



OHIC Examines Policy Implications of Care New England and Lifespan Proposed Merger

In a [working paper](#) issued this week, the Office of the Health Insurance Commissioner (OHIC) examined the policy considerations and potential risks of the proposed merger between the two largest hospital systems in Rhode Island: Care New England (CNE) and Lifespan. The paper, which was presented to the Health Insurance Advisory Council on June 29, reviews the relevant policy considerations raised by the proposed merger that relate to the public interest objectives that guide the core work of the office: access, affordability, and quality. It is important to note that because OHIC is not one of the governmental entities responsible for determining whether the proposed merger should be approved, the office and the paper does not take a position on this question.

The paper draws upon data and analysis from various public sources and reviews the literature on the effects of hospital mergers on prices, costs, and quality. Horizontal mergers between hospitals and vertical mergers between hospitals and physician practices are both the focus of the literature review as both types of transactions are relevant to the CNE and Lifespan proposed merger specifically, and in the case of vertical integration between hospitals and physician practices, more recent market developments in Rhode Island. However, OHIC avoids firm assertions about the magnitude of changes in market concentration and measures and claims of presumptive anticompetitive effects.

The current state of the Rhode Island hospital market is analyzed within the paper, comparing where Rhode Island stands against the national average for services such as inpatient and outpatient care. It goes on to describes the CNE and Lifespan systems specifically and discusses their financial performance and quality performance. The facts and data reviewed for each hospital system show that combining Rhode Island's two largest hospital systems will lead to a substantial increase in inpatient market share among the hospitals with the highest relative prices. In addition, a detailed review of the OHIC regulatory requirements currently in place that are relevant to the CNE and Lifespan proposed merger is included.

“ If the consequence of a successful merger merely shifts competitive bargaining dynamics within the market, increasing prices without concomitant improvements in quality, then consumers should question the value that they are deriving from the merger.”

OHIC provides its view of the critical components of a regulatory oversight model aimed at holding the merged entity accountable for improving affordability and improving population health and health equity on a statewide scale, in light of both the Rhode Island context for the proposed merger between CNE and Lifespan and the conclusions present in the research on such mergers. The five critical components outlined are as follows:

- ▶ Comprehensive price caps
- ▶ Quality Incentive requirements
- ▶ Advanced value-based payment (VBP) adoption
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These are the minimum necessary in OHIC's view, considering its statutory charge to promote affordability and improve quality and access. A summary of the paper's conclusion is on the next page, [click here](#) to read the full paper.

The proposed merger between CNE and Lifespan will reshape the local health care landscape and significantly alter the market conditions faced by consumers, health insurers, and competing health care providers. This change in market conditions will significantly influence the public interest objectives most closely connected to OHIC's statutory purpose: affordability, quality, and access. Over the past decade Rhode Island has made significant progress advancing these public interest objectives. Initiatives undertaken by insurers, providers, and policymakers have reoriented the health care system toward greater efficiency and value creation for consumers. Still, significant work remains to be done to drive the improvements in health system performance that Rhode Islanders deserve. In light of this goal, the proposed merger between CNE and Lifespan presents a host of risks and opportunities.

- ▶ It is OHIC's position that the risks inferred from the literature are significant and should command careful attention by regulators and the public.
- ▶ Given Rhode Island's baseline relatively high rates of utilization, any upward pressure on prices, or substitution of higher price providers for lower price providers, could have significantly harmful effects on affordability, all else being equal.
- ▶ A large integrated delivery system facing thoughtfully structured economic incentives for efficiency and quality could leverage best practices in VBP to deliver population health management and prevention services on a wide scale.
- ▶ If the merger is approved, effective and financially sustainable regulatory oversight of the merged entity is essential to ensure that Rhode Islanders benefit from the merger.

To read the full paper, [click here](#).

To watch a recording of the June Health Insurance Advisory Council meeting where this paper was discussed, [click here](#).

This Pride Month OHIC Recommits to Fighting for Equitable Health Care for All

This month, and every month, the Office of the Health Insurance Commissioner remains committed to pursuing policies and regulations that improve health equity and affordability for all Rhode Islanders. Our office understands that the LGBTQ+ community faces unique challenges and systemic barriers in accessing health care including discrimination, and stigma. OHIC continues to address these barriers in an effort to make receiving health care in our state equitable, and affordable for all.

Commissioner Tigie Discusses Health Care Affordability on the Catalyst for Payment Reform Podcast

In a podcast released this month, Health Insurance Commissioner Patrick Tigie joined Suzanne Delbanco on the Catalyst for Payment Reform Podcast to discuss OHIC's ongoing efforts to stem health care cost growth in the state. The two discussed how the office's Affordability Standards, a regulation that encourages insurance companies and hospitals to reduce costs by creating more efficient systems, play a critical role in addressing the root cause of health care cost growth.

"We view regulations as a tool to create the conditions to ensure that all Rhode Islanders have access to affordable, high-quality care and ultimately improve health outcomes," commented Commissioner Tigie during the interview. To listen to the full podcast, [click here](#).



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