Monopolies allow hospitals to get price they want

By Peter Waldman, Bloomberg

After Mark Logsdon tore a ligament in his knee skiing at Lake Tahoe in March, he returned home to suburban Sacramento and had an MRI scan at Sutter Davis Hospital.

Sutter's price for the knee scan was $1,271, payable by Logsdon and his insurer. Exactly the same MRI at one of the local imaging centers owned by Radiological Associates of Sacramento would have cost $696 – 45 percent less.

Patrick Fry

It turns out that Logsdon didn't know something that his insurance company does: Sutter Health Co., the nonprofit that owns Sutter Davis, has market power that commands prices 40 to 70 percent higher than its rivals per typical procedure – and pacts with insurers that keep those prices secret.

Sutter can charge these prices because it has acquired more than a third of the market in the San Francisco-to-Sacramento region through more than 20 hospital takeovers in the last 30 years, according to executives of Aetna Inc., Health Net Inc. and Blue Shield of California, who asked not to be named because their agreements with Sutter ban disclosure of prices.

Sutter operates in a competitive market, Chief Executive

Officer Patrick Fry, 53, said in an interview. “I don’t see Sutter Health as having market power, given the choices that employers can make,” Fry said. “The market has a lot of room to make a lot of decisions.”

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