

Hospital merger creates Michigan's largest chain and biggest employer

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The merger of Michigan-based Beaumont Health and Spectrum Health became official February 1, creating a new, combined organization that is both the largest hospital system and the biggest employer in the state, surpassing auto giants General Motors and Ford.

Beaumont is the fifth-largest hospital system in southeast Michigan, while Spectrum is the largest. The combined organization will temporarily be called BHSH System and will have dual corporate headquarters in Southfield, in southeast Michigan, near Detroit, and Grand Rapids, on the western side of the state.

The merged system will have combined revenue of \$12 billion, with 64,000 employees, 22 hospitals, 305 outpatient facilities and a 1.2-million-member health insurance plan, Priority Health, previously run by Spectrum.

The new chief executive is Tina Freese Decker, who has been president and CEO of Spectrum Health since September 2018. The 16-member board of directors is drawn from the boards of the separate chains, and amounts to a who's who of corporate Michigan. Among these are Doug DeVos, co-chair of Amway; Sean Welsh of PNC Bank; Julie Fream, president of the Original Equipment Suppliers Association; Ronald Hall, CEO of auto supplier Bridgewater Interiors; and a half dozen other representatives of manufacturing and financial interests.

As stipulated in the deal, Beaumont CEO John Fox, widely hated by doctors and health care workers for budget cuts, job cuts and atrocious handling of the COVID crisis, has stepped down. The financial terms of Fox's departure were not disclosed, but as Beaumont CEO he raked in \$25 million a year.

The hospital chains are non-profit in name only, but they function in a capitalist market, driven to cut costs,

raise prices and enrich their top executives. Hence the drive to merger and consolidation. The larger scale of BHSH will give the merged system greater bargaining power in negotiating higher reimbursement rates with health insurers like Blue Cross Blue Shield of Michigan, which will increase costs for patients.

Speaking to the press the day before the merger took effect, CEO Freese Decker repeated the usual corporate buzzwords about "transforming health in our communities" and bringing "innovation, creativity, humility and courage" to the industry.

Her statement that "our aim is to provide greater value" should be taken as a warning by hospital workers of future cutbacks, although she also said that there are no plans—at this time—to lay off any Beaumont or Spectrum workers or to consolidate or close any facilities. Freese Decker said that the two hospital chains have no geographically overlapping service areas, so there would be no immediate savings at the operational level.

Nonetheless, the combination of two of the largest health care systems in Michigan will inexorably increase pressure for "savings," leading to a decline in the quality of health care, an increase in patient costs and the further deepening of the attacks on health care workers that have been underway throughout the coronavirus pandemic.

Christina DePasquale, an economics professor at Emory College who has researched the impact of mergers on hospital workers, has written, "The number of RNs and LPNs clearly decreases after a true hospital merger." In a study published in 2014, DePasquale reported that RNs decreased by 12 percent and LPNs by 18 percent, and the numbers at their hospitals did not rebound over time.

Bret Jackson, president of the nonprofit Economic

Alliance for Michigan, told *Bridge Michigan* that there are many examples of mergers and acquisitions in the health care industry around the country and “it never turns out better for patients in terms of their costs.” Meanwhile, a study published by the *New England Journal of Medicine* (NEJM) in 2020 found that the quality of care at hospitals acquired during the recent wave of consolidation has gotten worse or, at best, stayed the same.

The NEJM findings were backed up by a 2020 survey of 250 hospital mergers conducted by Harvard Medical School and Harvard Business School. Analyzing variables such as 30-day readmission and mortality rates among patients discharged from a hospital, and clinical measures such as timely antibiotic treatment of patients with bacterial pneumonia, the research showed, “Consolidation did not improve hospital performance, and patient-experience scores deteriorated somewhat after the mergers.”

After previous mergers in which Beaumont absorbed smaller systems in southeast Michigan, Fox sought to merge with the much larger Illinois-based Advocate-Aurora, only to have the deal derailed by overwhelming opposition from doctors, nurses and support staff. These sentiments have only been exacerbated by the horrific conditions during the pandemic.

While workers resist, the Biden administration has greenlighted hospital mergers in general, and the Spectrum-Beaumont deal after it was announced last summer. In July, the White House issued a statement acknowledging, “hospital mergers can be harmful to patients,” and urging the US Justice Department and FTC to revise their merger guidelines. In the end, the FTC raised no objections.

Employees at the new BSHS System and hospital workers throughout the state of Michigan can only defend their rights to jobs, decent wages and working conditions and take forward the fight against the financial consolidation of the health care industry by relying on their own independent organization and strength. The health care unions are aligned with the Democrats, who are in turn tied in with the corporations and the health care executives that are pulling down multimillion dollar salaries.

The health care industry is by far the largest in Michigan, outstripping even the auto industry for which the state has long been known, with hundreds of

thousands of nurses, other skilled staff, aides and service workers, and tens of thousands of affiliated doctors. There are numerous world-class institutions with the finest medical technology.

But this vast assemblage of skilled and dedicated professionals is under the direction of a relative handful of money-grubbing parasites—hospital executives “earning” nine-figure incomes, and boards of directors representing industries that see health care as unnecessary overhead, to be reduced to the smallest amount possible.

The current consolidation of hospital systems into a small number of very large enterprises is driven by the demands of the profit system and the operation of the health care industry in the interests of the tiny financial elite that has increased its wealth enormously throughout the pandemic. This only underscores the necessity for the working class to fight for a system of socialized medicine, in which health care is provided to the population based on their needs, and not for the enrichment of the financial aristocracy.



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