

How Has Corporatization Transformed Your State's Healthcare Market?

A guide for policymakers and state regulators to understand the extent of corporatization in your state and how your state regulates corporate practices in healthcare.

Understanding Corporatization and Consolidation

Before diving into analytical tools to determine the extent of corporatization in your state, it is important to understand these key terms:

Corporatization: Corporatization is the consolidation of previously independent sectors of healthcare into a single corporate structure with centralized business and profit-driven strategies

Consolidation: A reduction in the quantity of competing entities through mergers, acquisitions, or joint venture agreements, resulting in higher concentration in a market

Vertical consolidation: Transactions involving different types of entities, for example, a hospital buying a physician practice

Horizontal consolidation: Transactions involving similar types of entities, for example, two hospitals merging together

Concentration: The quantity of competitors within a market, wherein more competitors means lower levels of concentration, as measured by the Herfindahl-Hirschman Index

Herfindahl-Hirschman Index (HHI): A measure of market concentration. A market with an HHI greater than 1,800 points is considered highly concentrated and not competitive. In highly concentrated markets, a transaction expected to increase the HHI by more than 100 points is considered [anti-competitive by federal antitrust agencies](#).

Understanding Hospital Finances

Hospital financials can also provide evidence of corporatization, as consolidated hospitals and health systems have greater negotiating power to drive their prices and profits. For background on hospital finances and definitions of financial terms — profitability, liquidity, debt capacity, capital investment, and financial burden — refer to CHIR's [Five Key Questions About Hospital Finances](#).

Tools to Measure Health Care Consolidation and Hospital Financials

The Health Care Cost Institute's (HCCI) [Healthy Marketplace Index](#)

The HMI provides an overview of spending and competition in your local metro area.

Level of Analysis:
Local metro areas

Measures:

- Per-person health spending
- Drivers of spending
- Hospital market competitiveness
- Impact of local characteristics on prices
- Spending compared to peer areas and national median

HCCI's [Hospital Concentration Index](#)

The HCI dives deep into local markets to determine levels of concentration and prices.

Level of Analysis:
Local metro areas

Measures:

- Hospital market concentration (HHI)
- Concentration (HHI) over time
- Comparison of concentration and prices to other metro areas

The Employer Forum of Indiana's [Sage Transparency 2.0](#)

Sage Transparency is an interactive tool for users to examine specific hospitals and health systems across all 50 states.

Level of Analysis:
Hospital, health system, and/or state

Measures:

- Hospital operating profit margins
- Hospital operating profit margin by payer
- Health system prices and comparisons
- Commercial break-even for individual hospitals and health systems
- State and national comparisons
- Hospitals in state legislator's district

The National Academy of State Health Policy's (NASHP) [Hospital Cost Tool](#)

The HCT is a user-friendly tool to compare hospitals' profitability and financial health.

Level of Analysis:
Hospital, health system, and/or state

Measures:

- Hospital revenue
- Hospital costs
- Hospital profitability
- Hospital break-even
- Comparison between hospitals

Regulation of Corporatization and Consolidation in Your State

Regulation of corporatization, consolidation, and corporate business practices in healthcare varies by state, and creates unique markets in each state. To understand how your state may regulate corporate practices, determine if these laws are applicable and present:

Anti-Competitive Contract Terms: Anti-competitive contract terms restrict, prevent, or reduce competition in a market. [Several contract clauses](#) raise anti-competitive concerns and states can increase antitrust scrutiny of these clauses.

- **50-State Resource:** National Conference of State Legislatures' (NCSL) [Health System Consolidation](#)
- **State example:** California has several laws related to anticompetitive contract clauses, including most favored nation, non-compete, and gag clauses. California's regulation of these provisions aims to mitigate price-fixing, bid-rigging, and other non-competitive practices. ([Cal. Health & Saf. Code § 1371.22](#); [Cal. Bus. & Prof. Code § 16600](#); [Cal. Health & Saf. Code § 1371.22](#); [Cal. Health & Safety Code § 1367.50](#))

Certificate of Public Advantage (COPA): State COPA laws grant state officials authority to allow hospital mergers if the transaction is considered beneficial and outweighs potential harms of reduced competition. COPA recipients receive immunity from antitrust oversight in exchange for adhering to specific terms and conditions aimed to mitigate negative anti-competitive outcomes. *Note: Research is mixed on how COPA laws impact consolidation and competition.

- **50-State Resource:** NCSL's [Health System Consolidation](#)
- **State example:** Indiana's COPA allows mergers for certain rural hospitals to receive immunity from antitrust laws. In exchange, for five years following the merger, the hospitals may not increase their individual charges more than the Consumer Price Index and must invest cost savings into the community. ([Ind. Code §§ 16-21-15-1](#))

Corporate Practice of Medicine (CPOM): CPOM laws prohibit non-physician, corporate entities from employing physicians or practicing medicine. These laws aim to protect medical decisions from the influence of corporate interests. *Note: Research is mixed on how CPOM laws impact consolidation and competition.

- **50-State Resource:** Permit Health's [The Corporate Practice of Medicine 50-State Guide](#)
- **State example:** Texas' CPOM law, among the strictest in the nation, prohibits corporations from directly employing physicians. ([Texas Occ. Code Ann. § 164.051](#))

Certificate of Need (CON): States can regulate new or expanding projects, programs, and facilities with CON laws requiring approval before changes in ownership, facility size, and/or services offered. *Note: Research is mixed on how CON laws impact consolidation and competition.

- **50-State Resource:** NASHP's [State Certificate-of-Need Programs](#)
- **State example:** Montana's CON program exempts all facilities except long-term care facilities from the CON review process. Approval of the CON depends on capital expenditures, new services offered, and/or expansions of beds. ([Mont. Code Ann. § 50-5-301 et seq.](#))

Oversight of Private Equity Investment: States can directly regulate private equity investment and activity in health care, either through heightened scrutiny in the merger review process and/or increase transparency for private equity owned entities.

- As of January 2025, [Massachusetts](#), [Indiana](#), and [Oregon](#) explicitly regulate private equity transactions and/or have reporting requirements.
- **State example:** In early 2025, Massachusetts' governor signed a bill to increase oversight and reporting of private equity transactions. Private investors must provide notice before a transaction with required materials, and the state can conduct an assessment of the transaction on costs, quality, and access. ([HB 5159](#))

Transaction Notice, Review, and/or Approval: States can require providers (hospitals, health systems, physician groups) and private investment organizations to notify a state entity of a proposed merger. States can require review by an entity, like the Attorney General, and with review standards, the entity may have authority to approve, conditionally approve, or deny the transaction.

- **50-State Resource:** NCSL's [States Requiring Notice for Certain Health Care Transactions](#)
- **State example:** Oregon's Health Care Market Oversight (HCMO) program reviews proposed transactions to ensure they lower costs, increase access, and promote better care. The HCMO can either approve, approve with conditions, or disapprove, a transaction. For conditionally approved transactions, HCMO monitors the entities over time to ensure compliance with the conditions. ([Or. Rev. Stat. 415.500 et seq.;](#) [Or. Admin. 409-070-0000 -0085](#))

Transparency and Data Infrastructure: States employ a variety of [transparency-related policies](#) — transparency of ownership, organization financials, and billing practices — to increase oversight shed light on corporate business strategies and profits.

- **50-State Resource:** Hilltop Institute's [Price Transparency State Profiles](#)
- **State example:** Colorado requires hospitals to publicly post their Medicare reimbursement rates alongside their commercial market negotiated rates, and the state creates user-friendly [transparency tools](#) with these prices. Colorado also requires hospitals to report various financial statements and measures (transfers of cash, profits, reserves, etc.).

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