AMERICAN ECONOMIC LIBERTIES PROJECT

Pennsylvania House Health Committee
Commonwealth Avenue
Harrisburg, Pennsylvania
June 3, 2024

Dear Chair Frankel, Republican Chair Rapp, and Members of the Committee,

My name is Pat Garofalo, and I am the director of state and local policy at the American Economic Liberties Project, an organization dedicated to reducing the power dominant corporations wield over our economy and democracy, in pursuit of economic liberty for all. Thank you for the opportunity to submit this letter in support of HB 2344, the Health Care Facilities Act.

Like so many sectors of our economy, the health care industry has seen rapid consolidation in recent decades. According to many studies and ample real-world experience, that consolidation leads to negative outcomes for patients, healthcare workers, and broader communities including: higher costs, lower quality of care, less price transparency, and lower wages and worse working conditions for employees, including nurses, doctors, pharmacists, and non-medical staff.

For example, a 2021 study in the American Economic Review showed that four years after a hospital merger, wages are 6.8 percent lower for nurses and pharmacy workers and 4 percent lower for non-medical workers than they would have been if the merger had never occurred.[1] A 2019 study published by the Washington Center for Equitable Growth found that mergers directly caused real wage growth for skilled hospital workers to slow by up to nearly 2 percent.[2]

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[1] Prager, Elena and Matt Schmitt, "Employer Consolidation and Wages: Evidence from Hospitals," American Economic Review, Vol. 111, No. 2, Feb. 2021, pp. 397-427. https://www.aeaweb.org/articles?id=10.1257/aer.20190690

[2] Kopparam, Raksha, "Evidence indicates that mergers directly suppress wage growth for hospital workers in the United States," Washington Center for Equitable Growth, Feb. 26, 2019 https://equitablegrowth.org/evidence-indicates-that-mergers-directly-suppress-wage-growth-for-hospital-workers-in-the-united-states

A 2019 study found that mergers among nearby hospitals resulted in prices rising by more than 6 percent, and that, for patients with employer-sponsored health insurance, prices at monopoly-wielding hospitals are 12 percent higher than those in markets with at least four competitors.[3]

Furthermore, Harvard Business School economist Leemore Dafny found that when hospitals within the same state but in separate markets merge – something that occurs frequently in Pennsylvania – prices increase by 6 to 10 percent.[4] Clemson University economist Matthew S. Lewis found that hospitals acquired by an out-of-market buyer raise prices by 17 percent more than do independent hospitals.[5]

Finally, a 2024 study found that cross-market hospital mergers raise prices by more than 12 percent, and by more than 16 percent when the purchasing hospital is a "serial acquirer," or one that buys up many different health care facilities.[6]

So there's ample evidence for the necessity of this bill in the academic literature. But in Pennsylvania, you've also experienced health system consolidation firsthand with the rapid growth of, for example, the University of Pittsburgh Medical Center.

UPMC's stream of acquisitions in recent years have given it significant market power, as we detailed in a report last year titled "Critical Condition: How UPMC's Monopoly Power Harms

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[3] Zack Cooper, Stuart Craig, et al., "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured," Q J Econ, February 2019, https://pubmed.ncbi.nlm.nih.gov/32981974/

[4] Leemore Dafny, Katie Ho, and Robin Lee, "The Price Effects of Cross-Market Hospital Mergers," March 18, 2016, https://www.kellogg.northwestern.edu/docs/faculty/dafny/price-effects-of-cross-market-hospital-mergers.pdf

[5] Matthew Lewis and Kevin Pflum, "Hospital systems and bargaining power: evidence from out-of-market acquisitions," RAND Journal of Economics, Fall 2017, https://www.jstor.org/stable/26305455

[6] Arnold, Daniel R, et al., "New evidence on the impacts of cross-market hospital mergers on commercial prices and measures of quality," Health Services Research, April 23 2024, https://onlinelibrary.wiley.com/doi/10.1111/1475-6773.14291

Workers and Patients."[7] This concentration across the healthcare market gives UPMC considerable leverage over workers, which it wields to keep wages low, unilaterally change wage levels with little warning, keep conditions unsatisfactory, and prevent union organizing, all of which harms not just those employees, but patients, and broader communities.

HB 2344 is a vital first step toward reining in consolidation in the health care industry. By empowering the attorney general's office to investigate a range of potential harms, including access to vital health services or harms to workers, when a merger is proposed, Pennsylvanians will be better protected from the downstream effects of hospital and nursing home mergers. In recent decades, antitrust law has been warped to focus almost exclusively on consumer prices, when consolidation can cause a range of harms that aren't captured on a receipt or invoice. This bill recognizes that fact, restoring the original intent of antitrust law, which is to protect communities from the harms of consolidated corporate power.

We urge the legislature to swiftly approve this critical measure. Thank you for your time.

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[7] "Critical Condition: How UPMC's Monopoly Power Harms Patients and Workers," American Economic Liberties Project, Jan. 2023. http://www.economicliberties.us/wp-content/uploads/2023/01/AELP_2022_UPMC_Report_R2-3.pdf