

The Effect of Vertical Integration on the Medicare Advantage Market

Abstract

Objectives

Hospitals may acquire or offer an insurance product for two reasons: to improve patient care through better management and coordination; or to engage in restrictive contracting, i.e. foreclosing competitor health plans. Though these two reasons are not mutually exclusive, they are likely to be at odds in any antitrust investigation in this area. Hospitals will likely claim the first reason as motivation. Competitor health plans will likely claim the second.

This project will study this second claim in the Medicare Advantage (MA) market. Our hypotheses are: H1: MA plans sponsored by hospitals with market power (HSMAs) offer products with premiums below those of similar products offered by their competitors. H2: HSMAs offer products with benefits more generous than those of similar products offered by their competitors. H3: Fewer MA plans are offered in markets where HSMAs exist. H4: Average premium levels are higher in markets where HSMAs exist. H5: Average benefit levels are lower in markets where HSMAs exist.

Research Design

This will be a retrospective, observational study using secondary data. Data sources will include survey data from hospitals collected by the American Hospital Association and information on MA plan premiums, benefits, and payment rates downloaded from the website of the Centers for Medicare and Medicaid Services. Additional county-level data will be extracted from the Area Resource File, which is commercially available. We will supplement these data by examining hospital and plan websites in selected cases to determine hospital ownership of insurance plans.

Method

We will use multivariate regression models to estimate the relationships between premiums and benefits and our explanatory variables. These will include HSMA presence in the market, payment rates, hospital market concentration, and other market characteristics.

Findings

No findings are available at this time.

Clinical Relationships

N/A

Impact/Significance

As hospital networks begin to build accountable care organizations under the Affordable Care Act of 2010, vertical integration between hospital networks and insurance organizations may become more common. This research will help evaluate the antitrust implications of this trend.