Researchers sound off on the dangers of hospital consolidation

August 18 2015

In a commentary published in the Aug. 13 issue of *JAMA*, Johns Hopkins experts say consolidation of hospitals into massive chains threatens healthy competition, reduces patient choice and could drive up medical expenses.

The authors call on the Federal Trade Commission—the regulatory body overseeing business practices and consumer protection—to be more vigilant and cautious when hospital systems seek approval to consolidate and to pay particular attention to geographic regions where proposed mergers could create a single dominant hospital system.

"It's really Economics 101, but in the health care field, the implications of 'too big to fail' hospital systems could be far more devastating than similar consolidations in other industries because ultimately they threaten access and quality of care," says lead author Marty Makary, M.D., M.P.H., professor of surgery at the Johns Hopkins University School of Medicine and associate professor of health policy and management at the Johns Hopkins Bloomberg School of Public Health, who also conducts research on patient safety, health care cost and quality of care.

The authors argue that hospital monopolies can engage in practices that affect both the price of health services and patient outcomes because they operate without the checks and balances of a competitive marketplace. Such a system, they warn, could further add to the rising cost of health care by passing it on to consumers in the form of highdeductible insurance policies and higher co-pays.

Hospital consolidation, they note, is growing at an alarming rate with 193 mergers occurring in 2013 and 2014. In addition, about one-fifth of U.S. hospitals are posed to seek a merger in the next five years, the authors say.

Another unsettling sign, the authors say, is a 2013 analysis, also published in *JAMA*, showing that of the 306 geographic health care markets in the United States none are considered highly competitive. Nearly half of these markets, they add, are deemed highly concentrated, with a handful of small hospitals dominated by a single powerful player.

The authors are careful to point out that "limited integration" of health care institutions offers benefits and should not be confused with full consolidation. For example, there is evidence, they say, that alignment and collaboration of large medical centers with smaller community hospitals can advance and hasten the dissemination of best practices and treatments to more patients, improving both hospital performance and patient outcomes. By contrast, they say, unbridled gobbling up of smaller hospitals by large health care systems could have the opposite effect because it can stifle innovation-stimulating competition. Absence of competition, the authors say, can also lead to overtreatment. This is because the business practices of hospital conglomerates can create subtle financial incentives for physicians to refer patients within the system for unnecessary testing and procedures, which can fuel further health care spending.

Citing research by the Robert Wood Johnson Foundation, the authors point to evidence that patients living in competitive health care markets have overall better outcomes and lower death rates, compared with patients who live in areas with less health care competition.

The authors warn that unrestrained hospital mergers could make the market ripe for a "too big to fail" situation, reminiscent of the 2008 financial industry crisis and the subsequent taxpayer bailout designed to avert a systemwide collapse.

Similarly, the failure of a large hospital system, the authors say, could leave thousands of patients without access to health services, forcing a state or the federal government to intervene.

"Competing academic and community medical centers that are constantly innovating are the real heroes because such completion improves patient choice and encourages fair pricing, which are the markers of a robust, healthy marketplace," says co-author Tim Xu, M.P.P., a public policy expert and a student at the Johns Hopkins University School of Medicine.

The good work of integrated hospitals should continue to foster coordinated care and dissemination of best protocols, the authors say, but reining in the trend of massive mergers to prevent the rise of monopolies is a vital prerequisite for a vigorous health care market.

"If we think that everyone in America deserves high-quality care, then we have to ask ourselves whether we're creating economic conditions that threaten it," says co-author Albert Wu, M.D., M.P.H., professor of Health Policy & Management at the Johns Hopkins Bloomberg School of Public Health and director of its Center for Health Services and Outcomes Research.

More information: *JAMA*, jama.jamanetwork.com/article.a … 429159&resultClick=3

Provided by Johns Hopkins University School of Medicine