

Over the last several decades, a rapid increase in mergers and acquisitions has radically transformed the healthcare industry.

It has changed from a relatively segmented sector to one in which large, national health systems have gained significant market share across physician practices, hospitals, and insurers. Troublingly, research shows that this kind of consolidation leads to higher prices, does not necessarily improve quality, and can lead to reductions in services.

## Healthcare Consolidation Has Increased Nationally in Recent Years

- In 2018, 51 percent of all physicians and 91 percent of hospital beds were affiliated with a health system.<sup>1</sup>
- In just two years (2016-2018), the share of physicians affiliated with a health system grew by more than 27%.<sup>2</sup>
- Health systems themselves are merging too — there were 50 mergers or acquisitions of systems by other systems from just 2016 to 2018. Most of the systems that were acquired were relatively small (with median numbers of 2 hospitals and 148 physicians), whereas the acquirers were larger, offered more services, and were more likely to operate in multiple states.<sup>3</sup>

## Number of Independent Hospitals and Physicians in Oregon Has Dwindled

- In Oregon, the number of independent hospitals has declined from 28 to 16 since the year 2000 – or 43 percent.
- Hospitals and health systems are expanding their outpatient offerings in Oregon at a rapid clip, through acquiring existing practices and opening new clinics across the state. In the Portland metro area, the share of physicians affiliated with health systems grew from 39% in 2016 to 71% in 2018 — an 82% increase.<sup>4</sup>
- The state's largest insurers, Providence and Kaiser, are also among the largest providers in the state; together they control nearly half the insurance market.

## COVID-Induced Wave of Mergers and Acquisitions Expected

- Health systems that were succeeding before the pandemic have amassed billions in reserves that better enable them to weather financial uncertainty. They also received a disproportionate share of federal pandemic relief funds: Hospitals with the highest share of private insurance revenue received an average of \$44,321 in CARES Act relief funds per hospital bed, compared to just \$20,710 for hospitals with the lowest share.<sup>5</sup>
- Meanwhile, the pandemic has further jeopardized the finances of smaller independent providers that were already struggling, and many will see affiliations or mergers as the only option to survive.
- A national survey of more than 100 health system executives conducted in mid-June found that approximately three-quarters expect that physician practices and hospitals will turn to mergers and acquisitions over the next year as a result COVID-19.<sup>6</sup>

## Consolidation Leads to Higher Prices, and Oregon's Prices are Already Too High

- Decades of research demonstrates that consolidation generally leads to higher prices with neutral or even negative impacts on patient care.<sup>7</sup> These price increases are ultimately passed on to workers: Wages for workers who received employer-sponsored insurance declined by an average of \$638 a year after a hospital merger took place in their region.<sup>8</sup>
- In Oregon, the amount patients paid for their healthcare increased nearly 29 percent in just four short years — faster than the rest of the nation -- and outpaced inflation at a disturbing rate.<sup>9</sup>
- Oregon's most competitive healthcare market is not only highly concentrated, but also one of the priciest in the nation. In 2017, Portland had the 14th highest healthcare prices out of 124 large metros.<sup>10</sup>

## Consolidation Can Reduce Access to Care

- RAND researchers recently found that, following affiliations, rural hospitals were more likely to lose onsite imaging, outpatient nonemergency care, and obstetric and primary care services. At the same time, the hospitals in the study saw a significant increase in operating margins (by 1.6–3.6 percentage points within two to five years, compared with -1.6 percent before affiliation).<sup>11</sup>
- Consolidation can also lead to restrictions on reproductive, gender-affirming, and end-of-life care when partnerships are formed with healthcare entities affiliated with the Catholic church.<sup>12</sup> In Oregon, 30 percent of acute care beds are controlled by systems that restrict access to these services.<sup>13</sup>

## Consolidation Can Exacerbate Health Inequities

- Inflated healthcare prices hit workers with the lowest wages the hardest — disproportionately affecting Black and brown communities in our state.
- A commentary published by the *New England Journal of Medicine* recently argued that when hospitals raise prices in the private insurance market (as is often the case after consolidation), resources are redirected back into facilities that serve the disproportionately white and wealthy populations that can afford private coverage. Meanwhile, Medicaid patients (who are disproportionately Black and Latinx) are funneled into facilities that rely on fixed federal reimbursement rates. These patients are then served by hospitals with fewer resources and inferior clinical quality — deepening existing racial and ethnic health disparities.<sup>14</sup>

**It's time for Oregon to ensure that future healthcare deals promote access and equity, not runaway price increases.**

### FOOTNOTES

1 Furukawa, et al. "[Consolidation Of Providers Into Health Systems Increased Substantially, 2016-18.](#)" *Health Affairs*, Aug 2020.

2 Ibid.

3 Ibid.

4 Kimmy, Laura, et al. "[Geographic Variation in The Consolidation of Physicians Into Health Systems, 2016-18.](#)" *Health Affairs*, Jan 2021.

5 Schwartz, Karyn and Damico, Anthony. "[Distribution of CARES Act Funding Among Hospitals.](#)" Kaiser Family Foundation, May 2020.

6 "[Industry Professionals Weigh In: Future of Healthcare Survey.](#)" Advis, June 2020.

7 Fulton, Brent D., "[Health Care Market Concentration Trends in the United States: Evidence and Policy Responses.](#)" *Health Affairs*, Sept 2017.

Beaulieu, Nancy et al. "[Changes in Quality of Care after Hospital Mergers and Acquisitions.](#)" *New England Journal of Medicine*, Jan 2020.

8 Arnold, Daniel and Christopher Whaley. "[Who Pays for Health Care Costs? The Effects of Health Care Prices on Wages.](#)" RAND Corporation Working Paper, July 2020.

9 Oregon's All Payer All Claims Database. [Presentation to the Oregon Health Policy Board by the Oregon Health Authority](#), Oct 2020.

10 Health Care Cost Institute, [Healthy Marketplace Index](#). Data from 2017, Retrieved Dec 2020.

11 O'Hanlon, Claire, et al. "[Access, Quality, And Financial Performance Of Rural Hospitals Following Health System Affiliation.](#)" *Health Affairs*, Dec 2019.

12 Solomon, Tess, Lois Uttley, Patty HasBrouck, and Yoolim Jung. "[Bigger and Bigger: The Growth of Catholic Health Systems.](#)" *Community Catalyst*, Oct 2020.

13 Ibid.

14 Kaplan, Alan and Daniel O'Neill. "[Hospital Price Discrimination Is Deepening Racial Health Inequity.](#)" *NEJM Catalyst*, Dec 2020.

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Bigger, Not Better: The High Cost of Healthcare Consolidation.***

## About Act Now for Healthy Oregon

Act Now for a Healthy Oregon is a campaign of SEIU Local 49. With caregivers and hospital workers in the lead, we're holding Oregon health systems accountable and calling for change. It's time to make our healthcare system work, for our families and our communities.