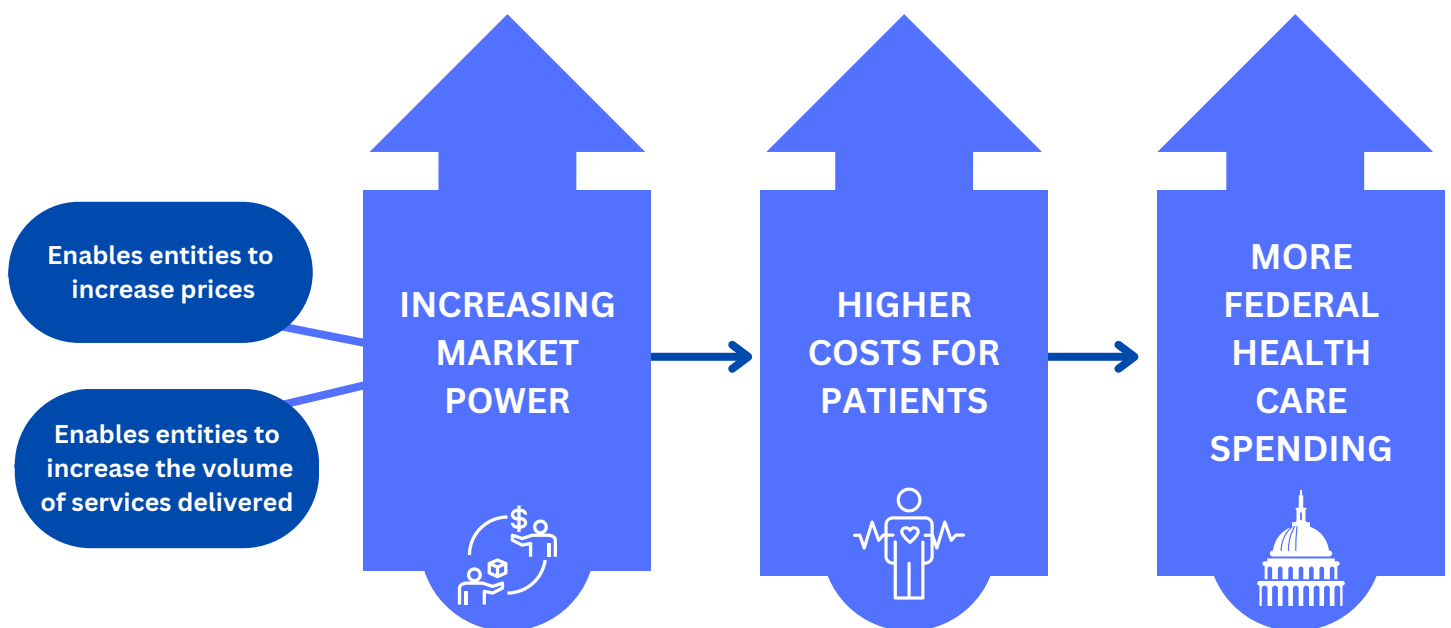


HEALTH CONSOLIDATION

Consolidation in health care markets has accelerated in recent years, resulting in **increased federal health spending and higher costs for patients.**

Consolidation across the health care system increases costs by increasing market power and allowing for entities to increase prices and the volume of services and products delivered.

House Republicans and the House Budget Committee are leading the way to combat consolidation by **advancing common sense policies to empower free market competition and lower costs for both taxpayers and patients.**



HEALTH CONSOLIDATION: BACKGROUND

In recent years, health policy experts and policymakers have raised concerns regarding increasing consolidation within health care markets in the United States and the corresponding impact to the cost and quality of health care.

Increasing health care costs for beneficiaries covered by both commercial health insurance and federal health care programs **directly impact the federal budget**, making it imperative that Congress **examines the impact of rising consolidation and policy approaches to increase competition**.

Health care market consolidation is occurring through both **horizontal** and **vertical consolidation**.



**Horizontal
Consolidation**

When two or more entities that offer the same or similar products or services merge together.



**Vertical
Consolidation**

When entities that offer different services or products within the same industry or supply chain merge.

Both vertical and horizontal consolidation pose **significant risks to the functioning of health care markets**.

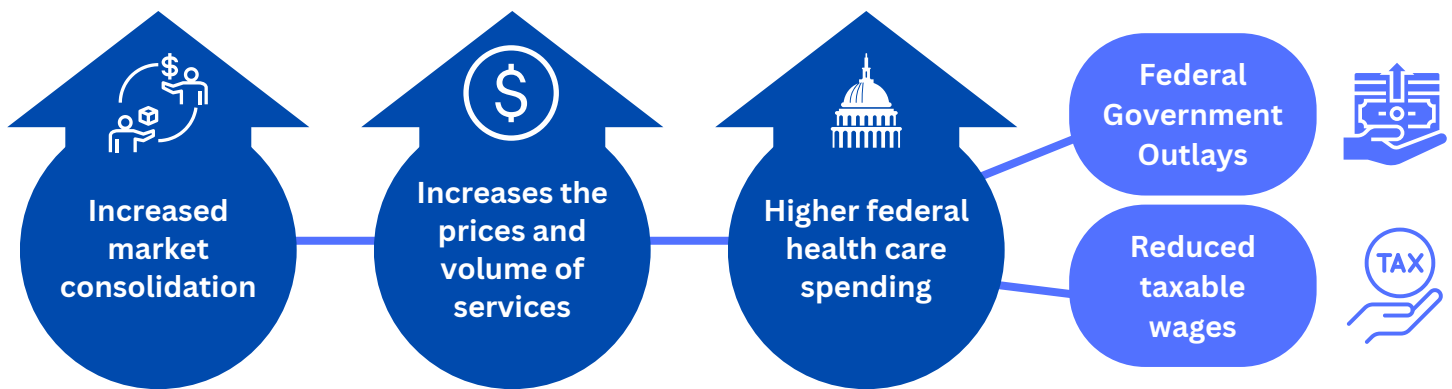
CBO has broadly noted that across the health care sector, increases in market power due to horizontal and vertical integration of both payors and providers, as well as mergers that integrate both, **lead to increased pricing power** and **drives up spending for both patients and taxpayers**.



House Budget Committee Hearing
Examining the Budgetary Effects of Health Care Consolidation

PROVIDER CONSOLIDATION

According to CBO, increased market concentration in provider markets **increases the prices and volume of services** delivered to patients, **increasing health care spending** for the federal government through both **outlays** for federal health care programs and **reduced taxable wages** as the result of higher premiums for employer-sponsored plans.



HOSPITALS

- Between 2002 and 2020, there were **over 1,000 mergers of hospitals** in the United States. As a result, a **smaller number of increasingly large hospital systems** control the growing market share, resulting in increased costs for taxpayers in patients.
- In fact, in 2021, **over three-quarters of all hospitals** were affiliated with vertically integrated health systems.
- According to an April 2024 study, “the average merging hospital raised prices by **1.6%** in the first two years after the merger occurred via increases in inpatient and outpatient prices of **1.1%** and **1.8%** respectively.”

PHYSICIAN MARKETS

- According to the Committee on Energy and Commerce, “from 2010 to 2016, the average Herfindahl-Hirschman Index (a measure of market concentration) across 370 metropolitan statistical areas (MSAs) **rose by nearly 29 percent** for primary care physicians and **5 percent** for specialists.”
- Physician practices are being acquired by numerous sources, including by health insurance companies, hospital systems, and larger provider networks.



PAYOR CONSOLIDATION

Health insurance markets in the United States are **highly concentrated**. In 2023 health insurance plan markets in **73%** of the nation's largest metro areas are "highly concentrated" and in **90%** of these areas, one or more insurer held a market share of **30%** or more. Reduced competition in health insurance markets **directly increase costs for enrollees**, and **increase federal deficits** due to reduced taxable wages, as health insurance plans can increase premiums since consumers have fewer choices of where to purchase coverage.

73%

of the nation's largest metro areas are "highly concentrated"



90%

in 90% of these areas, one or more insurer held a market share of 30%+

In addition to horizontal consolidation among health insurance plans, vertical integration of payors and other entities in the health care system, such as pharmacy benefit managers (PBMs), pharmacies, and medical billing service companies, among many others, has **accelerated in recent years** and has been cited as a **key reason** for increasing health care costs. For instance, in 2023, **79%** of all prescription drug claims were processed by **three PBMs**, Caremark, Express Scripts, and OptumRx, all of which are owned by health insurance plans.



79% prescription drug claims processed by **three PBM's**



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HOUSE REPUBLICANS: COMBATting CONSOLIDATION

The House Budget Committee and House Republicans are leading efforts to combat health care consolidation to lower costs, increase choices, and improve quality of care for patients.



The Committee-advanced **Fiscal Year 2025 “Reverse the Curse” Budget Resolution** contained several policy reforms to **combat consolidation and lower federal health spending**.

Among other policies, the budget would equalize payment for the same services in Medicare through site neutral payment reform. This policy would **combat consolidation by eliminating an incentive for hospitals to acquire physician offices, saving taxpayers over \$150 billion over ten years, while holding rural providers harmless**.



Additionally, in December the House passed the **House Republican Lower Costs, More Transparency Act (H.R. 5378)**. The bill included several policy reforms to **combat consolidation and enhance free market competition**, including equalizing payment for physician-administered drugs in Medicare, increasing price transparency, and requiring an annual report on how Medicare regulations impact health care consolidation.



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