

# Physician-hospital integration does not improve quality of care

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In an age of increased integration between physicians and hospitals, regulators should continue to scrutinize proposed hospital mergers and take steps to maintain competition, according to a new paper by experts

at Rice University's Baker Institute for Public Policy.

"Weighing the Effects of Vertical Integration Versus Market Concentration on Hospital Quality" was co-authored by Marah Short, associate director of the institute's Center for Health and Biosciences, and Vivian Ho, the James A. Baker III Institute Chair in Health Economics and director of the center. It will be published in *Medical Care Research and Review*.

The study comes as health care provider organizations are becoming more complex, with hospitals acquiring [physician](#) practices and physician organizations getting larger. At the same time, hospitals are merging with each other to improve bargaining power with insurers, the authors said.

Short and Ho analyzed information from the Centers for Medicare and Medicaid Services' Hospital Compare database for 2008 to 2015. Among the 29 data points studied, the researchers analyzed [hospital](#) readmission rates, process of care measurements that gauge how well a hospital provides care to its patients, and patient satisfaction scores. Using that information, they tested whether [patient outcomes](#) are influenced by greater hospital market concentration or vertical integration between hospitals and physicians.

Before they launched their study, the researchers hypothesized that decreased fragmentation, meaning better coordination among a patient's primary care physician, specialists and admitting and attending hospital physicians, could improve [patient care](#). Instead, they found that vertical integration has a limited effect.

"The government requires that hospitals report on a wide variety of quality measures, such as practice of preventive care for surgical patients, whether their doctor or nurse communicated well, or whether

the patient would recommend the hospital to others," Ho said. "Physician-hospital integration did not improve the quality of care for the overwhelming majority of these measures. If patient welfare doesn't improve after integration, there may be other reasons why physicians and hospitals are forming closer relationships—perhaps to raise profits."

On the other hand, increased market concentration, which lowers market competition, is strongly associated with reduced quality measured in terms of patient satisfaction, the authors said. With fewer competitors, it seems there is less incentive to keep patients happy. Given the nature of some satisfaction measures, such as explaining medications and communicating well with patients, overall clinical quality could suffer if patients do not properly understand care recommendations during their hospital stay or post-discharge, the authors said.

"Although better patient experience may not always correlate with higher clinical quality, measuring quality based on patient perception is increasingly important as more consumers use online physician ratings and reviews of patient experience to select providers," Short said.

"Therefore, we need further research on the ability of patient satisfaction to reflect clinical quality, and if it does not, we need to develop and provide to patients better measures in terms that [patients](#) can understand and use."

"Our overall recommendation is one shared with previous researchers: Regulators should continue to focus scrutiny on proposed hospital mergers, take steps to maintain competition and reduce counterproductive barriers to entry," the authors wrote in a summary of their paper.

**More information:** Marah Noel Short et al. Weighing the Effects of Vertical Integration Versus Market Concentration on Hospital Quality, *Medical Care Research and Review* (2019). [DOI:](#)

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