Three Detroit metro hospitals planning mega-merger

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Three hospital systems in the metro Detroit area, Beaumont Health System, Oakwood Healthcare and Botsford Hospital, are preparing to merge into a combined system, according to recent media reports. Executives from the hospitals said in a conference call last week that the deal may be ready in as little as 90 days.

The merger was unknown to the public until it was reported in the paper, indicating that the hospitals' management preferred to keep the deal under wraps as long as possible.

The merger will create a unified board of directors to oversee the network of medical facilities, which will dispose of $3.8 billion in annual revenue, 8 hospitals and some 25,000 employees. Allan Baumgarten of the Michigan Health Market Review estimated that the new hospital group would control 30 percent of health care market in Wayne, Oakland and Macomb counties.

The move is part of a wave of hospital mergers occurring nationwide. Recent months have seen large mergers being prepared in California, Connecticut, Massachusetts, Rhode Island and other states. A Booz & Company report from 2013 listed over 100 hospital mergers during the years 2012-13. Similarly, a Center for Healthcare Economics and Policy study found 551 hospital mergers between 2007-12.

Numerous expert analyses have concluded that such mergers lead to price increases for health care and insurance. The health care providers are consolidating huge monopoly chains, allowing them to raise prices, carry out mass layoffs and reduce services.

A Health Policy Commission established by MA legislature in 2012 found that efforts by Partners Healthcare to merge with South Shore Hospital would drive up health insurance costs statewide.

A Robert Wood Johnson Foundation study from 2012 concluded that, "Hospital consolidation generally results in higher prices. This is true across geographic markets and different data sources. When hospitals merge in already concentrated markets, the price increase can be dramatic, often exceeding 20 percent."

"They say all the time that prices are going to go down—but we're not seeing that and there's no national evidence to support that. It doesn't end up saving money," said Ellen Andrews, of the Connecticut Health Policy Project, speaking with the New Haven Register about the hospital merger in Connecticut.

The ongoing transformation of US hospital networks is bound up with the efforts of the capitalist class and political establishment to subordinate health care entirely to the accumulation of profit. As the big conglomerates take advantage of their monopoly position to raise the price of care, they are also slashing costs through layoffs and closure of programs. Botsford Hospital CEO Paul LaCasse acknowledged that "reducing our cost structure" was one of the "driving factors" behind the merger. Frances Padilla, president of University Health Care Foundations, told the *Register* that mergers sometimes lead hospitals to close down less profitable programs including mental health facilities.

In Detroit, this process has found expression in the sale of the Detroit Medical Center, formerly the state's largest provider of health care to uninsured residents, to the for-profit provider Vanguard Health Systems during the spring of 2010. DMC was only the latest in a string of hospitals to be transformed into for-profit entities by Vanguard.

Mike Duggan, now mayor of Detroit and previous head of the DMC, oversaw the hospital's transformation from a public institution providing services to some low-income patients, into a boutique hospital for professional athletes and other wealthy clients. Since being taken over by Vanguard, DMC has greatly boosted its profitability, largely through cost-cutting. Between 2010 and 2012, DMC generated $247 million in net income, after having produced only $247 million during the previous six years.

As part of its cost-cutting efforts, DMC carried out "an unspecified number of layoffs" with "dozens of other positions left unfilled," according to Modern Health Care. Phil Roe, former CFO of Vanguard, pegged the total job cuts at 1 percent in 2012 and 2 percent in 2013.

Hospital workers have responded to cost-cutting with militant actions, from coast to coast. In January, New York hospital workers surrounded the office of Interfaith CEO Patrick Sullivan, to demand that he rescind orders turning away ambulances from the facility, which he had issued as a money-saving measure. In May of 2013, University of California (UC) Medical Center workers struck against austerity policies, demanding better care for patients, more staff and end to the attacks on their wages, pensions and benefits.

The new merger comes as Detroit is facing a growing health emergency of alarming dimensions, with vast sections of the population unable to cover skyrocketing health care expenses without compromising other necessities. In statements to the *World Socialist Web Site*, Wayne County Department of Health and Human Services communications director Mary Mazur said, "There is a realization that a part of the population does not qualify for ACA. I have heard that just within Detroit proper this would include almost half the population."

"The difficulty many families face is that they have to choose between paying for food and utility bills or their health care needs, and they sacrifice health care," Mazur said.