Study reveals surprising degree of shared investment across health sectors

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A new way of measuring the financial links that tie together hospitals, skilled nursing facilities, hospices and home health agencies reveals a surprisingly large—and rapidly growing—degree of consolidation across various sectors of the health care industry.

This trend has important implications not only for the cost and quality of care, but also for antitrust, payment and regulatory policies, according to research by investigators at Harvard Medical School and Vanderbilt University School of Medicine.

Findings of the study appear in the September issue of *Health Affairs*.

The researchers' tally of health care facilities with investment stakes by a common investor showed that nearly half of hospitals have shared ownership with some providers in the postacute care or hospice sectors, with shared ownership rising from 25 percent in 2005 to almost 50 percent in 2015. This is a different picture from what emerges with more traditional measures of ownership linkages, such as colocation or joint membership in a common health system.

"This is a big increase in the concentration of common investment across health care providers in a short period of time," said study co-author David Grabowski, professor of health care policy at Harvard Medical School. "This raises some really important questions including the impact on competition both within and across sectors, quality of care and cost of care."

Looking at individual health care providers in a given market, it might look like there are a lot of independent options to choose from, the researchers say.

"However, when you roll up the facilities that share a common dominant investor, there's suddenly a lot less competition than it appears," Grabowski added.

Historically, health care facilities were owned by a single entity. A skilled nursing facility would either be independent or part of a chain of nursing homes. In recent years, however, the industry has experienced an influx of commercial corporate investment, leading to more complicated and fragmented ownership structures.

In many cases, a single investor might have a large stake in several health care facilities across various sectors within the same market. The increase in shared investors is not unique to health care, Grabowski noted, as mutual funds, trusts, private investment groups and private investors own greater shares of diverse sectors across the entire economy.

Common Ownership Scrutiny

Common ownership stemming from a shared investor has recently come under scrutiny by antitrust scholars and researchers who study other sectors of the economy, but this is believed to be the first study to analyze investor linkages across various sectors in health care.

Tracking common investors across the spectrum of health care sectors has been challenging, so little has been known about the ownership structures across health care delivery systems and how these links have evolved over time.

In the current study, researchers managed to overcome that hurdle by using data from the Provider Enrollment, Chain, and Ownership System of the Centers for Medicare and Medicaid Services, which allowed them to identify common investor ownership links across sectors within the same geographic markets.

In this study, the authors focused only on shared investors that were health care companies, and not mutual funds, trusts or others. Thus, common investor ties across health care sectors may be even more significant.

"Our measure of common investment captured nuanced relationships beyond formal ownership that have the potential to affect the competitiveness of health care markets," said lead author Annabelle Fowler, a doctoral candidate in the Harvard PhD program in health policy. The effects of those links, the authors emphasize, ought to be carefully examined.

"To monitor and analyze the impact of investor concentration on health care outcomes and spending, regulatory agencies and researchers will need accurate and up-to-date information to assess common investment within and across health care sectors, alongside formal ownership," Fowler added.

Market Integration

Researchers have studied the impact of more direct forms of market integration. Although it theoretically has the potential to improve coordination of care, research has shown that consolidation tends to increase prices and impact clinical decision making. For example, Grabowski noted, studies have shown that hospitals tend to refer their most profitable patients to nursing homes that they own.

Would the same be true of other institutions sharing common investors? Until researchers are able to answer that question, Grabowski said, it is important to map out the investment ties that bind different sectors of the health care industry together, and to share that information transparently with the public.

"As a consumer, I ask myself if I would want to know if the hospital that was referring me to a particular rehab service after my surgery had investors with a stake in the providers my doctors were recommending." Grabowski said. "The answer is most definitely yes."

More information: Cory Capps et al. Physician Practice Consolidation Driven By Small Acquisitions, So Antitrust Agencies Have Few Tools To Intervene, *Health Affairs* (2017). DOI: 10.1377/hlthaff.2017.0054

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