

In Pennsylvania, the hospital consolidation trend has accelerated during the past few years. Virtually every geographic region in the Commonwealth has been affected. Community hospitals and specialty facilities in Bloomsburg, Lewistown, Chester County, Wilkes-Barre, Scranton, Altoona, Erie, Pittsburgh and Philadelphia are now part of larger health systems. And a well-publicized consolidation is currently in the works for the Harrisburg area, as well. In the Wilkes-Barre/Scranton markets alone, the number of organizations operating hospitals has shrunk from five to two in just the last four years.

Is the trend of consolidation bad? Not necessarily. In fact, provider consolidations hold the promise of benefiting the health care system by achieving economies of scale, improved access to capital, reduction in duplication of services, and improvement in the allocation of services, all of which may reduce operating costs and result in lower health care costs and improved quality of care.

So as the health care landscape changes in Pennsylvania and larger health systems control the care delivery system in many geographic areas, the basic question is whether all this provider consolidation activity benefits consumers. Unfortunately, there is a mounting body of evidence suggesting that dominant provider systems resulting from acquisitions and consolidations may be harmful to patients, employers, physicians and the public-at-large in some instances.

As payors and users of the health care system, we realize that the cost of health care is ever-increasing. Rising health care costs have been a primary reason that the number of Pennsylvanians without health insurance now exceeds 1.2 million and continues to go up.

Among the many reasons for increasing medical costs is provider consolidation. When hospitals consolidate, either merging with other hospitals or buying up independent physician practices, health care prices increase, **sometimes by more than 20 percent**. The reasons for this are simple: Provider consolidation gives hospitals greater negotiating strength and limits competition, resulting in higher prices for services, higher costs for patients, higher insurance premiums and no guarantee of improved quality of care.

Spending on hospital care represents about one-third of total health care costs. That's the largest of any medical category and almost twice the total expenditure on physician services. So when large hospitals and health systems use their market strength to demand excessive reimbursements from private insurers, that translates into higher hospital costs and drives up overall medical costs and insurance premiums for consumers and the entire community.

A number of studies confirm the link between provider consolidation and higher costs. A study by James Robinson, a professor of health economics at the University of

California, found that hospitals in concentrated markets were able to charge higher prices to commercial insurers than otherwise-similar hospitals in competitive markets. A 2010 article in the policy journal *Health Affairs* reported that the growing market power of providers to negotiate higher payments from private insurers is the “elephant in the room” that is rarely mentioned. And just two weeks ago, a new study in the *Journal of the American Medical Association* underscored the point that hospital mergers and consolidations often tend to drive up medical prices.

From Ohio to Florida to California to North Carolina, large health systems that buy up hospitals and doctor practices are gaining the market clout to charge patients more – sometimes much more – for the same services without any added clinical benefit for patients.

Here’s one common example in Pennsylvania that directly affects cancer victims. Some large health systems have significantly increased the cost to consumers of providing infusion chemotherapy by changing the billing policy for this service from a doctor’s office to a hospital outpatient department. This simple billing change triples the cost of infusion chemotherapy for employers who provide health benefits to their employees. And cancer patients with coinsurance requirements in their health plan are paying substantially more out-of-pocket for the exact same service with no added clinical benefit.

These same large systems can deny affordable patient access to charitable community health care institutions, disrupt the continuity of patient care, reduce open and real competition among health care providers and drive up the cost of medical care, which is already too much to bear for many Pennsylvanians.

Although policymakers can honestly disagree on how to fix parts of the health care system, I believe we can agree that health care should not be a financially driven, winner-take-all game for large health care institutions, especially those that claim to be charitable in purpose. Health care should never be a win-or-lose game for patients and consumers.

No single health care entity should have the power to dictate who has affordable access to medical services or have the power to force consumers to switch their doctor or hospital at a critical point in their treatment, simply because of the name of their insurance carrier. This type of situation is totally inappropriate, unethical and puts quality of care at risk for patients and the community. It currently exists in Western Pennsylvania and could soon begin to emerge elsewhere in the Commonwealth. Consumers need protection.

Large health systems that also employ physicians should not compel them to act against the duty of care owed by doctors to their patients as part of an ongoing physician-patient relationship.

As a health plan, Highmark believes individuals and families should have choice in selecting their hospital or physician and that consumers and patients should have affordable access to community health hospitals and health systems, regardless of their insurance card. Our mission historically has embraced these principles.

For all these reasons, we strongly urge this Committee to approve House Bills 1621 and 1622 as a vital step to protect consumers in today's evolving health care marketplace.

This legislation will give Pennsylvania consumers and your constituents a measure of security and certainty about their health care now and into the future.

Thank you, and we welcome any questions from members of the Committee.