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Testimony of Lisa Nolan
to the Joint Standing Committee on Health Coverage, Insurance and Financial Services
In Support of
LD 1399, An Act to Improve State Oversight of Proposed Health Care Entity Transactions
May 11, 2023

Good afternoon Senator Bailey, Representative Perry, and Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services.

My name is Lisa Nolan and I'm the Director of Value-based Purchasing at the Healthcare Purchaser Alliance of Maine. The HPA is a nonprofit that represents the purchasers of health care in Maine. Our mission is to advance healthcare value and to support and incentivize high-quality, affordable care. We have over 60 members, including some of the largest public and private employers and health trusts in Maine. Collectively, our members spend over a billion dollars annually providing health care for nearly one quarter of the commercially insured population in the state.

I'm here to testify in support of LD 1399, legislation that I believe will guard against future consolidation of Maine's already concentrated healthcare market, where nearly half of the state's hospitals are owned by two large health systems and many primary care and specialty practices are system owned as well.

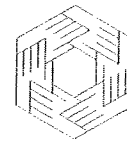
Hospital mergers are often touted as ways to improve efficiencies, lower costs, and enhance quality, yet studies have found that prices in consolidated markets are actually higher than in competitive markets, with one study estimating average prices are 12 percent higher at monopoly hospitals, compared to markets with robust competition.¹ Nor do mergers necessarily result in improved quality. In fact, another study of hospital acquisitions found that they were "associated with modestly worse patient experiences and no significant changes in readmission or mortality rates."² Likewise, system purchases of physician practices also increase

¹Zack Cooper, Stuart Craig, Martin Gaynor & John Van Reenen, "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured," 134 *Q.J. ECON.* 51, 2019. Available at:

https://healthcarepricingproject.org/sites/default/files/Updated_the_price_aint_right_qje.pdf.

² Nancy Beaulieu, Leemore Dafny, Bruce Landon, Jesse Dalton, Ifedayo Kuye & J. Michael McWilliams, "Changes in Quality of Care after Hospital Mergers and Acquisitions," 382 *NEW ENG. J. MED.* 51, Jan. 2, 2020. Available at:

<https://www.nejm.org/doi/pdf/10.1056/NEJMsa1901383?articleTools=true>.



prices, with a 2020 Kaiser Family Foundation literature review concluding that such vertical consolidation results in higher prices, which can lead to higher premiums.³

Here in Maine, businesses and families are already facing healthcare cost increases that are leaving Mainers increasingly unable to afford care and employers searching for ways to absorb double digit premium increases. These rising costs have eaten into wage increases,⁴ and led to higher premiums, more cost sharing, and higher deductibles for Maine families. In fact, Maine currently has the highest individual deductibles in the country, and the fourth highest family deductible.⁵

Robust oversight of mergers and acquisitions is critical to avoiding further consolidation of Maine's already concentrated healthcare market and guarding against the price increases that research finds often accompany such mergers. This is particularly true of vertical integration, which often escapes federal antitrust review due to federal law that only requires mergers valued above a certain dollar threshold to be reported.⁶

LD 1399 will create within the Office of the Attorney General an administrative notice, review, and approval process for mergers, acquisitions, and other material transactions. The review would evaluate the impact of proposed transactions on a myriad of factors, including patient costs, healthcare outcomes, market consolidation, and access to care—including access in underserved areas. In addition, the bill establishes a preliminary review process that would allow transactions that don't pose competitive concerns to be quickly approved. In a state where healthcare markets are already consolidated and the price of care continues to rise, we urge the committee to support the process proposed in LD 1399, which would provide for comprehensive reviews of future mergers and acquisitions to ensure that they would not negatively impact patient costs, outcomes, access, and choice.

Thank you for the opportunity to share HPA's feedback on LD 1399. I'd be happy to answer any questions.

³ Karyn Schwartz, Eric Lopez, Matthew Rae, and Tricia Neuman, "What We Know About Provider Consolidation," *Kaiser Family Foundation*, September 2, 2020. Available at: <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>.

⁴ Bob Herman, "The Cost of health insurance is skyrocketing, and it's a big reason you aren't getting much of a raise," *Business Insider*, August 5, 2019. Available at: <https://www.businessinsider.com/the-cost-of-health-insurance-is-skyrocketing-and-eating-wages-2019-8>.

⁵ Kaiser Family Foundation, *Average Annual Deductible per Enrolled Employee in Employer-Based Health Insurance for Single and Family Coverage*, 2021. Available at: <https://www.kff.org/other/state-indicator/average-annual-deductible-per-enrolled-employee-in-employer-based-health-insurance-for-single-and-family-coverage/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Average%20Single%20Deductible%22,%22sort%22:%22desc%22%7D>.

⁶ Katherine L Gudiksen, Alexandra D. Mantague, and Jaime S. King, "Who Can Rein in Health Care Prices? State and Federal Efforts to Address Health Care Provider Consolidation," *Milbank Memorial Fund*, June 24, 2021. Available at: <https://www.milbank.org/publications/who-can-rein-in-health-care-prices-state-and-federal-efforts-to-address-health-care-provider-consolidation/#footnote-37>.