Health Care notes from across the USA:

*California*

In California, Democrats introduced a bill to increase regulation on dialysis clinics. Proponents of the bill, SB 349 (“The Dialysis Patient Safety Act”) argue that, essentially, market power that is held by the two main firms who compete to provide dialysis services has allowed for care to become degraded. The bill calls for increasing staffing levels in 570 of California’s dialysis clinics and quintupling the frequency of inspections from every five years to annually. From an economic standpoint, two major firms supplying dialysis treatment can be modeled as a duopoly; in models of duopoly (similar to models of monopoly), the supplying firms can degrade service without loss of customer base. But why is the market for dialysis one with two dominant firms (which have profits of $3.9 billion)? Nathan Wilson, working at the Federal Trade Commission’s Bureau of Economics, offers some insight into why dialysis is an industry with two large, for-profit providers. One part of the puzzle, Nathan says, is that when dialysis firms are larger, they can operate with increased efficiency. Rather than pay a single accountant at each facility, for example, a multi-facility chain like DaVita Dialysis can employ a centralized accountant. Ditto for negotiations between the firm and suppliers of equipment. Nathan says that this, but also adds that for-profit firms and their behavioral incentives have moved the industry towards where it is today. To read more about what is happening in California, see the San Jose Mercury News (<http://www.mercurynews.com/2017/08/07/opinion-23/)> and to see Nathan’s article on industry evolution in dialysis, see [International Journal of Health Economics and Management](https://link.springer.com/journal/10754), volume 16 issue 4.

*Texas*

In Texas, a company that operates free-standing emergency rooms (not connected to hospitals) has declared bankruptcy. Adeptus, the largest operator of free-standing ERs in the USA (about 400,000 patients in 2016), is refunding up to a quarter-million dollars to patients, I assume in order to retain the reputation of the brand when it attempts to emerge from bankruptcy. The recent rise of free-standing emergency rooms is happening concurrently with the rise of urgent care centers. When a patient walks into an urgent care center they will be charged significantly less for comparable care than if they walk into a free-standing emergency room (emergency services are quite expensive). Accordingly, if a patient makes the mistake of thinking a retail emergency room is the same thing as a retail urgent care clinic, it could be a costly blunder. And the reason for it might only be lack of knowledge of the differences. It is interesting that Adeptus is facing economic hardship. It leads me to believe that market forces (reputational and informational) are causing patients to recognize that free-standing ERs offer neither the breadth of care offered by traditional hospitals nor the cost-friendly services of urgent care clinics. I was struck by a quote from the Dallas Morning-News, where Sabriya Rice writes that “The company feared that disgruntled consumers would tell their family, friends or insurer that they were financially harmed and warn others to avoid the facilities”. Looking forward into the future of the free-standing ER industry, I am left wondering whether patients will begin to avoid this care because they are learning about the potential downsides (and the bankruptcy of Adeptus is a harbinger of the end of free-standing ERs) or whether free-standing ERs will become stronger. To learn more, see “Bankrput ER operator Adeptus, based in [Dallas-Fort Worth], plans patient refunds to avoid bad publicity (https://www.dallasnews.com/business/health-care/2017/07/28/bankrupt-emergency-room-operator-refund-patients-head-bad-publicity)”, by Sabriya Rice in the Dallas Morning News.

*Maryland*