "It changes the way people pay to be insured and provides another insurance venue — i.e., the exchange — but it doesn't change the fabric for how we deliver care. It doesn't take the waste out of the system — and there's a lot of it — and doesn't make sure we're doing the right things for the right patients, or standardizing care where possible. So it's disconnected.

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"Reforming the health care system and how we deliver care is a whole different matter," Kaplan continues, "and one that has received less attention as the government figures out how to pay for the insurance component."

Brad Niebuhr, M3 Insurance's director of employee benefits-Madison market, agrees that consolidation is great for access to health care. "We still have three very competitive HMOs, so we're in a good situation, but I think the medical trend will [continue to rise] 5% to 8% a year depending on the carrier, with ACA fees."

Niebuhr takes an optimistic view. "We have some of the best health care in the country here. Some say we're 62 miles surrounded by reality. I say we're our own little island of health care. We have what a lot of the nation wants to have: provider-owned HMOs."

So when President Trump was quoted as saying that "nobody knew health care could be so complicated," perhaps he wasn't that far off base.

Niebuhr best sums it up. "I think the biggest issue for employers and employees regarding health care is the confusion of it all. Before ACA, M3 had one compliance attorney. Now we have three." IB

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