Commonwealth of Massachusetts

House of Representatives
State House, Boston 02133-1054

RONALD MARIANO
STATE REPRESENTATIVE
3rd NORFOLK DISTRICT
DISTRICT: (617)722-2300
Ronald.Mariano@MAhouse.gov

Majority Leader

State House, Room 343
TEL: (617)722-2300
FAX: (617)722-2750

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RONALD MARIANO, State Representative, 3rd Norfolk District

<u>Potential Long Term Effects of Attorney General, Partners Agreement on Competitive Market</u>

Partners' acquisition of South Shore Hospital would provide the region's patients with convenient access to an integrated health care system that has routinely exceeded state and national quality and care delivery performance measures.

It also aligns one of the state's most profitable community hospitals with its largest and most successful provider system, which includes two of Boston's most lucrative academic medical centers. Both providers realized robust growth operating as non-profit public charities between 2009 and 2012. South Shore Hospital's parent corporation generated total net asset growth of 32%, over $44 million, while Partners realized a total operating revenue increase of 18%, from $7.6 billion to $9 billion.

Combining resources to improve patient care and enhance financial performance are often cited as motivations for consolidation. However, reducing growth in the cost of health care and maintaining affordable insurance premiums for consumers and employers is equally critical. A recent independent state Health Policy Commission report concluded that the Partners-South Shore Hospital merger would increase total medical spending by between $23 and $26 million annually. This estimate was based on anticipated increases in physician prices and changes in referral practices for many of my constituents' commercial insurers - Blue Cross Blue Shield, Harvard Pilgrim, and Tufts Health Plan.

The Health Policy Commission is also reviewing the cost and market impact of Partners' proposed acquisition of Hallmark Health System which includes Lawrence Memorial Hospital and Melrose-Wakefield Hospital. Since this review is ongoing, I am troubled that the Attorney General and Partners privately negotiated a preliminary agreement sanctioning Partners' joint acquisition of this system and South Shore Hospital. I question how a meaningful settlement was reached absent an in-depth, data driven cost analysis similar to the Partners-South Shore Hospital review and why Emerson Hospital was specifically omitted from the deal's Eastern Massachusetts hospital growth restriction. I am further concerned it trivialized the significance of transparency as the state attempts to reign in health care spending consistent with its landmark 2012 cost containment law.

Based on media accounts, the agreement mitigates medical spending concerns by restricting Partners' negotiating power and limiting cost growth across its entire network. While it is an initial step towards addressing possible anti-competitive market implications, its long term effects are uncertain. Partners, whose hospitals are consistently paid the highest prices, will have substantially increased its market share as a result of these transactions. This is especially significant given that Partners is paid one-third of the money insurers spend on acute hospital care.

The deal also reflects a well-known understanding that expanded market share equips providers with greater bargaining leverage to extract higher prices when negotiating with insurers. Consumers and employers bear the burden of this cost as provider prices are incorporated into premiums. While the agreement's price growth cap will allow for modest increases for the initial 6.5 years, I am less optimistic that prices will remain stable once this restriction expires in 2020. I am also concerned that by tying price growth to the rate of inflation, the cap freezes current price disparities by locking in a high priced provider at higher rates. The agreement's temporary physician and hospitals restrictions may not sufficiently address market power concerns once they expire in 5-7 years either. Over time, increased leverage will allow any dominant provider to incentivize physicians to join higher priced practices, shift utilization to higher priced care settings, and negotiate higher prices.

I also worry that reduced market share may facilitate the closure of more of our state's financially distressed hospitals. The recent closure of North Adams Regional Hospital where over 530 workers lost their jobs and thousands of patients lacked access to care captures the real life consequences of when a hospital closes its doors. I urge state regulators to be mindful of workforce and patient access concerns prior to endorsing future alignments between community hospitals and larger hospital systems.

Similarly, if the pool of lower cost providers diminishes insurers will have reduced incentive and ability to develop products that offer financial incentives for consumers electing to receive services at low priced, high quality hospitals and physician practices. High deductible and tiered or limited network plans have saved my constituents hundreds of dollars through annual premium discounts of up to 14% and reductions of up to $30 for physician visit co-payments. Lower cost provider options must be maintained if insurers are to offer unique products to their subscribers.

I will continue to remain vigilant in anticipation of a final settlement agreement to ensure that health care remains affordable for my constituents and the important work of the state in controlling costs comes to fruition.