

How Government Policy Is Consolidating the Practice of Medicine



Federal Policy Is Tilting the Market

Medicare's Flawed Physician Payment System

Medicare physician reimbursement has fallen 33% since 2001, after adjusting for inflation.

Hospitals Receive Higher Payments

Medicare pays hospitals more than independent physicians for the same services.

Mandated Drug Discounts

Hospitals can buy discounted drugs through the 340B program, bill insurers at full price, and keep the difference. This revenue enables hospitals to purchase independent physician practices.



Hospitals Acquiring Physician Practices

Since 2018, hospitals have added:



181,200
physicians



32,800
physician practices



As independent practices **disappear**, local healthcare markets become less competitive.

Some State Policies Exacerbate Consolidation

State corporate practice of medicine laws protect physicians' clinical autonomy.

Some states are changing these laws to prohibit medical practices from partnering with management organizations that provide business and operational support.

The result? Physician practices may find it more difficult to remain independent.



Policy Options for Promoting Competition



Modernize Medicare Reimbursement

Index physician reimbursement to inflation.



Site-Neutral Payment Reform

Medicare should pay the same rate for the same service regardless of where it's delivered.



Improve Transparency and Accountability in 340B

Ensure savings from safety-net programs fund patients — not hospital consolidation.



Protect Physician Independence

Allow physicians to partner with management services organizations while preserving clinical autonomy.



PRII CENTER FOR MEDICAL ECONOMICS AND INNOVATION



For more information about how federal and state policy are accelerating healthcare consolidation, reducing competition, and driving up costs, read the full issue brief from the Pacific Research Institute's Center for Medical Economics and Innovation.

[MedEcon.org/Consolidation-Issue-Brief](https://medecon.org/consolidation-issue-brief)