

Hospital Mergers: Foundation for a Modern, Efficient and High-Performing Health Care System of the Future



Executive Summary: A Review of Benefits and Extension of the 2016 Study

In Hospital Mergers: Foundation for a Modern, Efficient and High-Performing Health Care System of the Future Charles River Associates (CRA) conducted extensive interviews with health system executives on the benefits of mergers and acquisitions and examined data on the impact on costs and quality. That study concluded that:

- **Mergers decrease costs** due to the benefits of scale, reductions in capital costs and clinical standardization by \$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.
- **Mergers typically expand the scope of services available** to patients, and
- **Mergers were associated with a decline in revenues per patient admission**, which runs counter to research linking higher hospital concentration with higher prices.

www.aha.org/bibliographylink-page/2018-04-20-hospital-field-realignment

Extending the prior research found that mergers of hospitals within 30 miles resulted in greater cost savings, equating to more than \$6.6 million (or a 2.8 percent reduction) in annual operating expenses at acquired hospitals. Similar to the prior study, there was a statistically significant decline in revenue per admissions for mergers of nearby hospitals as well as those located further apart. These results run counter to research linking hospital mergers with higher prices paid by health plans. Lastly, the study found evidence of an upward trajectory in quality measured by reduced readmission rates.

These findings are important because antitrust authorities and some researchers have suggested that mergers involving hospitals in closer proximity can raise particular competitive issues. Data demonstrating that there are somewhat greater cost savings from such mergers, no increase in revenues and some evidence of quality improvements underscore the procompetitive potential of such mergers and their likely benefits for patients.

The study also highlighted other recent research that supported the CRA findings.

Deloitte and the Healthcare Financial Management Association that found a decline in post-merger operating and revenue per patient admission www.deloitte.com, and

An article in the Journal of Health Economics, Do Hospital Mergers Reduce Costs? Found merger-related cost savings of between 4-7 percent. www.sciencedirect.com.