

Hospital Acquisitions of Physician Practices Increase Prices

A recent study of hospital physician acquisition and employment found that such acquisitions decrease competition and raise prices. A National Bureau of Economic Research (NBER) working paper, released in July 2025, “empirically analyze[d] the effects of mergers between complementary firms on competition and pricing,” and found hospital prices increased by an average of 3.3%, while physician prices increased by an average of 15.1%.¹ This Health Capital Topics article reviews the study’s findings and implications for the healthcare industry.

In response to the advent and emergence of accountable care and value-based reimbursement (VBR) models, which rely on achieving better outcomes at lower cost, hospitals have increasingly sought closer relationships with physicians, including direct employment, contracting, co-management, and joint ventures. The American Medical Association (AMA) found that the proportion of physicians who practiced in an independent practice decreased significantly between 2012 and 2024, from 60% to 45.2% (a decrease of approximately 80,000 physicians).² The AMA cites “inadequate payment rates, costly resources, and burdensome regulatory and administrative requirements [as] longstanding and important drivers of this change.”³

The NBER study reviewed a sample of 276 “physician integration events” (hospital physician practice acquisitions) and 66 “hospital integration events” (one-year periods during which the share of physicians practicing at a hospital increased sharply) between 2008 and 2016.⁴ The study’s goal was “to analyze whether mergers of hospitals and physician practices lead to price increases and whether any observed price increases are a function of a lessening of competition.”⁵

An examination of obstetrician and gynecologist (OB-GYN) claims from a large insurer indicated hospital/OB-GYN mergers increase both hospital and physician prices – average hospital price increased 3.3% (or \$475) and average physician price increased 15.1% (or \$502) for labor and delivery services provided two years after an integration event.⁶ The researchers also found price increases of 9% for physician services provided by already-integrated physicians after the hospital acquired additional physicians in the same specialty.⁷ These price increases were even larger in certain situations, such as when a hospital had more power than the local insurance network.⁸

The study then “show[s] that the price increases we observe are a function of a lessening of competition and are unlikely to be caused by alternative theories consistent with consumer benefit.”⁹ For example, the study found no evidence that quality measures changed post-integration or were better among the higher-priced services, indicating that the price increases may instead be due to decreased competition post-integration/acquisition.¹⁰

The NBER study authors concluded that:

“Taken together, our results support three anticompetitive effects of physician–hospital mergers. We find evidence that physician–hospital mergers often increase prices and, when they do, they do so in ways consistent with: (1) greater foreclosure of rivals, (2) improving negotiating parties’ outside options through recapture, and (3) increasing concentration in physician markets.”¹¹

The NBER study is not the first to find a linkage between physician practice acquisitions and higher prices. A January 2025 JAMA Health Forum study reviewed prices for services provided by 198,097 primary care physicians (PCPs) in 2022, and found that negotiated prices for office visits of hospital-affiliated PCPs were 11% higher, and office visits of private equity-affiliated PCPs were 8% higher, than those of independent PCPs.¹²

Corresponding with the growing trends toward VBR and care coordination discussed above, there has been increased federal, state, and local regulatory oversight regarding the legal permissibility of these arrangements, under both fraud and abuse laws and antitrust laws. Notably, however, nearly every practice/integration reviewed by the researchers did not meet the threshold for mandatory antitrust reporting and investigation. Consequently, the issues identified in the NBER study relating to competition may “pose a challenge for antitrust enforcement agencies,” as these agencies typically review large, horizontal mergers among two competitors in the same market.¹³ However, as the authors point out, their “estimates suggest the scale of consumer harm generated by these transactions in aggregate is similar in magnitude to that of horizontal hospital mergers, which have been of great interest to regulators.”¹⁴

- 1 “Are Hospital Acquisitions of Physician Practices Anticompetitive?” By Zack Cooper, et al., National Bureau of Economic Research, Working Paper 34039 (July 2025), <https://www.nber.org/papers/w34039> (Accessed 8/19/25).
- 2 “Physician Practice Characteristics in 2024: Private Practices Account for Less Than Half of Physicians in Most Specialties” By Carol K. Kane, PhD, American Medical Association, Policy Research Perspectives, 2025, available at: <https://www.ama-assn.org/system/files/2024-prp-pp-characteristics.pdf> (Accessed 8/19/25).
- 3 *Ibid.*
- 4 “Hospitals' physician practice acquisitions reduce competition, raise prices, analysis finds” By Dave Muoio, Fierce Healthcare, July 21, 2025, <https://www.fiercehealthcare.com/providers/hospitals-physician-practice-acquisitions-reduce-competition-raise-prices-analysis-finds> (Accessed 8/19/25).
- 5 “Are Hospital Acquisitions of Physician Practices Anticompetitive?” By Zack Cooper, et al., National Bureau of Economic Research, Working Paper 34039 (July 2025), <https://www.nber.org/papers/w34039> (Accessed 8/19/25).
- 6 *Ibid.*
- 7 Muoio, Fierce Healthcare, July 21, 2025.
- 8 *Ibid.*
- 9 Cooper, et al., National Bureau of Economic Research, Working Paper 34039 (July 2025).
- 10 Muoio, Fierce Healthcare, July 21, 2025.
- 11 Cooper, et al., National Bureau of Economic Research, Working Paper 34039 (July 2025).
- 12 “Growth of Private Equity and Hospital Consolidation in Primary Care and Price Implications” By Yashaswini Singh, PhD, MPA, Nandita Radhakrishnan, BA, Loren Adler, MS, et al., JAMA Health Forum, Vol. 6, No. 1 (2025), <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2829224> (Accessed 8/19/25).
- 13 Muoio, Fierce Healthcare, July 21, 2025.
- 14 Cooper, et al., National Bureau of Economic Research, Working Paper 34039 (July 2025).

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