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Pallone Remarks at Health Care Consolidation Hearing

Washington, DC – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Oversight and Investigations hearing on "Examining the Impact of Health Care Consolidation:"*

The issues we will hear about today are critical for understanding the health care market. We have continued to see a long-term trend of consolidation in the health care industry, including among providers and insurers – and it is important we look at these trends with careful scrutiny.

While consolidation is not necessarily a bad thing in all instances, it is important we understand the implications for consumers.

For example, when insurance companies merge, they often cite the advantages of increased market power to reduce administrative costs and negotiate lower prices. However, that has not always been the result. In fact, research has shown that some insurer mergers have led to increased premiums for consumers. This is something we need to be watching very closely.

If the insurance market becomes dominated by fewer companies that only grow bigger, consumers will not benefit. For example, in 2016, the Department of Justice had to intervene in Aetna's acquisition of Humana, as well as Anthem's acquisition of Cigna. The courts determined that those deals would have hurt competition and innovation, and one year ago today, the two mergers were called off.

Although those mergers were cancelled, these trends are continuing, and have been building for quite some time. Fifteen years ago, most states saw a third of their market controlled by a single insurer. That consolidation continues to accelerate to the point where in 2014, the top four insurers controlled 83 percent of the market nationwide.

More recently, CVS Health announced that it would acquire the insurer Aetna. While it is still too early to tell what this merger will mean for consumers, it certainly raises questions about how competitive the market will be and how these types of vertical consolidations will affect the delivery of care.

Instead of the market being dominated by a few large companies, it is important for consumers to have choices when picking their insurance plans. This ensures not only a wider array of health benefits to fit their needs, but also helps bring down consumer costs. For instance, the Department of Health and Human Services found that higher numbers of insurers were associated with slowed growth in insurance premiums.

Providers have also not been immune to these consolidation trends. Between 1998 and 2015 there were over 1,400 hospital mergers and acquisitions. In 2015, the number of hospitals involved in such deals was more than three times what it was in 2008.

Now, some consolidation in the market may be inevitable. But just as we critically examine insurer mergers with an eye on the impact on consumers, our first concern with provider consolidation should also be with the patients who will be affected.

Hospitals often point to advantages of consolidation, such as reduced costs of capital and benefits of scale. However, we have also seen some evidence that mergers can lead to increased prices for hospital care.

The Government Accountability Office has found that this is also true in vertical consolidations: when hospitals acquire physician practices, Medicare expenditures can go up as care is provided in more expensive hospital outpatient settings.

And prices should not be our only concern here. While a larger hospital system may be able to provide more services, it is not clear that provider consolidation necessarily leads to better quality of care.

These are complex issues, and I look forward to hearing what the latest research says about the long-term trends in consolidation, and most importantly, what the effects are for consumers.

Thank you, I yield back.

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