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Potential Effects of Rural Hospital Affiliation with a Health Network

The post-Affordable Care Act healthcare landscape has seen a strong trend towards health system consolidation[1]. Large health networks have acquired other hospitals with the objective of increasing market share and referral base, streamlining administrative functions, and advancing a mission of strengthening the health of communities within their region[1]. Many acquired hospitals pursue affiliation because they lack access to capital for much needed infrastructure, technology, and capital improvement projects, because they are in financial distress and at risk of outright closure, to gain access to clinical and administrative technology, to benefit from economies of scale, and to achieve standardization in clinical processes[1,2].

History has shown that acquired hospitals and their communities experience a variety of positive and negative effects related to their affiliation with a health network. Although mergers are typically pursued with positive intentions and with outcomes and efficiencies in mind, the unique challenges of the rural hospital environment can result in unanticipated and even unfavorable effects.

Hospital closures

- Some hospitals choose to affiliate with a larger system to avoid closure. Hospitals that were already at high risk of closure may be stabilized by this affiliation. Hospital systems that were not financially distressed experienced an increased likelihood of closure post-affiliation[3,4].
- For rural hospitals on the brink of closure, merging with a larger, stable hospital system can avert a more disastrous outcome and can help to sustain access to the most needed healthcare services such as emergency and primary care.

Financial effects

- Rural hospital affiliation with a larger health network is shown to result in significantly increased operating margins, mostly as a result of decreased operating costs[2]. One report claims a 2.5% reduction in operating expense per admission while also finding reduced net patient revenue per admission (which translates to lower patient costs)[5].
- Hospital mergers lead to increased prices for patients and insurance providers due to decreased competition and increased market power[7–9].
- Large decreases in utilization are seen in the rural hospital following affiliation. Admissions, emergency department visits, and non-emergency outpatient visits (and their associated revenues) all see a significant reduction[2,6]. This may be the result ofpatients voluntarily bypassing the rural hospital in favor of the more distant hospital referral center.

Availability of services

- System affiliation leads to a significant decrease in locally provided health services, such as laboratory and radiology diagnostic technologies, obstetric services, and primary care departments[2]. Diagnostic technologies typically generate substantial revenue for a hospital, so the loss of these services hits a community from both an access and a financial perspective.
- Key health care services for women, such as obstetrics and gynecology, are often costly to maintain and become the first to be cut. As these services become more difficult to access due to distance and transportation barriers, women delay or forego care[10].

- The reduction or elimination of obstetric services has an impact on the viability of anesthesia services within a region, which in turn impacts the availability of surgical services.
- Decisions to discontinue local services or even to close the local hospital are often made centrally by the health network rather than the rural hospital. These decisions are often made to achieve goals of profit maximization and cost containment[10], not to meet local health needs.

Health care providers

- Hospital mergers have the potential to improve recruitment and retention of health providers[5].
- Research has shown that surgical staff decreases in the years leading up to hospital closure[11]; however, this does not imply that loss of surgical staff causes hospital closure. A decrease in surgical services and related revenue can compromise a hospital's financial position.

Quality of Care and Patient Outcomes

- The effects of mergers on quality outcomes are mixed and can change over time.
- Two recent studies showed that hospitals that were acquired experienced a decline in patient experience[2,12].
- No significant changes – neither improvement nor decline – were seen in 30 day readmission rates or 30 day mortality[5,12] for a range of conditions.
- Consolidation that reduces competition may lead to worse quality of care[9]; however, many rural areas already do not experience these benefits of competition.

Community Impacts

- Rural hospitals are an important source of a wide range of employment opportunities for their communities. Hospital consolidation results in employers having increased power in negotiating wages and working conditions. Increasing the scarcity of local jobs allows employers to bargain down wages and provide less favorable working conditions[10].
- Hospital affiliation also leads to increased outsourcing of work. As administrative functions become centralized within the parent organization, non-professional jobs are lost from the local rural economy. As clinical services are closed in the local rural hospital, the associated clinical positions are also lost[10].

The decision to affiliate with a larger health network is a complicated one and the real and potential effects are varied. A recent presidential executive order increases scrutiny for hospital mergers which leave rural communities with "inadequate or more expensive healthcare options"[13]. Although benefits may be realized by some acquired hospitals and their communities, there remains a real concern that health network affiliation may lead to a **net reduction in access to care** in rural areas[2]. To mitigate current and future negative effects of health system affiliation, local health managers must advocate for and optimize programs that **increase access to care**:

- Provide support for **telemedicine** to reduce the need for care-related travel
- Enhance **emergency and non-emergency transport services** to access distant care
- Foster a tight **integration and collaboration** between **local primary care and distant specialty care** providers
- Establish **efficient clinical pathways** that **expedite the transfer** of patients into any higher-level care facilities
- Identify the **local strengths and assets that contribute to individual and community health defending and protecting** those local institutions, and **leveraging those strengths** to solve local health challenges

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