

Michigan hospital merger threatens jobs and patient services

Michael Anders
23 May 2023

After University of Michigan Health System's acquisition of Sparrow Health became official last month, questions continue to mount on how the deal will impact workers and patients. While UM Health is tight-lipped on the details of this impact, the general answers to these questions are already well known.

As it always happens in mergers, UM Health will begin ruthless cost-cutting and consolidation of operations. While job cuts will begin with eliminating redundancies in business functions, this merger will mean cuts all down the line. In locations where UM Health and Sparrow each have facilities, one will close, or the two will be combined, with workers fired to avoid duplication.

Sparrow Health was already a health system in decline. Tax records from 2020 and 2021 show net operating losses of \$24 million, then \$67.7 million, while their unaudited income statement from 2022 shows a loss of \$172 million.

UM Health's decision to acquire Sparrow is not a public-spirited attempt to prop up an ailing health system. Despite its semi-public status as the medical unit of a huge state university, UM Health is behaving toward Sparrow exactly like any profit-making corporation swallowing up a smaller competitor.

When UM Health first announced the plan to acquire Sparrow in December 2022, they emphasized the prediction that this would make Michigan Medicine a \$7 billion organization.

Aside from the predicted increase in net worth, UM Health also has reason to think the merger will substantially increase their market share in the state. The industry group Michigan Health and Hospital Association (MHHA) estimated, based on 2021 data from the Michigan Inpatient Database, that UM Health's market share could increase to 11 percent.

Like any company under capitalism, UM Health's interest in Sparrow is strictly monetary.

The term "not-for-profit" does not indicate a charitable mission but merely a tax status. Brian Peters, CEO of MHHA, put this into perspective in an interview with *Bridge Michigan*. "The ultimate goal of any organization—whether it's a hospital system or any other entity in the community—is not about maintaining your independence. It's about maintaining your viability."

While UM Health has not said how it will make Sparrow "viable," the only way to realize their goals is by slashing wages, cutting jobs, combining offices and facilities, and taking advantage of the combined system's near-monopoly in much of central Michigan to raise prices. This has already begun to happen,.

One area of immediate concern is how the merger will impact Sparrow's close and longstanding relationship with Michigan State University. The Lansing-based health system is affiliated with the Colleges of Human Medicine and Osteopathic Medicine at MSU, whose main campus is at nearby East Lansing.

According to *Bridge Michigan*, MSU Health Care has 49 contracts with Sparrow that cover a variety of services. These include 90 doctors. When combined with nurses, physicians' assistants, nurse practitioners, and therapists, Sparrow employs around 300 MSU graduates.

All of Sparrow's 25 fellowship and residency programs are related to MSU, 13 of which have MSU-employed program directors. Sparrow provides opportunities for nearly 200 students from MSU's colleges of Human and Osteopathic Medicine, as well as placing 500 students per year from the College of Nursing.

Dr. Aron Sousa, dean of MSU's College of Human Medicine, made this concern clear to *Bridge Michigan*, saying that UM Health "could pick other people to do some of that [medical] work. They could decide that they're going to choose some other entity to run the stroke service or the neonatal service of the residencies."

Meanwhile, the various unions at UM Health and

Sparrow Health have not lifted a finger or sounded any warnings about the impending attacks on their members jobs and working conditions. The American Federation of Teachers and the Michigan Nurses Association represent some of the work force at UM Health, while the MNA and the United Auto Workers have members at Sparrow Health.

On a national scale, recent bitter experience shows how mergers impact the workers and patients at health systems. At a public listening session hosted by the Federal Trade Commission and Justice Department last year, workers shared their experiences.

One nurse alleged that HCA Healthcare reduced its services and staff while raising prices after acquiring Mission Health in 2019. Kelley Tyler, a nurse at Mission Hospital in Asheville, North Carolina, claimed HCA had shut down specialty clinics and raised prices by ten percent. Staff-to-patient ratios, in the meantime, increased from one-to-two to one-to-seven.

“We believe HCA uses its monopoly power over western North Carolina to get control of its healthcare system then send it back to Wall Street and its shareholders,” Tyler said. “How can a corporation be allowed to influence and control all aspects of healthcare?”

Joe Thon, a nurse at St. Joseph in Idaho, claimed that the recently formed system Scion Health had cut employee benefits for the St. Joseph Regional Medical Center. He alleged that their healthcare options were cut and premiums increased, along with cuts to sick pay and retirement benefits. The system also outsourced some of its pharmacy services, which according to Thon, increased the workload for nurses and thereby had a negative impact on patient care.

“Our hospital has lost so many employees that we have had an entire unit shut down for almost two years,” Thon said.

Workers must be aware that UM Health is deeply integrated with the apparatus of the Democratic Party. Six out of the eight members of the university’s governing body, the Board of Regents, are long-time Democratic Party members and operatives, while the other two are Republicans. All eight are chosen in statewide elections, two each even-numbered year, from slates chosen by the two parties. Workers struggles at UM Health will confront opposition from both big business parties of the capitalist system.

The acquisition of Sparrow is just one of many examples of hospital consolidation in recent years. It

comes just over a year after Michigan-based health systems Spectrum and Beaumont Health combined to form Corewell Health. With a combined revenue of \$12 billion, Corewell is the largest health system—and the largest employer—in the state.

At the same time, the phenomenon of hospital consolidation goes well beyond Michigan. An article in *Becker’s Hospital Review* by Alan Condon documented just twelve of the larger mergers and acquisitions realized or announced in 2022. Along with UM Health’s acquisition of Sparrow, Condon details a merger of nationwide health systems Atrium and Advocate Aurora Health combining to form a \$27 billion organization, making it the fifth largest nonprofit health system in the country.

One can see the full magnitude of consolidation in the past twenty-five years in a recent study by Zack Cooper of Yale University and Martin Gaynor from Carnegie Mellon University, published on *One Percent Steps*. They include a graphic showing data from the American Hospital Association which reveals well over 1,500 mergers, affecting thousands of hospitals, just between 1998 and 2017.

At the same time, despite incessant claims that hospital consolidation lowers costs and improves quality of care, Cooper and Gaynor’s research shows that price increases are exorbitant. They cite ten examples of studies which found price increases of more than twenty percent, while other studies found increases of twenty to fifty percent. They also cite a 2020 study which found that, despite the rise in prices, there were no substantive increases in the quality of care.

Hospital consolidation leads to giant, multi-billion dollar health systems operating around the country. These ever-larger companies have a well-developed strategy of increasing profitability at the expense of the working class. The workers confronted by these systems must unite with their fellow workers around the country to develop their own independent strategy to fight back.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact