

Blurring The Lines

An Analysis of Vendor, Provider,
and Payer Consolidation

Research Collected by Reaction Data - 2018

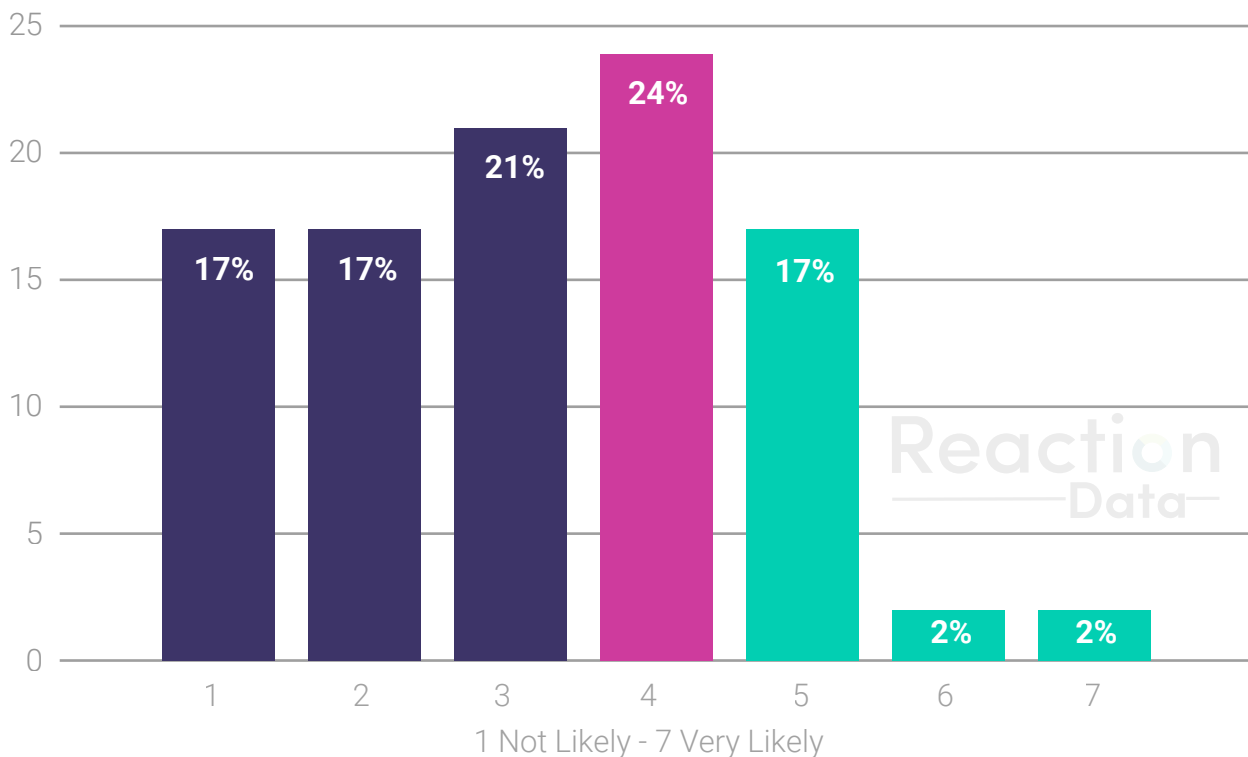
Introduction

Over the past few years, mergers and acquisitions in healthcare have noticeably increased in frequency. Providers have been purchasing other providers, vendors purchasing other vendors, and even payers or their parent organizations purchasing providers and vendors alike. Examples include Aetna acquiring Healthgen, Humana’s home health purchase of Kindred at Home, and recently, Optum’s acquisition of The Advisory Board. (Optum is owned by UnitedHealth Group, which also owns UnitedHealthcare).

When asked about these kinds of deals in the past, provider response was, by and large, negative. In essence, providers were nervous. Six months later, Reaction has gone back to the market to see what provider perspectives are and if there has been any change in the temperature.

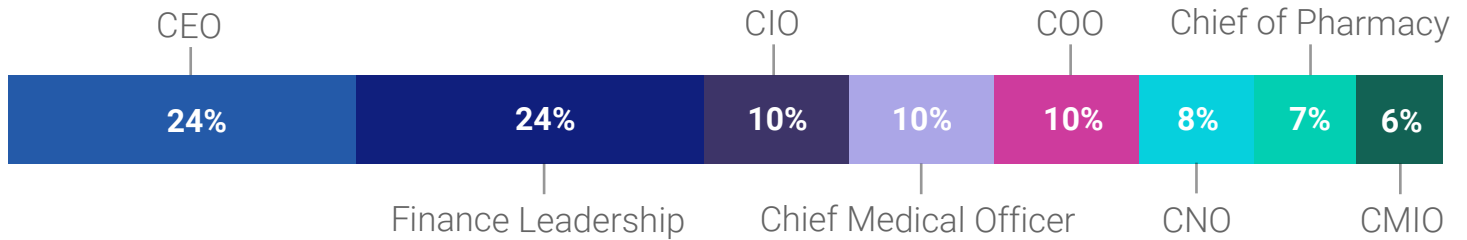
Because Optum recently acquired Advisory Board, the first few questions deal specifically with that occurrence while the rest of the report focuses on industry consolidation issues in general.

If your data, technology or analytics vendor was acquired by a payer, how likely would you be to continue working with them?

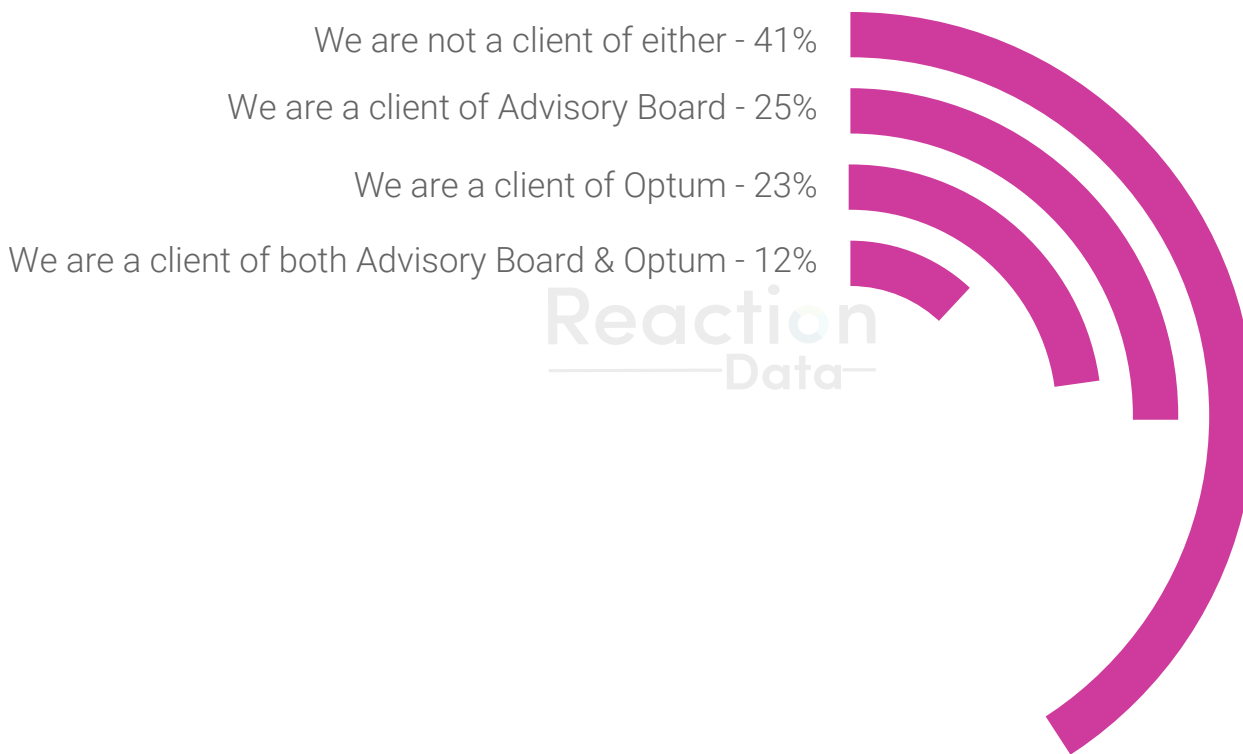


Demographics

149 participants from the following demographics:

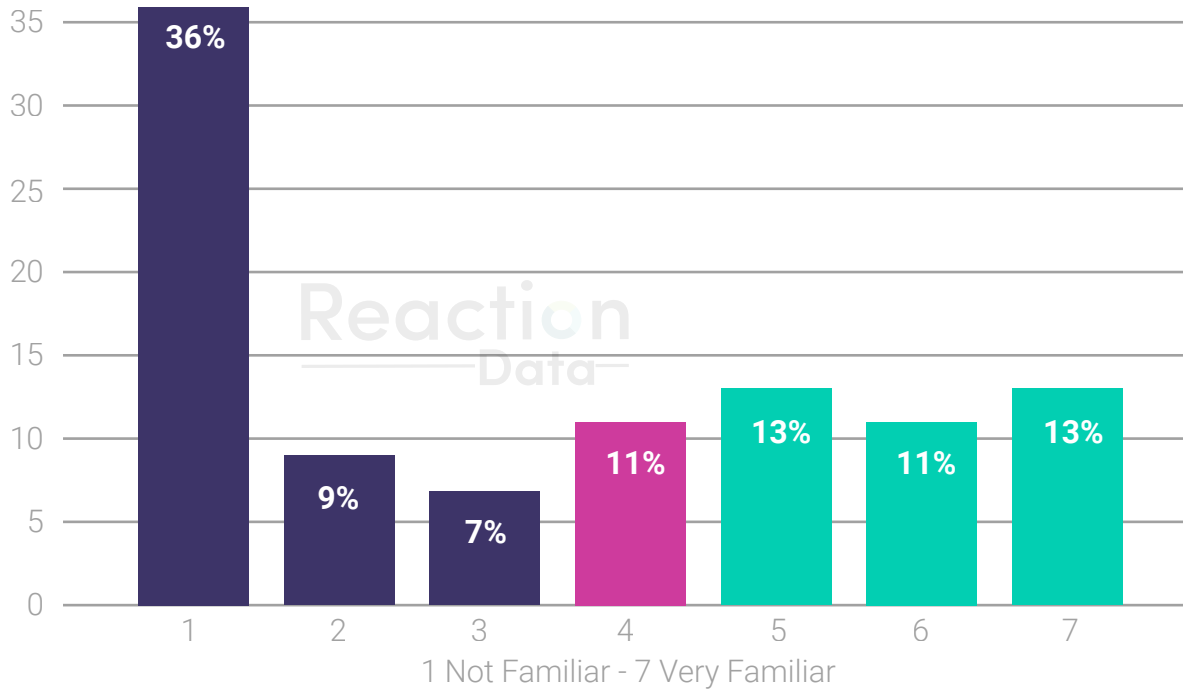


Are you a customer of Advisory Board or Optum?

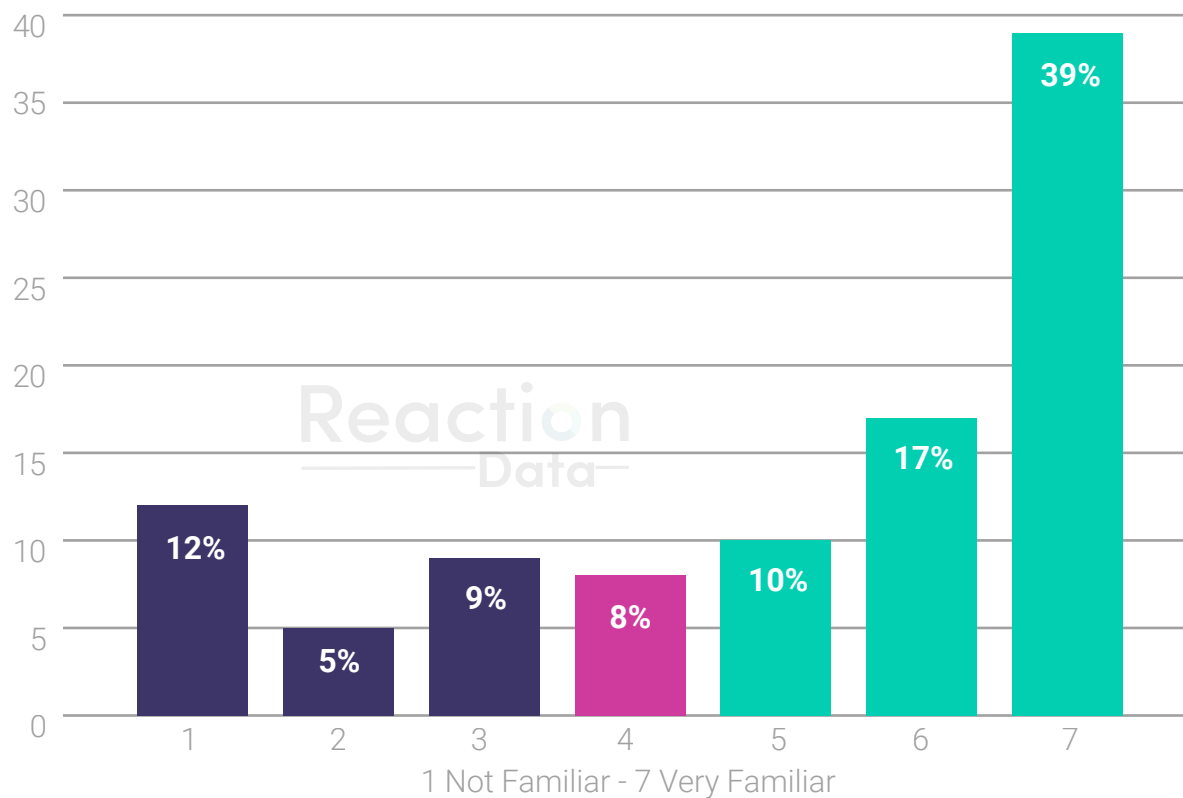


Familiarity

How familiar are you with Optum's recent acquisition of the Advisory Board's healthcare division?

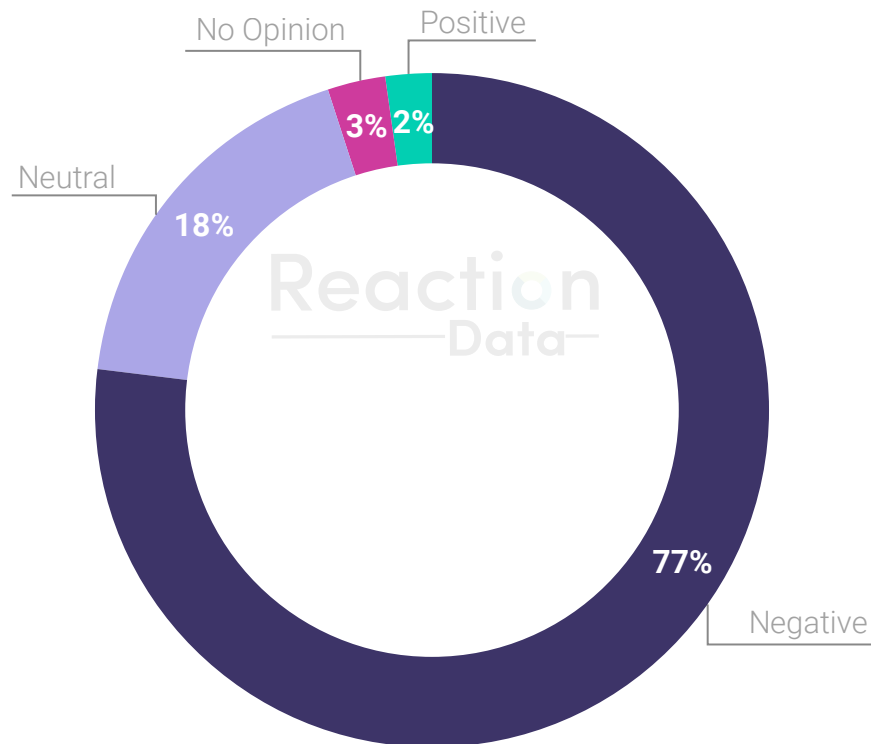


How aware are you that payers are acquiring both healthcare provider and vendor/supplier organizations?



Effect on Providers

What do you think the effect of payers owning healthcare vendors has/will have on providers?

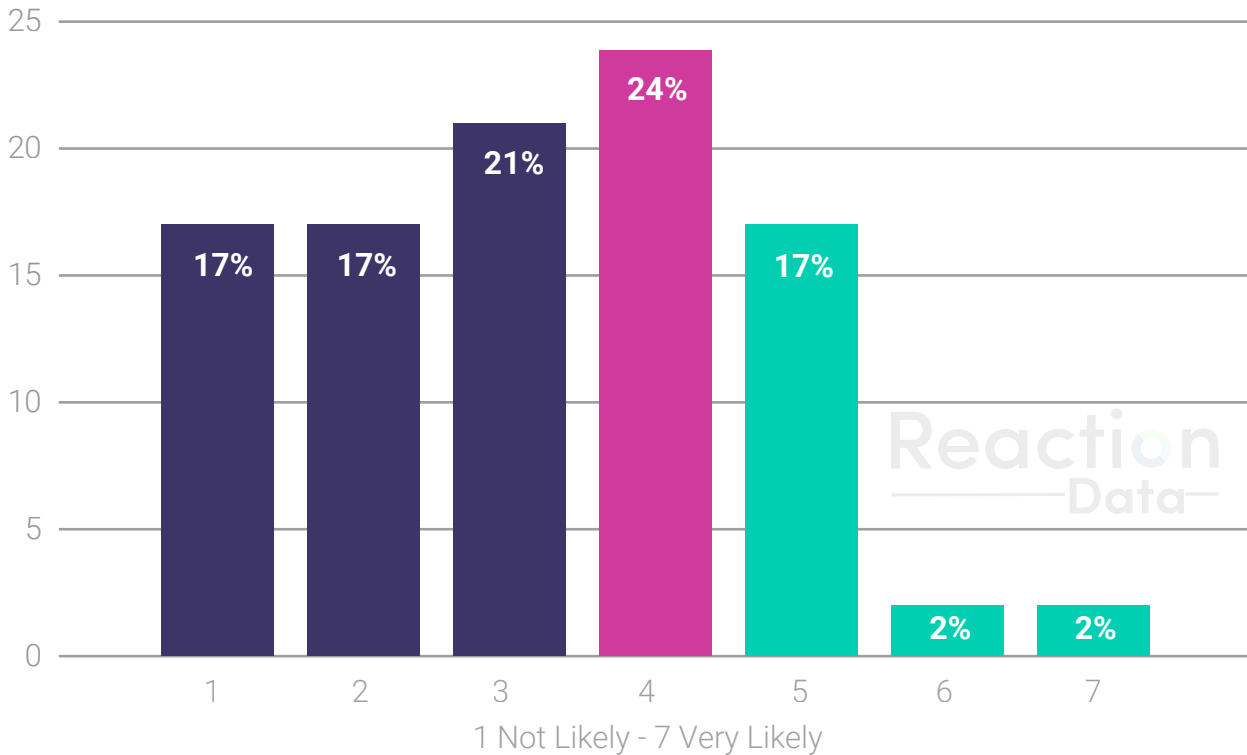


114 of the 149 providers we talked to for this study believed that similar deals will have a negative impact on their community. Only 2 individuals think it will be positive. (Last time we asked, only 34% had a negative perception, so this is a huge increase.) Traditionally, provider experience with any merger or acquisition is that customer service, quality, etc drops. Throw access to reimbursement data into the mix and you're playing to a tough crowd.

"They control not only what I can do but how much I get paid. No thanks."
(Chief of Pharmacy)

Future Business

If your data, technology or analytics vendor was acquired by a payer, how likely would you be to continue working with them?



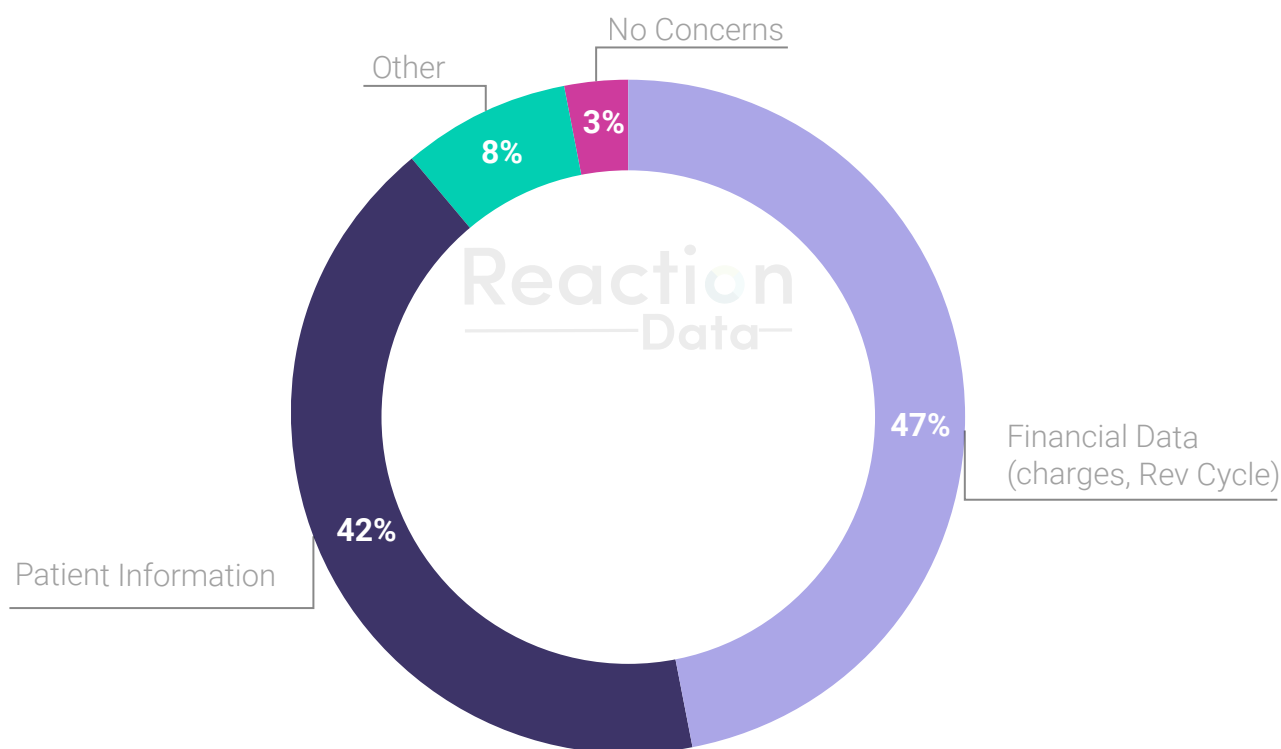
Would it change the type of projects you would pursue with them?



A large number of providers indicated they would change projects due to “conflict of interest.” HIPAA was another concern in terms of sharing information with entities deemed to have a conflict of interest. “It places them in a position of knowing too much, making fair negotiation impossible.” (Chief of Radiology)

Hesitation to Share Data

Is there data you would be hesitant to share? If so, what type?



In terms of what data they'd be hesitant to share in the event of an acquisition, it was split almost evenly between financial and patient information. The providers explained their reasoning best.

"Again, this is a conflict of interest. Data may be used to manipulate vendor purchasing pressures and be tied to reimbursement. Both payers and vendors are mostly motivated by increasing the bottom line. Placing themselves in a greater position to influence patient care based on the company's bottom line may greatly affect the quality of care patients receive." (Chief Clinical Officer)

"They may have an unfair advantage in negotiating contracts." (Senior VP & CMO)

"Any sharing of patient data comes with inherent risk." (VP Revenue Cycle Operations)

A handful of others said they'd be unlikely to share strategic data.

Conclusion

There are three absolutes we can count on: Death, Taxes, and Healthcare M&As. We've been monitoring mergers and acquisitions for years. In general, what we've found is once the honeymoon phase is over, providers' satisfaction rates with their vendor tend to drop. Whether it be a decline in customer service or simply a "that's not how XYZ did things," providers have typically soured on the experience relatively quickly.

Add to the mix the fact that the majority of the providers indicated that they feel that a conflict of interest will be brought into the mix, the general sense we get is one of distrust and skepticism, when it comes to payers mixing business with business. The biggest concerns? Sharing patient information, impact on reimbursements and creating a lopsided negotiating table.

Future questions that remain unanswered is how will companies deal with the negative perception that exists? How will they address the concerns over the amount of information being shared from the solution side of the house and the payer side? If they are successful, will this open the door to similar mergers in the future?

Only time will tell.

What Else

This summary report represents only a fraction of the data we collected around industry consolidation. As stated previously, this was a follow-up study to one we did back in September 2017.

If you're a current customer of Reaction Data, click [here](#) to login and access the complete data sets for both studies.

If you have any questions about this research, please contact our CEO, Jeremy Bikman, at jeremy.bikman@reactiondata.com