



Higher Prices Follow Physician-Hospital Integration



According to an article published in *JAMA Internal Medicine*, physician-hospital integration is associated with increased spending and prices for outpatient care but without any accompanying changes in utilisation suggesting more efficient care from better coordination and economies of scale.

While it is understood that financial integration with physicians boosts hospital referrals and that hospital mergers have price-increasing effects, the effects of consolidation among physicians and between physicians and hospitals remain vague.

J. Michael McWilliams, MD, PhD, of Harvard Medical School, Boston, and coauthors investigated the association between changes in physician-hospital integration from 2008 through 2012 and changes in commercial spending and prices. Medicare claims data in metropolitan statistical areas (MSA) were used to measure physician-hospital integration with a sample of approximately 7.4 million nonelderly enrollees in preferred-provider organisations or point-of-service plans from a commercial database.

The analysis shows that there was an increase of 3.3 percentage points in physician-hospital integration from 2008 to 2012. The average increase of \$75 per enrollee in outpatient spending from 2008 to 2012 was found to be associated with MSA. Annual spending per enrollee in 2012 for outpatient care was \$2407 on average. The increase in outpatient spending without an increase in utilisation indicates that the spending increase was primarily driven by price increases. The findings also show that physician-hospital integration was not associated with any significant changes in inpatient spending.

“Changes in the structure of health care provider markets and in spending should be monitored, particularly as payment systems shift away from fee-for-service, and may require additional regulatory measures to control,” the authors conclude.

In another commentary related to this issue, James D. Reschovsky, PhD., and Eugene Rich, MD, of Mathematica Policy Research, Washington, D.C also point out that the purchase of physician groups by hospitals should improve efficiencies and save costs but in reality, that is not the case. Previous research also shows that hospital purchases of physician practices is linked to higher costs and now this study confirms these findings using national commercial insurance data.

Source: [JAMA Internal Medicine](#)

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