HEALTHCARE FINANCE NEWS

Blocking Hospital Mergers is Bad for Patients

May 28, 2014

The Federal Trade Commission's blocking of hospital and physician practice mergers, as a way to purportedly prevent monopolies and possible increased patient care costs, is hurting the very people the FTC claims to be helping – the patients themselves.

By making competition – which isn't always the driver of price – the only consideration, the FTC is missing the ultimate goal of quality patient care for all. Hospital mergers allow practitioners to maximize efficiency, a cost savings no amount of competition could upend. This efficiency savings is essential to maintain top-notch care.

Consider a primary service area with one or two hospitals running at barely profitable margins. The weaker institutions aren't able to rationalize excess capacity in a way required for reinvesting in upgraded services, equipment and personnel, resulting in the overall deterioration of quality patient care. Sometimes the hospital is forced to file for bankruptcy or has to close.

When hospitals close, wait times skyrocket because of pressure on the remaining institutions. Alarmingly, there's a direct correlation between the closing of a hospital and an increase in mortality rates because of increased wait times and increased apathy in seeking preventive care. When a not-for-profit hospital – the primary target of these merger denials -- shutters because the FTC makes it unable to rationalize excess capacity, the vulnerable population has nowhere to go.

For a real-world example, look no further than Poughkeepsie, N.Y., which had two hospitals, each with different specialties. The public hospital, St. Francis, was saddled with overwhelming financial burdens and looked to merge with neighboring hospital, Health Quest, to lower costs and enhance the quality of care. The FTC blocked the merger.

The result: St. Francis, $50 million in debt, filed for bankruptcy in late 2013. A Health Quest competitor bought St. Francis, satisfying the FTC's need for competition but overlooking the greater issue of an oversaturated market.

To address both, the FTC could instead regulate patient end-care costs or quality – requiring either to stay within a certain frame for however long after the merger. More simply: it could focus on the actual end goal.

Furthermore, how the FTC picks merger battles is wholly unclear.

On the one hand, it has sharpened its focus on hospital mergers, putting it at odds with the Patient Protection and Affordable Care Act, which encourages hospital to lessen healthcare costs and improve care.

Curiously, the FTC-approved merger of Southwest and AirTran has a market share equivalent to the combination of 11 not-for-profit health systems.

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