

**Opening Statement of Chairman Walden
Subcommittee on Oversight and Investigations
“Examining the Impact of Health Care Consolidation”
February 14, 2018**

Thank you, Mr. Chairman, for holding this hearing on the very important issue of consolidation in the health care industry.

As Chairman Harper mentioned in his opening statement, health care costs continue to rise in the United States. In 2016 alone, the U.S. spent about \$3.3 trillion—more than \$10,000 per person—on health care.

As I’ve said on numerous occasions, this committee is dedicated to investigating the cost drivers in our health care system from top to bottom.

For example, we have been looking into the 340B Drug Pricing Program for the past two years. Just last month, the committee issued a comprehensive report detailing its 340B investigation and findings. Last December, the Health Subcommittee held a hearing examining the drug supply chain and the impact each participant in the supply chain has in the ultimate cost to patients.

Today we want to explore consolidation in the health care industry and the impact of consolidation on consumers.

Mergers and acquisitions are changing the health care landscape across the country. Over the past few years, there has been a continuous stream of horizontal and vertical merger announcements between hospitals, insurers, physician groups,

pharmaceutical companies, pharmaceutical benefit managers, pharmacies, and other health care firms. And those are just the deals we know about—some mergers are so small they don't make it onto our radar. In the aggregate, however, even these small mergers may have an impact on consumers.

One of the central questions that we want to explore today is what does this consolidation mean for patients? On the one hand, consolidation is potentially good for patients by reducing the cost of care and improving outcomes through improved efficiencies and better care coordination. On the other hand, we're concerned that some consolidation could lead to higher prices for patients and not improve the quality of care that they receive from their doctor. I look forward to hearing more on both perspectives from our witnesses today.

Today we also want to explore how consolidation impacts innovation. Last month, we all heard the news that Amazon, Berkshire Hathaway, and JP Morgan are going to partner and try to improve employee satisfaction and reduce health care costs for their U.S. employees. Although we still know very little about their plans, I'm intrigued by this partnership and plan to continue to closely monitor it as the plans develop. Similarly, a group of several hospital systems recently announced their decision to enter the generic drug industry and develop a not-for-profit generic drug company. One thing I'd like to hear more about today is whether consolidation makes it more—or less—likely that we will see innovation in the health care market.

Finally, we also need to better understand what is driving consolidation and whether Congress should be trying to do anything about it.

We've heard a lot about how disparities in payments across sites of service may result in market consolidation, and as a result, Congress took a step toward equalizing payments rates across different sites of care through the Bipartisan Budget Act of 2015. We continue to hear concerns about inequities in payment rates.

As I previously mentioned, the committee has been closely examining the 340B program over the past two years. During this work, we found that the 340B program creates an incentive for hospitals to acquire independent physician offices that are not eligible for the 340B discount—especially in the oncology space. One report showed that there was a 172 percent increase in the consolidation of community oncology practices since 2008. A recent article in the *New England Journal of Medicine* found among other things that the 340B program has been associated with hospital consolidation in hematology-oncology.

As evidenced by these examples, the committee needs to carefully review these types of policies and ensure that any federal policies that create incentives for consolidation are appropriate and ultimately benefit patients and consumers.

I would like to thank the witnesses for testifying here today and I look forward to hearing your testimony.