



pulse

Report: Hospital Mergers Yield Improvements in Healthcare Value

Mergers between hospitals are yielding significant cost savings and improvements in quality of care, according to new research released this year from The American Hospital Association (AHA.)

The AHA's report, prepared by economists at Charles River Associates, analyzes hospital mergers between 2009 and 2014 based on interviews that represent 20 healthcare systems, including 19 that are not-for-profit and one that is for-profit and covering 36 different states.

In the interviews, authors Monica Noether, Ph.D., and Sean May, Ph.D., discussed the hospital leaders' experiences with mergers and other financial affiliations they took on in recent years, focusing on financial savings and quality benefits.

The report, "Hospital Merger Benefits: Views from Hospital Leaders and Econometric Analysis," shows that complete hospital mergers have more benefits than "looser affiliations" between healthcare systems. It also shows how mergers can provide a platform to change healthcare in the U.S.

"Patients deserve a high-value, high-performing health care system," said Rick Pollack, president and chief executive officer of the AHA in a news release on the findings. "The key to transforming healthcare delivery is increased efficiency and quality. In some communities and

for certain hospitals, consolidation may be necessary—not only to meet the current health needs of patients and communities—but also to provide a stable foundation upon which to build the health care system of the future."

According to the AHA, the research also shows "that mergers can result in efficiencies that unleash savings, innovation and quality improvement essential to transforming health care delivery. Importantly, the data also show that mergers do not lead to a spike in revenues that some claim are the motivation for mergers."

Key findings in the report include:

- Mergers lower costs "due to benefits of scale, reduced costs of capital and clinical standardization. An empirical analysis showed a 2.5 percent reduction—equating to \$5.8 million—in annual operating expenses at acquired hospitals."
- Mergers "have the potential to drive quality benefits from additional volume, standardization of clinical protocols and from investments to upgrade facilities and services at acquired hospitals." The study also shows there is evidence mergers result in "reductions in adverse events and reduced readmission rates."
- Mergers also increase the variety of services patients have access to and use existing strengths of healthcare

facilities to offer more comprehensive and efficient care.

- Following a merger, the revenue per patient admission also "declines in a statistically significant manner (3.9 percent) ... which runs counter to the findings of research linking higher hospital concentration with higher prices paid by insurance plans after some hospital mergers."

"Our research pairs real-world observations from some of America's top hospital executives with a comprehensive economic analysis to produce the most comprehensive examination of hospital mergers in years," Noether said. "The findings are clear: hospital mergers facilitate greater efficiency that reduces costs and encourages better quality care."

The AHA reports there were 102 hospital mergers in 2016.

ACA International member company Greenberg & Advisors, in its 2016 year-in-review of mergers and acquisitions, reports that healthcare was one of the more active sectors for consolidation last year.

"This is the direct result of consolidation among creditors and providers as well as increased regulatory oversight," according to the report.

Healthcare represented 46 percent of sellers in the market last year, according to Greenberg Advisors. "With respect to mergers happening at the creditor and

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POLL:

Consumers are Divided on Future of Affordable Care Act

Consumers were divided on the future of the Affordable Care Act going into the new year and President Donald Trump's term, according to the Kaiser Family Foundation Health Tracking Poll conducted after the election in November.

"The first Kaiser Health Tracking Poll since the 2016 election finds that Americans are largely divided on the future of the Affordable Care Act even though many of the law's major provisions remain quite popular across party lines," according to a news release on the poll.

The poll includes questions on respondents' opinions about repealing the Affordable Care Act, scaling it back, expanding the law and keeping it the same.

"The poll captures a slight uptick in the share of Americans who want lawmakers to scale back the law as well as a decrease in the share who want lawmakers to repeal the entire law. This is largely driven by Republicans: About half (52 percent) of Republicans now say they want to see the Affordable Care Act repealed, down from 69 percent in October. At the same time, a quarter (24 percent) of Republicans now want to see the law scaled back, up from 11 percent in October," according to the news release.

Some consumers who want the law repealed (38 percent) changed their view after learning insurance providers could

deny coverage to people with pre-existing conditions, according to the news release. "A slightly smaller share changed their opinion after hearing that more than 20 million Americans could lose their coverage."

Some provisions of the current law still remain popular even as it faces possible repeal:

- "Allowing young adults to stay on their parents' insurance plans until age 26 (85 percent of the public, including 82 percent of Republicans);
- "Eliminating out-of-pocket costs for many preventive services (83 percent of the public, including 77 percent of Republicans);
- "Providing financial help to low- and moderate-income Americans who don't get insurance through their jobs to help them purchase coverage (80 percent of the public, including 67 percent of Republicans);
- "Giving states the option of expanding their existing Medicaid programs to cover more uninsured low-income adults (80 percent of the public, including 67 percent of Republicans); and
- "Prohibiting insurance companies from denying coverage because of a person's medical history (69 percent of the public, including 63 percent of Republicans)."

The news release reported, "In contrast, a third (35 percent) of the public says they favor the law's provision

requiring that nearly all Americans have health coverage or pay a fine (63 percent have an unfavorable view). A majority of Democrats (57 percent) favor this provision but far fewer independents (30 percent) and Republicans (21 percent) do."

The Kaiser Family Foundation also finds that, "Overall attitudes towards the Affordable Care Act are largely unchanged following the election: 45 percent of the public has an unfavorable view and 43 percent has a favorable view. Americans are divided on how repeal would affect healthcare costs for them and their family, with nearly equal shares saying repealing the law would make costs worse (30 percent) as saying it would make costs better (27 percent). Another four in 10 say their healthcare costs would be about the same. Most also say that, under repeal, they would expect their quality of care and access to health insurance to remain about the same."

A tracking poll released in January, as discussions of repealing and replacing the Affordable Care Act increased, shows 20 percent of consumers support a repeal while 47 percent oppose a repeal and 28 percent prefer to wait to repeal the healthcare law until more information about a replacement law are available.

More information:

<http://ow.ly/LIfg307yZgc> and <http://ow.ly/C28Q308IXuY>

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provider level, this is forcing vendors to grow to meet increased demands," it reports. "Further the regulatory environment is causing financial institutions and healthcare providers to reduce the number of vendors they utilize, which is intended to provide them with greater oversight and therefore less exposure to risk."

The report from the AHA and CRA concludes that as hospitals react to growing pressures of healthcare reform, "they are attempting to integrate both horizontally and vertically to be able to deliver integrated, cost-effective care. While various forms of affiliation are being pursued, many hospital leaders believe, based on their own experiences

and observations, that complete mergers and acquisitions are the most effective means for making progress toward meeting the aims of value-based population health."

A copy and summary of the report are available at: <http://www.advancinghealthinamerica.org/home/ coordinating-care>.