



How hospital consolidation inflates prices & hurts patients

Dispatcher: 911, what's your emergency?

Caller: America's healthcare system is broken and people are dying! (ambulance siren)

Welcome to **Code WACK!**, where we shine a light on America's callous healthcare system, how it hurts us and what we can do about it. I'm your host, **Brenda Gazzar**. This time on **Code WACK!** What can be done to ensure that nonprofit hospitals are delivering adequately on their community benefits – and worthy of their huge tax breaks? How does corporate lobbying complicate efforts to improve the oversight of these facilities?

To find out, we spoke to filmmaker **Sandra Alvarez**, director of the new documentary **InHospitable**, which tells the story of patients and advocates as they fight for their lives while taking on a billion-dollar hospital system. This is the second of two episodes with Sandra about her film **InHospitable**.

(5-second music stinger)

Welcome to Code WACK! Sandra.

Q: In our last episode, you described the battle between two corporate healthcare giants – the University of Pittsburgh Medical Center (UPMC) and Highmark. The film details how UPMC – the largest employer in the region – stopped accepting patients with their competitor Highmark's insurance, causing one patient with stage 4- cancer to have to travel to Atlanta for his treatments. You also featured other patients who were caught in the middle of this conflict such as Beth McCracken and Evie Bodick. Can you share their stories?

Alvarez: Sure. Beth had a very rare, aggressive cancer in her ear and she had Highmark insurance through her wife's company and for her to switch to a different

insurance company, her deductible would be six times more and she would basically have to go bankrupt in order to get the treatment at the UPMC hospitals. So she was having to go to the Cleveland Clinic, which is about a two hour drive, and the option for her was she could switch to other cancer doctors that weren't part of UPMC, but these were the doctors that were able to identify her cancer. It's very rare, they were experts in this, you know, these folks, they just feel like they're getting a death sentence.

Q: Right. Cuz they're having to change doctors, the doctors who have helped them, whom they trust, and know their medical history.

Alvarez: Absolutely and Evie was another person that we followed. She had a Medicare Advantage program through Highmark and it would also be very, very expensive for her to switch and she had a heart condition, she had had multiple cancers and she had. All her doctors were at one hospital at UPMC. Once she would have to switch to the different medical provider, the Highmark medical provider, she would have to go to five different hospitals to be able to see all the different specialists and, she's elderly, she has an elderly husband, and so it was just going to be very challenging and very overwhelming for her to be able to do that.

Q: That is overwhelming and very disruptive to her care. What did you learn about the root causes of this battle between UPMC and Highmark?

Alvarez: I had never thought about the incentives before and the fact that if you have people at the top of these health systems who are business people, right, they're MBAs, they know business, they know how to run a business. They know about bottom line, they know about profit margins, all the things that I don't know much about. And so they're just trying to figure out, okay, how do we turn a profit? How do we maximize our revenue? And I think that that's tricky when the products of the company are human lives and if they're healthier, then they don't need the, to use the, the, the company as much, right. It's so different than any other business, I think, because, and it's something that, you know, in our film Dr. Dale Owen kept saying, he said, you know, the hospital would incentivize us to do all kinds of tests and heart monitors and whatever and when all I really needed to tell them was they needed to stop their caffeine. The value-based care model and this idea of incentivizing people being healthy and somehow making it so that hospitals and medical providers can make money when they keep people healthy versus when they keep them sick.

Here's a clip of Erin Fuse Brown, director of the Center for Law, Health & Society at Georgia State University.

Erin Fuse Brown clip: "Hospital consolidation is really the untold story of our rising healthcare costs. I think a lot of individuals, you know, see how it hits their pocketbook in the form of their premiums or their deductibles or those bills that they get and they don't realize that hospital consolidation really is the number-one driver behind rising prices."

Q: I was really struck by Erin's quote about consolidation. What does consolidation look like for non-profit hospitals?

Alvarez: What does consolidation look like for nonprofit hospitals? I mean, it looks the same, I think as for-profit hospitals. Again, it's the folks at the top, these business people saying, how do we, you know, lower our costs and maximize our revenue? And one way to do that is to, is to consolidate, right? It's to buy up competitors and acquire medical providers and physicians' offices and get everybody under one roof and you have a lot of bargaining leverage and, you know, you could lower your costs. I think that's the idea. And you know, in theory it does sound fantastic. The American Hospital Association declined an interview, but they sent us to Charles River Associates, who is a consulting firm that does a lot of research for them and we interviewed the folks there and they told us about all the benefits of hospital consolidation.

And it does sound great. Yeah. I mean, everyone having the same electronic medical record (system), all the doctors can communicate with each other. Costs go down efficiency all across the board. I mean, that sounds great. I would love to be able to go to a bunch of different doctors in my community and they all, you know, can pull up my records, that's great. But I think the trick is, and what the research is showing is that even though costs might be going down with consolidation, which it probably should because that's the point, prices themselves are actually going up because they have, you know, more power to do so. There's no competition anymore.

Q: Right. Right. Yeah, that's, I thought that was very interesting that the consultants said their motivation is to actually save money, which is all well and good, but if you don't pass that on to your patients, then how does that serve them?

Alvarez: Yeah, and that's exactly what the FTC commissioner Rebecca Kelly Slaughter that we interviewed said, you know, that's the claim that they make, that they lower their costs. But she said "I don't find that particularly beneficial <laugh> if they're not lowering the prices for the patients."

Q: Yeah, the film focuses on what happened in Pittsburgh, Pennsylvania, but why is this issue universal? Why are we all vulnerable?

Alvarez: So, you know, basically it's happening everywhere. I mean, that's the really short answer and as I mentioned, in some communities there's more consolidation than others and it shows... Beth McCracken in our film, she said it in a really wonderful way. She said, "Pittsburgh right now is a Petri dish and other healthcare organizations, other regions are looking at us to see what happens." Because, you know, if there's a way to make profit and a way to maximize that revenue, you know, why shouldn't business people not do that? Right? So there are communities where hospital consolidation and the creation of hospital monopolies is not as extreme as others, but the trend is going in that direction everywhere.

Q: So you mentioned that if healthcare giants just owned up to the fact that they were businesses and not nonprofits and paid taxes, that would go a long way to help the community. Are there any other policy solutions that would ensure nonprofit hospitals are benefiting the community, including the most vulnerable, as they're supposed to?

Alvarez: Yeah, so the Center for American Progress actually just put out a really great paper on all the policy recommendations for dealing and holding nonprofit hospitals accountable. So I would definitely recommend it for anybody interested in that to go check that out. I can't say that I want to list them out verbatim <laugh> or that I'm able to, but yeah, so, and I'm not a policy expert for sure and we have a lot of resources on the website as well. And if you go to inhospitable film.com, there's a lot of really great papers on policy recommendations for all kinds of stuff related to hospitals.

Another thing I was really surprised by was that the FTC, the Federal Trade Commission, who goes after antitrust issues with hospitals and many other things, they do not actually have jurisdiction over non-profit hospitals. They do not have authority to go after mergers and acquisitions of non-profit hospitals. So that is obviously a problem and very shocking based on the fact that, you know, these huge non-profit systems are some of the main kind of culprits in creating these large monopolies and from what I understand (U.S.) Rep. (Pramila) Jayapal is working currently to draft some legislation to grant the FTC jurisdiction over non-profit hospitals so that's a really great step in the right direction.

Q: What can you tell us about the influence of corporate lobbying on health policy?

Alvarez: Well, I think that it's one of the reasons that we all – the folks that are kind of outside of the health policy world – don't really understand what's happening with hospitals and our dysfunctional system. And why it is the untold story of our broken healthcare system because everyone, you know, from what I understand, most politicians – red or blue – are taking money from hospitals and hospitals are tricky because insurance companies are such easy villains, right? It's so easy to rail against insurance companies. We all hate our insurance company for one reason or another. But, you know, hospitals are places where they saved my dad's life. I mean, it's a little bit of a tangent, but five months after I started filming this documentary, my father went into cardiac arrest and he was in the hospital for three months at Jackson Memorial Hospital in Miami.

And they saved his life. It's very tricky and it's hard to say, 'oh, they're just these evil, greedy people who are just trying to destroy our country,' you know? Of course. It's just much more complicated than that. And I think that there's a lot of flying under the radar, and there's not a lot of mentions of hospitals and what's going on with hospitals because of that corporate lobbying and we saw that very clearly in Pennsylvania where there's no campaign finance limits and, you know, the hospitals are the main funder to the folks there in Harrisburg, and it really makes a difference.

They were trying to pass a very simple bill that would've actually fixed the problem that was happening in Western Pennsylvania where the bill just said, okay, well, Highmark and UPMC, if you can't decide, you have to go to mediation and you can, you know the mediator will help you come to terms so that you can keep working together and keep allowing your patients to see each other and politicians refused to take up the bill. I'm pretty sure it didn't come to the floor. And it was such a simple thing that really didn't feel very partisan at all.

Q: Interesting. And you think that's because of campaign finance?

Alvarez: That's what the politicians that we interviewed who were pushing for this bill, that's what they told me.

Q: Got it. Twice, the state of California revoked the non-profit status of insurance companies - once in 1996, with Blue Cross of California, and again in

2014, with Blue Shield of California. Is there any chance that Pennsylvania will take a similar action against UPMC?

(10:56):

Alvarez: I mean, that's the hope, but I think that the answer goes back to your other question about <laugh> campaign finance, <laugh> and lobbying. So I think the realistic answer is no. But we did interview at the time – he was a state representative – Ed Gainey. He's now the mayor of Pittsburgh, and that was one of the platforms he ran under was to basically get UPMC to pay their fair share to the community or revoking their nonprofit status. It would take a big, big lawsuit and a lot of resources from the city to be able to take them on, which is why a lot of communities are not able to do it. But, you know, the state attorney general at the time, Josh Shapiro, who was in the film and, and also threatening to take away UPMC'S nonprofit status, he's the governor <laugh> he's the governor of Pennsylvania now, so who knows, maybe things will change. He definitely sees UPMC and understands, you know, what's going on there very clearly. If anyone is gonna do it, it's him as governor.

Q: Sounds like the conflict between UPMC and Highmark was temporarily resolved.

Alvarez: Yes. Spoiler alert, <laugh>. Spoiler alert.

Q: Yes, spoiler alert. So it seems like they're going to be in the exact same place less than a decade from now.

Alvarez: Yeah, so what ended up happening was that because of the public pressure and because of all these patients rallying together and really speaking out and speaking to the media and politicians, and they were on the steps of Harrisburg (Pennsylvania) and so they even went to the UPMC board meeting and crashed the meeting and started telling them about what was going on.

UPMC and Highmark did end up coming to a deal to continue to treat each other's patients for 10 years but of course now there's seven years left of that, and a lot of the patients in the community are very concerned about what's going to happen. Also, that

agreement was a private agreement, so if both of them decided to drop the agreement, they could. So there's not a lot of accountability there.

And there's a lot of fear and concern in the community, and not to mention that is just one issue, right, (with) this battle between Highmark and UPMC, but there's also, obviously, the issue of not paying the workers a living wage. That's a huge concern. Again, it's a non-profit hospital making billions and billions in profit and the community of Pittsburgh, I talked to the city council member there. They had to raise taxes to pay for affordable living for UPMC employees who weren't being paid a living wage, which seems just nuts. So, you know, I think there's, there's a lot of issues that are still to be resolved. It's not like, you know, everything's fine now.

Q: So Sandra, what impact has this film had so far? Is it moving the needle in any way in Congress or in any other arena?

Alvarez: It's not Tiger King, right? It's not a film that's just going to be splashed all over Amazon and Netflix. So this film was always going to be a film that was going to make impact in smaller ways. It's that, that ripple in the pond kind of idea. So we have been able to screen it for the antitrust subcommittee in the House and the Senate. (Sen.) Amy Klobuchar, I was told she watched the film and it inspired them – the Senate Antitrust Subcommittee to do an entire hearing on hospital consolidation. And they invited a couple of the people that were in our film to speak at the hearing, which was great. And so we have a goal now to screen it with the State Attorney General's Association and we have a lot, a lot of community screenings requests coming in from all over the country.

Nonprofits, patient advocacy groups, medical schools, health policy programs in different universities. I would love for this to screen in every single health policy department in the country, because I think that those are the folks that are, you know, that's, that's the future of the people that are going to be going into this world, right? And so we just had our big theatrical run in L.A., New York and Pittsburgh and now the next thing coming up is to get wide distribution on a streaming service and video on demand so stay tuned for that.

Q: Wonderful. What else did you want us to know about the film or what you learned?

Alvarez: One of the things we learned from making this film is the ways that public officials can actually use the nonprofit status as an accountability lever so maybe they don't take away the nonprofit status, but they can use it as a threat to lower their prices and start passing down those savings, the cost savings that they have from the consolidation down to the patients to start doing more for the community, to start paying

their workers a living wage and preferably higher. So I think that that's one of the things that hasn't really been done in most places in the country that absolutely can.

Thank you, Sandra Alvarez. The film is called InHospitable.

(5-second stinger)

How can we best address hospital consolidation and the growing market power of health systems? Is it possible to incentivize hospitals to keep people healthy? Is a financing system that prioritizes care - instead of profits - within reach? In an upcoming Code WACK! episode, we'll explore global budgeting under Medicare for All and how it could help.

Do you have a personal story you'd like to share about our 'wack' healthcare system? Contact us through our website at heal-ca.org.

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