Predicted Impacts: Hospital and Health System M&A Activity

The success of consolidations will depend on different standards than before—considering industry changes that demand increased cost transparency, attention to patient feedback, and the ability to manage patient populations.

For-profit providers will continue to enter into partnerships with not-for-profit providers as a means of establishing a core set of services that are relevant to a community, without having to own all of a particular market.

The trend of hospital and health system consolidation will continue to mount in the coming years, but it is unclear if this changing health care landscape will improve value for patients.

Consolidation among national health plans may be offset by greater competition resulting from the growth of provider-based health plans, which allow health systems to add data and analytic capabilities needed to execute population health strategies.

Competition in provider markets may broaden anti-trust policy and other policies to foster market forces.

Continued mergers of hospitals and health systems may lead to decreased competition and higher prices for essential care, especially in concentrated markets.

Hospital systems will increase investments in ambulatory surgery centers and other outpatient facilities to take advantage of higher reimbursement rates, and offset losses from caring for the uninsured, indigent, and Medicare and Medicaid beneficiaries.
Predicted Impacts:
Physician Practice Consolidation

The fragmented nature of the physician practice industry and the challenges faced by small practices will continue to drive this consolidation movement.

The decline of the independent medical practice will have negative implications for continuity of patient care, quality, innovation and cost.

Further consolidation among physician networks and increased emphasis on value-based population health will make it increasingly necessary for physicians to adopt a team-based approach to care.

Predicted Impacts:
Proposed Health Insurer-Pharmacy Mergers

Mergers between large health insurers, which control spending on pharmaceuticals through strict formularies and prior authorization requirements, and pharmacy benefit managers (PBMs) may limit patient choice and impede access to pharmaceutical therapies that best meet patients’ needs.

The merger of a health insurer and a pharmacy would eliminate the need for a PBM, which processes and pays prescription drug claims, negotiates with manufacturers for lower drug prices, and can employ other cost-saving mechanisms. Thus, PBMs act as intermediaries between insurers and pharmacies.

Express Scripts clients, particularly health plans who compete with Cigna, could be wary of doing business with a PBM owned by a competitor.

A combined health insurer and PBM could use medical and pharmacy data to improve patients’ medication adherence, illuminate the black box of PBMs, and allow for better transparency and improved cost efficiency.