IN THE LITERATURE

Health Care Market Concentration Trends in the United States: Evidence and Policy Responses

SYNOPSIS

Health care markets became increasingly concentrated between 2010 and 2016, as hospitals and physician organizations merged horizontally and vertically. In 2016, 90 percent of all metropolitan areas had highly concentrated hospital markets. Concentration increased among primary care physicians and specialist physicians during this time. To combat the negative consequences of concentration on consumers and employers, regulators should take steps to scrutinize and restrict anticompetitive behavior.

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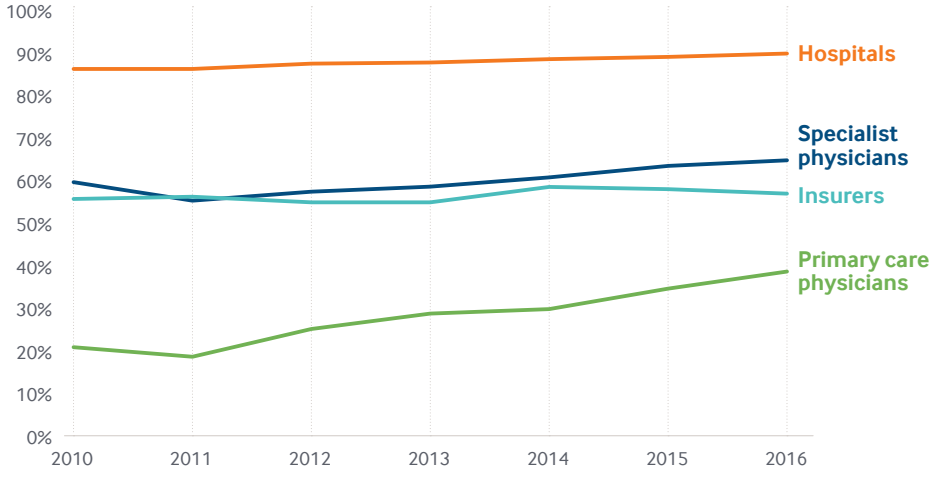
THE ISSUE

Health care markets have grown increasingly concentrated as hospitals and insurers have consolidated over recent decades. Concentrated markets are associated with higher health care prices, without corresponding gains in quality. One study found that, as of 2006, 77 percent of U.S. metropolitan areas had highly concentrated hospital markets but more recent data on concentration were not available. A Commonwealth Fund–supported researcher analyzed how health care concentration has changed since 2010.

KEY FINDINGS

- **Health care markets have become more concentrated since 2010.** At the metropolitan area level, the markets for hospitals, specialist physician organizations, and primary care physician organizations became more concentrated between 2010 and 2016. In 2016, 90 percent of metropolitan areas had highly concentrated hospital markets, 65 percent had highly concentrated specialist physician markets, 39 percent had highly concentrated primary care physician markets, and 57 percent had highly concentrated insurance markets.

Percentages of Metropolitan Areas with Highly Concentrated Markets for Hospitals, Physician Organizations, and Health Insurers, 2010–2016



Adapted from B. D. Fulton, "Health Care Market ConcentrationTrends in the United States: Evidence and Policy Responses," *Health Affairs,* Sept. 2017.

The Commonwealth Fund

- **Physician practices are consolidating and aligning with hospitals.** Since 2010, many physicians have joined larger physician organizations, and more physicians now work either directly for hospitals or for organizations owned by hospitals.
- **Most Americans live in areas with concentrated health care markets.** In 2016, 202 million people (about three-fifths of the U.S. population) lived in 346 metropolitan areas that had at least one health care market that drew concern and scrutiny based on the change in concentration between 2010 and 2016 and the resulting concentration in 2016.

The markets for hospitals, specialist physician organizations, and primary care physician organizations at the metropolitan statistical area level became more concentrated across the United States between 2010 and 2016.

THE BIG PICTURE

To combat the negative effects of increased market concentration, the author recommends policy responses, as follows: government regulators should scrutinize proposed mergers and acquisitions for their impact on competition; policies that restrict market entry should be evaluated to determine the impact on consumers; anticompetitive behaviors should be restricted — particularly in markets that are already highly concentrated; and reimbursement policies that reduce competition should be revised.

ABOUT THE STUDY

The researcher relied on the Herfindahl-Hirschman Index, a common measure of market competitiveness used by the U.S. Department of Justice and the Federal Trade Commission. Geographic markets were divided into metropolitan statistical areas (MSAs). The U.S. Office of Management and Budget has divided the United States into 382 MSAs in which 278 million people (86 percent of the total population) lived in 2016.

THE BOTTOM LINE

As market concentration in the health care system accelerates, more consumers and employers across most of the country are left with higher prices and fewer choices. Regulators can take steps to scrutinize and restrict anticompetitive behavior.

B. D. Fulton, "Health Care Market Concentration Trends in the United States: Evidence and Policy Responses," *Health Affairs,* Sept. 2017 36(9):1530–38.

This summary was prepared by Joel Dodge.