



Hospital Mergers Affect Consumers: Higher Premium Costs, More Uninsured

Examining the effect of hospital mergers on HMO hospital costs and premiums, 1995-2001

SUMMARY

In this 2004 to 2005 project, Robert J. Town, PhD, and a team of researchers from the University of Minnesota and the University of Pennsylvania analyzed the relationship between managed care and hospital consolidation and the impact of hospital consolidation on consumers.

This project was part of the Robert Wood Johnson Foundation (RWJF) national program *Changes in Health Care Financing and Organization* (HCFO) (for more information see [Program Results](#)). HCFO supports policy analysis, research, evaluation and demonstration projects that provide public and private decision leaders with usable and timely information on health care policy and financing issues.

Key Findings

The researchers reported the following in the findings brief:

- The proliferation of health maintenance organizations (HMOs) has very little connection with the increase in hospital consolidation.
- Hospital consolidation impacts consumers by increasing both HMO premiums in the most competitive markets and the number of uninsured.

Funding

RWJF provided a \$99,471 grant for this project from 2004 to 2005.

THE PROJECT

The 1990s saw an increase in both hospital mergers and HMO expansion. In this 2004 to 2005 project, Robert J. Town, PhD, and a team of researchers from the University of Minnesota and the University of Pennsylvania conducted two related analyses, examining:

- The relationship between managed care and hospital consolidation.
- The impact of hospital consolidation on consumers.

Examining the period 1990–2003, the researchers used survey data from multiple sources: the American Hospital Association, the federal Current Population Survey, the InterStudy HMO Census (1985–2001) and the Group Health Association's directories of American HMOs. The researchers used financial data on commercial premiums from annual reports filed with state insurance regulators and analyzed hospital mergers, acquisitions and expansions geographically.

In addition to the HCFO findings brief, the researchers published two articles with project findings in *Health Affairs* and *Health Services Research* and were working on a third article (as of April 2008). See the [Bibliography](#) for details.

FINDINGS

The researchers reported the following in the May 2006 Findings Brief, *Hospital Consolidation: Investigating Causes and Consequences*:

- **The proliferation of HMOs had very little connection with the increase in hospital consolidation.**
- **Hospital consolidation impacts consumers by increasing both HMO premiums in the most competitive markets and the number of uninsured:**
 - Health insurance premiums were an estimated 3.2 percent higher than they would have been without a merger. For the most competitive HMO markets, premiums were 5.3 percent higher after consolidation.
 - Due to premium increases resulting from hospital mergers:
 - In 2003, an estimated 695,000 people left the insurance rolls.
 - From 1990 to 2003, 5.8 million people were unable or unwilling to purchase private health insurance.
 - The vast majority of people who leave private health insurance became uninsured:
 - In 2003, approximately 650,000 people had no health insurance due to hospital consolidations.

- Between 1990 and 2003, an estimated 5.5 million people were without insurance as a result of hospital mergers.
- Hospital consolidations appear to contribute to racial and economic health care disparities, impacting non-whites and the poor more than whites and people with incomes above \$60,000.
- **In markets without strong HMO competition, hospital mergers did not affect the amount of private health insurance coverage or the number of people without insurance.**

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Grant ID # 50491

Program area: Coverage

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