

Remarks of Commissioner Edith Ramirez¹
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I am delighted to be here in Santo Domingo at the Latin American Competition Forum and appreciate the opportunity to discuss the relationship between competition and the reduction of poverty from the perspective of the United States. In fact, we have long recognized the connection between the two. In 1890, during the debate leading to the passage of the seminal Sherman Act, Senator Sherman emphasized that monopolies “increase beyond reason the cost of the necessaries of life and business, which in turn “makes the people poor.”

Poverty is not as endemic in the United States today as it was in 1890, when 45% of industrial workers lived below the poverty line³, but it remains a significant problem. And the financial crisis made it considerably worse, with a record 15% of the population, or 46 million people, living below the official poverty line⁴. With poverty a pervasive social problem, protecting our most vulnerable citizens has always been central to the FTC’s mission.

To illustrate this connection, I will discuss the area in which the Federal Trade Commission’s competition efforts most explicitly benefit the poor—health care.

II. FTC Enforcement Efforts

Now to my main topic. For the FTC, nowhere are the benefits to the poorest consumers more evident than through our enforcement and competition advocacy efforts in the health care sector.

Access to adequate medical care is an essential good. In the United States, no essential good costs anywhere near as much. According to the latest data available from 2010, health care expenditures represent a staggering 18 percent of GDP.⁵ Last year, health care costs consumed a quarter of all federal outlays.⁶ This rising spending has a profound effect on American standards of living.

A. FTC Hospital Merger Challenges

The FTC is particularly concerned with the effects of the recent increases in concentration among health care providers, particularly hospitals, on health care costs. There is strong evidence that hospital consolidation has resulted in higher prices. A 2006 Robert Wood Johnson Foundation study indicated that during the period from 1990 to 2003 consolidation drove hospital prices higher by between 5 and 40%, depending on the market.⁷ The study's authors concluded that "monopolies may be the biggest impediment to cost control going forward."⁸ Because hospitals represent the single largest driver of health care costs—over 31% of all health care expenditures—preventing anticompetitive hospital price increases can have a significant impact on overall health care spending.⁹

And there is little evidence that the highest costs resulting from mergers improve quality of care. To the contrary, looking only at hospital mergers that the FTC has recently challenged, there are countless examples of quality improvements hospitals made in direct response to competitors that they later tried to acquire. For example, one hospital dramatically shortened emergency room wait times after its only competitor began posting its average emergency room wait times on its website and billboards.¹⁰

⁵ CENTERS FOR MEDICARE AND MEDICAID SERVICES, NATIONAL HEALTH EXPENDITURE DATA: 2010 HIGHLIGHTS 1, available at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpenditure/Downloads/highlights.pdf>

⁶ Lam Thuy Vo, 50 Years Of Government Spending, In One Graph, NPR, PLANET MONEY BLOG, <http://www.npr.org/blogs/money/2012/05/152671813/50-years-of-government-spending-in-1-graph>

⁷ William B. Vogt & Robert Town, How has hospital consolidation affected the price and quality of hospital care? Synthesis Project No. 9, Robert Wood Johnson Found. 4 (Feb. 2006), available at http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2006/rwjf12056/subassets/rwjf12056_1

⁸ Id.

⁹ KAISEREDU.ORG, THE KAISER FAMILY FOUNDATION, U.S. HEALTH CARE COSTS BACKGROUND BRIEF (2010), available at <http://www.kaiseredu.org/Issue-Modes/US-Health-Care-Costs/Background-Brief.aspx>

¹⁰ FTC v. Phoebe Putney Health Sys., No. 1-11-CV-00058-WLS (M.D. Ga. filed Apr. 21, 2011) (complaint) ¶ 80, available at <http://www.ftc.gov/os/caselist/11067/110426phoebeputneycmpt.pdf>

Based on the benefits of hospital competition to consumers, the FTC has responded to the recent rise in hospital mergers by

in 2010 analyzed non-profit hospitals in California and also concluded that hospitals do not

licensure requirements and other regulations are unquestionably necessary to protect patients. But these requirements can also be used to stave off competition from highly-skilled paraprofessionals like advanced practice nurses and physician assistants. Accordingly, we frequently urge that state decision-makers weigh the value of those requirements against the benefits of improved access and lower costs resulting from the removal of restrictions.

Just last week, the FTC submitted testimony to the West Virginia state legislature urging it to reconsider legal requirements that advanced practice registered nurses or APRNs, enter into collaborative arrangements with physicians to prescribe medication. Prescribing drugs falls within an APRN's advanced medical training. In addition, several studies have shown that APRNs can prescribe medication safely absent these arrangements. In fact, these collaborative arrangements require no specific level of physician oversight beyond a signed agreement. Despite the minimal burden, APRNs find difficulty finding physicians willing to enter into them. And those physicians who are willing often require substantial fees.

West Virginia is among the country's poorest states, and it suffers from a serious shortage of health care providers. Yet this requirement prevents APRNs from taking full advantage of their training to best meet the needs of their patients. Moreover, APRNs comprise a larger share of the primary care workforce in rural and lower income areas and are more likely to care for minority, uninsured, and Medicaid patients. Easing the restrictions on APRNs, as urged by the FTC, can help alleviate these shortages, improve access, and encourage price competition, all of which would prove particularly beneficial to the underprivileged.

III. Conclusion

In sum, I believe that the FTC's experience in health care provider markets provides significant evidence that the enforcement of the