

Hospital Consolidation: What It Means for You

In a handful of years, we've seen a resurgence in hospital consolidation, which is the merger or acquisition of two or more hospitals with the goal of combining assets and maximizing efficiencies¹. PricewaterhouseCoopers deemed 2016 "the year of merger mania" for hospitals, physician practices and healthcare systems², and so far, it's living up to their forecast.

Consolidation is occurring more and more frequently as a result of recent legislation and a medical environment that require health care providers to take on more cost, more risk and more responsibility. From a legal standpoint, the trend can most directly be attributed to as a byproduct of the landmark and still controversial Affordable Care Act (ACA).

Though it's designed to improve access to and efficiency of care, since the ACA passed in 2010, organizations are faced with decisions around bundled payments, quality measurements, IT management infrastructure and all of the investment and expertise required to stay competitive. With the resulting inherent increase in operating risk and cost, consolidation has become a way of life and a life line for smaller, mid-sized and independent hospitals that cannot go it alone³. Simultaneously, larger health systems seek to acquire smaller organizations and take on a new range of complimentary services that in turn allow them to manage as much of a patient's care as possible.

While consolidation, in theory, promotes quality of care and operating efficiencies, in practice, it has disruptive economic and insurance implications that are raising judicial flags around price setting and a lack of competition. The term monopolization becomes a concern as a byproduct of consolidation, and is thus a major issue we have seen and will see in coming years.

How does a monopoly work in this case? When individual hospitals become part of a larger system, they gain an increased stake in the consumer health market. With this increased stake, a large hospital network can leverage size and demand insurance companies to pay more for procedures and general medical care⁴. However, rather than absorbing increased cost, insurance companies are passing it along in the form of higher premiums and increased financial pressure for medical services⁵.

Since 2010, hundreds of consolidation cases have occurred in healthcare, and we're seeing a rise in partnerships, hospital and health plan giants all over the country. In Connecticut, we saw in July competitors St. FrancisCare and Hartford HealthCare go into business together as minority owners in Tolland Imaging Center⁶. We've seen consolidation close to home in places like New Hampshire, with the Elliot and Dartmouth-Hitchcock merger².



Indiana, Illinois, Texas, Arkansas, California, New York—in nearly every state, we see networks casting their nets wider and wider, and contributing to an increasingly complex health care ecosystem that’s taking its toll on patients.

What’s the solution?

While the courts determine how to best step in and prevent true monopolization, on a personal and business level, it’s important to be active and knowledgeable around the health care plans provided by your company. Since 2014, Diversified Group has helped more than 75 new groups adopt self-funded solutions that make healthcare more affordable and far more transparent while minimizing risk for companies and their employees. Contact us to discuss options for you and your organization.

More Information:

Contact **Diversified Group** today at **888-322-2524**, or email dgb.marketing@dgb-online.com for more information.

Sources

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