

# Will Physician Unions Improve Health System Performance?

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# Four Dimensions of Health System Performance

- Economic Efficiency
- Quality
- Access
- Cost

# Will Physician Unions Improve Health System Efficiency?

- *Main Claim:* Physician unions would improve market efficiency by counterbalancing health plans' monopsony power in markets for physician services.
- *Supporting Assumptions:*
  - Health plan monopsony is a significant problem.
  - Unions are a good solution.

# Is health plan monopsony a problem?: Interpreting Price Data

- Potential causes of reduced reimbursement
  - Monopsony?
  - Competition?
  - Excess capacity?
- Reduced prices and reduced output may suggest presence of monopsony power

# Is Health Plan Monopsony a Problem?: Interpreting Market Share Data

- Conditions for health plan monopsony
  - High market share
  - Low supply elasticity
  - Low elasticity of fringe firms' demand
- Market definition
  - Insurance markets vs. Physician services markets
  - Health care markets usually local
  - Reasonable to separate HMO, PPO, etc. products?

# Conclusion: No Strong Evidence

- Price-focus
  - No consideration of output
- Market share-focus
  - AMA (2002)
  - Combined HMO/PPO markets in 70 MSAs
    - » 30% threshold: 58 markets show possible problem
    - » 50% threshold: 20 markets show possible problem
    - » 70% threshold: 5 markets show possible problem
- “Switching Costs”

# Are unions a good solution?

- Bilateral monopoly is not necessarily more efficient than monopsony
- Bilateral monopoly is less efficient than competition
- Union collective action problems

# Will Physician Unions Improve Health System Quality?

*Claims:*

- Market failures permit plans to provide lower quality service than consumers would prefer
- Physician unions will negotiate on behalf of consumers to improve health plan quality



# Are Physicians Likely to Be Good Agents?

- Fee-related bargaining
- Non-price contract terms
  - Provider Choice
  - Rationing
- Union priorities

# Will Physician Unions Improve Access to Care?

- Insurance affordability
- Choice of Physician
- Strikes?
- Choice of nonphysician providers
- Access to specific therapies

# Will Physician Unions Increase Health Care Costs?

- CBO (2000): 2.6% over five years
- Who pays?
  - Consumers?
  - Employees?
  - Health Plan Shareholders?

# Policy Options

- Blanket federal authorization of collective bargaining:
  - Conceivable benefit in a few markets
  - Certain harm in other markets
- Targeted federal authorization
  - Eliminate *per se* condemnation and treble damages
    - » Except for negotiations affecting federal programs
  - Demonstration projects
- State legislation
- Increased antitrust scrutiny of health plan mergers

# Conclusions

- Physician unions are likely to increase health care costs without improving quality, access or efficiency
- Physician unions might nevertheless be justified on distributional grounds