



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

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The Federal Trade Commission
600 Pennsylvania Avenue, NW
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To Whom It May Concern:

We thank you for holding your recent public workshop entitled, “Examining Health Care Competition.” The event raised important issues regarding the imperative of competition in healthcare and its effect on lowering prices for care. During the two-day workshop, many speakers discussed the impact of consolidation and other anti-competitive behaviors of providers, such as “walled gardens”, on the healthcare system, citing concerns about these behaviors on quality of care, patient access, and prices. The Blue Cross and Blue Shield Association (BCBSA) is grateful for the opportunity to weigh in on the issues raised at the FTC workshop regarding the impacts of consolidation on the health care system.

BCBSA is a national federation of 37 independent, community-based, and locally-operated Blue Cross and Blue Shield Plans (“Plans”) that collectively provide health coverage for 100 million – one in three- Americans. Blue Cross and Blue Shield Plans offer coverage in every market and every zip code in America. Plans also partner with the government in Medicare, Medicaid, and the Children’s Health Insurance Program, and the Federal Employees Health Benefits Program.

Greater consolidation may lead to stronger provider negotiating leverage, leading in turn to higher prices and potentially volumes. In the 1990s, the inpatient hospital market in the United States became more consolidated, experiencing more than 900 mergers and acquisitions. As a result, many cities have come to be dominated by two or three large hospital systems (NIHCM). With few exceptions, research has shown that this type of horizontal consolidation resulted in higher prices for hospital services without significant improvements in quality (RWJF, 2012). The magnitude of the impact varies from low-end estimates of 5 percent price hikes to increases of more than 50 percent (NIHCM).

Physician practice concentration, including concentration achieved through employment and

vertical arrangements among physicians and hospitals, appears to be increasing, without attracting as much scrutiny as hospital consolidation.

- The number of physicians working as employees grew from around 31 percent in 1996–97 to 36 percent in 2004–2005.
- The percentage of primary care physicians employed by hospitals rose from under 20 percent in 2000 to over 30 percent in 2008 and the percentage of specialists employed by hospitals rose from just over 5 percent to 15 percent.
- The percentage of physician practices owned by hospitals rose from around 20 percent in 2002 to over 50 percent by 2008.

Similarly, consolidation between physicians – whether through merger, acquisition of practices by hospitals, or through hospital employment arrangements – may also contribute to rising prices, although the research on physician consolidation is less robust than the literature on hospital consolidation. Nevertheless, real world examples of negative impacts on competition are available, such as the St. Luke’s case.

Many thought leaders have suggested that delivery system and payment system reforms, catalyzed by the passage of the Affordable Care Act, are driving this consolidation. The BCBSA supports greater government scrutiny of provider mergers to protect competitive markets, as well as greater government accountability for understanding the impact of provider payment and delivery reform changes on the competitiveness of marketplaces. We look forward to working with you on this endeavor.

Sincerely,

Justine Handelman
Vice President, Legislative and Regulatory Policy