



## DEFINITIONS

**Vertically integrated carriers** are health insurers or other carriers with ownership interests in acute care hospitals (as defined by the Virginia Health Insurance Reform Commission).

**Vertically integrated providers** are acute care hospitals with ownership interests in health insurers or other carriers.

**Vertically integrated systems** refer to the integrated carriers and hospitals as one entity.

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# Vertically Integrated Carriers and Providers

## FINDINGS IN BRIEF

### **Vertical integration does not limit access to health care in Virginia**

Most of Virginia's vertically integrated providers operate within limited geographic regions of the state. Eastern Virginia residents have the least choice between vertically integrated providers and other providers. All vertically integrated carriers in Virginia operate in markets where they face competition from other carriers. While Virginians generally have a choice among carriers, vertically integrated carriers have larger proportions of Medicaid and exchange enrollees than other carriers.

### **The impact of vertical integration on costs to patients, providers, and payers is variable and inconsistent across systems**

In theory, vertically integrated systems can generate cost benefits for patients, providers, and carriers through better care management, reduced health care utilization, economies of scale in administration, and lower premiums. However, most stakeholders JCHC staff spoke with said that true savings and total impact on cost can be difficult to quantify. In addition, market dominance, along with a multitude of other factors, interacts with vertical integration to influence cost. Vertically integrated carriers reimburse their affiliated providers differently, though there are no consistent patterns across systems. They also do not report significantly different medical loss ratios from other carriers.

### **The relationship between vertical integration and quality is mixed**

Vertically integrated providers in Virginia have significantly higher quality ratings than other acute care hospitals, and moderately higher patient satisfaction ratings. These findings are in alignment with research that indicates vertically integrated systems perform better than competitors in quality and member satisfaction. Vertically integrated carriers also spend a higher percentage of revenue from member premiums on quality improvement, though their plan quality ratings are not significantly different from those of other health plans.