

Higher concentration of physicians groups could increase costs, researchers say

June 8 2015

As physician groups grow larger, their increased market share may drive costs up, rather than down, as they gain bargaining power with insurers, according to a new study by researchers at the Stanford University School of Medicine.

The study will be published in the June issue of *Health Affairs*.

"When physician groups and [health systems](#) merge, a key justification is that patients will benefit from better coordination between physicians and expanded access to specialists. Even if these benefits materialize, a potential side effect is that the larger group gains stronger footing when negotiating prices," said the study's lead author, Eric Sun, MD, an instructor of anesthesiology, perioperative and pain medicine.

Sun and senior author Laurence Baker, PhD, professor of health research and policy, examined the fees orthopedic surgeons billed for knee replacements between 2001 and 2010. They correlated these fees with the concentration of physician groups using a measurement known as the Herfindahl-Hirschman Index, which is commonly used by regulators, Sun said.

Even though the overall number of markets considered "moderately" or "highly" concentrated remained about the same during the study period, the nationwide average cost of knee replacements fell \$261. However, physicians' fees in the most concentrated markets rose \$168 compared to fees in the least concentrated markets—a jump of 7 percent.

This finding could have implications for the Affordable Care Act, which encourages physicians to coordinate care in an effort to improve patient health. But such collaboration could also allow [physicians](#) to bargain for higher fees from insurers, Sun said.

"The point is not to say that consolidation is a bad thing," Sun said. "But as we think about encouraging these kinds of mergers, we really want to weigh the costs against the benefits."

In the future, Sun said he and Baker plan to investigate whether a higher concentration of physician groups improves patient outcomes.

Provided by Stanford University Medical Center

Citation: Higher concentration of physicians groups could increase costs, researchers say (2015, June 8) retrieved 16 August 2024 from <https://medicalxpress.com/news/2015-06-higher-physicians-groups.html>

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