AAOE
American Alliance of Orthopaedic Executives

Supporting the Business of Orthopaedics

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Competition in Healthcare

AAOE believes equitable market access and competition in the healthcare marketplace will lower costs and improve outcomes. Under value-based care, consumers are given the opportunity to evaluate the quality of care provided by clinicians and health plans, overcoming one of the major barriers to implementing principles of market-economics in the healthcare setting.

Competition holds great promise for the future of healthcare in the United States. Competition is the tool through which the market regulates prices to achieve optimal outcomes, or efficiencies, for both buyers and sellers of a good; in this case, healthcare services. If the "invisible hand" is allowed to guide the market to peak efficiency, the American economy will win, patients will win, and our practices will win.

Competition Among Providers

The lack of competition among healthcare providers has resulted in higher prices leading to greater market inefficiencies. When providers consolidate in a given region (generally a large health system purchasing a smaller health system or private practice), prices typically increase as the new consolidated practice/hospital has less competition and therefore less of an incentive to charge market rates for services provided. Between 1994 and 2013, the hospital sector alone witnessed over 1,000 merger and acquisition deals that further consolidated provider markets.

Competition Among Insurers

Providers, however, are not the only actors in the healthcare economy that are consolidating. In the past couple of years, we've seen various attempts by insurers to purchase other insurers. Most notably, the attempted mergers of Aetna and Humana and Cigna and Anthem. Following insurer consolidation, premiums paid by patients increase significantly resulting in higher up-front costs to patients. Additionally, insurers often restrict the number of providers within their network to those providers willing to accept their "negotiated" rates. This leaves little incentive for providers to discount their rates below the insurer set rate forcing the insurer to set lower rates or shift a greater portion of costs over to patients.

AAOE Recommends

- Encourage the Department of Justice to apply more stringent standards to review market dominance and monopolistic practices through the mergers of large health systems, insurers, acquisitions of physician practices etc.
- Eliminate or revise federal laws that encourage consolidation including: site-of-service differentials, the 340b drug discount program, administratively burdensome documentation requirements, limiting the use of virtual groups in Medicare's quality reporting programs, "ACO squatting", price opacity, etc.
- Promote entries by new competitors and/or reduce barriers to entry (i.e. eliminating certificate of need requirements).
- Require HHS to include and publicly release competitive impact analyses when considering new rules, regulations, or policies.

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