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Hospitals Merged. Quality Didn't Improve.

The quality of care at hospitals acquired during a recent wave of deal making got worse or stayed the same, new research found

By Melanie Evans | Jan. 1, 2020 5:00 pm ET

The quality of care at hospitals acquired during a recent wave of deal making got worse or stayed the same, new research found, a blow to a frequently cited rationale for tie-ups.

Hospital merger-and-acquisition activity has surged in recent years, with executives involved in transactions making the case that greater size will boost quality with new investments and yield other improvements as deal makers benefit from each others' strengths.

The new research, published in the New England Journal of Medicine, looked for evidence of quality gains using four widely used measures of performance at nearly 250 hospitals acquired in deals between 2009 and 2013.

The analysis didn't find it, said the study's authors.

"Quality didn't improve," said Harvard University research associate Nancy Beaulieu, lead author of the study. The study is one of the first large-scale efforts to examine whether hospital combinations deliver benefits to offset higher prices associated with the sector's consolidation, said health-policy experts not involved in the research.

"For the first time there is good science," said Susan Haas, a visiting scientist at Brigham and Women's Hospital and the Harvard T.H. Chan School of Public Health's innovation center Ariadne Labs, who studies risk of harm to patients from health-care transactions.

For regulators, the research offers new grounds to challenge deal makers who assert better quality will follow their transaction. Regulators can now say, "Prove it to me," Dr. Haas said.

American Hospital Association general counsel Melinda Hatton in a statement cited research the trade group sponsored by Charles River Associates that found quality improved and revenue for each admission declined in the first year after hospital transactions. Admissions reflect inpatient and outpatient care.

The question of impact has become increasingly pressing as hospital deal making soared in the past decade. Hospitals announced 90 deals in 2018, a dip from the recent high of 117 transactions the prior year, but up 80% from 50 deals in 2009, according to data from Kaufman Hall, a health-care consulting firm. Figures include joint ventures and deals for minority interest.

Prior studies have found higher prices follow mergers. Prices increased 6% after nearby hospitals merged, according to one analysis published by the Quarterly Journal of Economics in 2018. Another 2017 study found acquisitions raised prices 6% to 7% when competitors became rivals in new markets as deals expanded their geographic footprint.

Prices in the $1 trillion hospital sector face heightened scrutiny amid rising health-care costs and reports of aggressive billing practices. Anticompetitive risks from hospital merger-and-acquisition activity are also raising alarms in Washington. "I am concerned about the increasing consolidation in local markets," Alex Azar, secretary of Health and Human Services, said in an October interview.

New proposals from the Trump administration would force more price transparency from hospitals and private insurers.

Kate Bundorf, an associate professor of health policy at Stanford University who wasn't involved in the new research, said experts have questioned the benefits of deals without enough research to provide answers. "We know they have harms. We know prices go up. We don't really know what's happening to quality."

In the latest study, researchers looked at four measures of performance collected by the Centers for Medicare and Medicaid Services: patient satisfaction; deaths within a month of entering the hospital; return trips to the hospital within a month of leaving; and how often some heart, pneumonia and surgery patients got recommended care.

The study examined the average results for acquired hospitals, looking three years before and up to four years after each transaction. Researchers also compared findings to an analysis of select hospitals not involved in transactions or nearby. Combined, these methods seek to ensure results aren't skewed by other factors, such as changes in the economy, health-care policy or local patients.

The study found patient-satisfaction scores worsened at acquired hospitals, on average. The scores measure whether patients give hospitals a top rating and would give them a good recommendation. Results, which are based on patient surveys tied to payment by Medicare, also reflect if doctors and nurses communicated well and how often patients got help when they wanted it.

The drop in patient satisfaction was largely concentrated among hospitals snapped up by acquirers that already had lower patient-satisfaction scores compared with other acquirers.

Consolidation could explain the decline if deal making leaves patients with fewer options and hospitals face less pressure to compete for their business, though the study didn't measure local changes in market power post-deals, said Michael McWilliams, a Harvard University professor of health-care policy and one of the study authors.

Other results found no signs of worsening performance among local competitors of newly acquired hospitals, but also no signs of improvement. Rates of death and return trips to the hospital remained the same at acquired hospitals before and after deals, the study found.

Results were inconclusive for the study's measure of how often patients got recommended medical care, such as whether heart-attack patients got aspirin when leaving the hospital.

Performance improved at acquired hospitals—during the three-year premerger period of study. Quality didn't change after deals.