AMERICAN ECONOMIC LIBERTIES PROJECT

Pennsylvania House Labor and Industry Committee
Commonwealth Avenue
Harrisburg, Pennsylvania
May 7, 2024

Dear Chair Dawkins and Members of the Committee:

My name is Pat Garofalo, and I am the director of state and local policy at the American Economic Liberties Project, an organization dedicated to reducing the power dominant corporations wield over our economy and democracy, in pursuit of economic liberty for all. Thank you for the opportunity to testify on this critical issue.

I'm going to discuss the role corporate power and consolidation play in the health care workforce crisis in Pennsylvania, and across the country. Like so many sectors of our economy, the health care industry has seen rapid consolidation in recent decades. According to many studies and ample real-world experience, that consolidation leads to negative outcomes for patients, healthcare workers, and broader communities including: higher costs, lower quality of care, less price transparency, and, pertaining to today's hearing, lower wages and worse working conditions for employees, including nurses, doctors, and non-medical staff.

For example, a 2021 study in the American Economic Review showed that four years after a hospital merger, wages are 6.8 percent lower for nurses and pharmacy workers and 4 percent lower for non-medical workers than they would have been if the merger had never occurred.[1] A 2019 study published by the Washington Center for Equitable Growth found that mergers directly caused real wage growth for skilled hospital workers to slow by up to nearly 2 percent.[2]

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[1] Prager, Elena and Matt Schmitt, "Employer Consolidation and Wages: Evidence from Hospitals," American Economic Review, Vol. 111, No. 2, Feb. 2021, pp. 397-427. https://www.aeaweb.org/articles?id=10.1257/aer.20190690

[2] Kopparam, Raksha, "Evidence indicates that mergers directly suppress wage growth for hospital workers in the United States," Washington Center for Equitable Growth, Feb. 26, 2019 https://equitablegrowth.org/evidence-indicates-that-mergers-directly-suppress-wage-growth-for-hospital-workers-in-the-united-states

More generally, in a 2022 report, the U.S. Treasury Department, found that employer power is lowering wages by about 20 percent across the economy and by more in select industries.[3]

This occurs because of what is known as "monopsony" power, which is the power of buyers – whether they be buyers of products or labor – to drive down what they pay in the market as they consolidate and monopolize it. The Federal Trade Commission found in 1996, and federal courts later confirmed, that buyers with as little as 30 percent of a relevant market can put downward pressure on prices due to their monopsony power.[4]

In the context of the health care workforce, consolidation amongst employers has resulted in workers having fewer available options and therefore less leverage to negotiate for higher pay or better working conditions. In Pennsylvania, you've experienced this firsthand with the rapid growth of, for example, the University of Pittsburgh Medical Center. UPMC's stream of acquisitions in recent years have given it significant market power, as we detailed in a report last year titled "Critical Condition: How UPMC's Monopoly Power Harms Workers and Patients."[5] This concentration across the healthcare market gives UPMC considerable leverage over workers, which it wields to keep wages low, unilaterally change wage levels with little warning, keep conditions unsatisfactory, and prevent union organizing.

To that end, we're encouraged to see reports that the Department of Justice is investigating UPMC's power over workers, especially as it has proposed absorbing yet another health system into its network in Washington Health.[6] But state lawmakers also have a role to play in reining in not just UPMC's power, but the power of all dominant health care systems, to ensure that

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[3] The State of Labor Market Competition," U.S. Treasury Department, March 7, 2022 https://home.treasury.gov/system/files/136/State-of-Labor-Market- Competition-2022.pdf

[4] Federal Trade Commission, Plaintiff v. Toys R Us, Inc., Defendant, https://www.ftc.gov/legal-library/browse/cases-proceedings/091-0082-toys-r-us-inc

[5] "Critical Condition: How UPMC's Monopoly Power Harms Patients and Workers," American Economic Liberties Project, Jan. 2023. http://www.economicliberties.us/wp-content/uploads/2023/01/AELP_2022_UPMC_Report_R2-3.pdf

[6] Papscun, Dan, reporting for Capitol Forum, Feb. 2, 2024. https://twitter.com/papscun/status/1753523763847590337

workers can receive just compensation for their vital work, as well as to slow and ultimately reverse the rampant consolidation the state has experienced across the health care industry.

In our 2023 report, we made several suggestions to bolster the leverage held by workers, including but not limited to: banning noncompete and training repayment debt agreements in the health care industry and enacting labor peace laws.

We're particularly excited to see that the House Judiciary Committee approved Rep. Nick Pisciottano's Open Markets Act, which would do two critical things: Create a state antitrust statute for Pennsylvania, which is currently one of the only states to lack its own state antitrust law, and create a notification regime for health care entities that wish to merge. These two provisions would give state antitrust enforcers key insights into the health care market they currently lack, as many mergers fall below required reporting thresholds, as well as the powers to use state law to rein in consolidation that harms workers. We urge the full House to take up and pass this important measure.

Thank you for your time, and I'm happy to answer any questions.

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