Will hospital deal benefit biz?

Beaumont-HFHS merger effect unclear

BY JAY GREENE
CRAIN’S DETROIT BUSINESS

The merger, announced last week, would create Southeast Michigan’s largest system, with eight hospitals, 5,600 beds, 42,000 employees and $6.4 billion in annual revenue. Some experts told Crain’s that savings from the economies of scale and efficiencies created would take pressure off the new system to use its 35 percent to 40 percent market share to negotiate higher prices with health insurers.

Others think a Henry Ford-Beaumont system would be able to extract 1 percent to 2 percent increases from payers above what they normally would be able to do as independent organizations.

For example, last year Beaumont balked at a 5 percent price increase offer over five years in a contract with Blue Care Network. Beaumont wanted a 9 percent increase but likely settled earlier this year for something in between.

All hospitals in Michigan, including Beaumont, receive annual base pay increases of 2.6 percent from Blue Cross Blue Shield of Michigan as part of a master service agreement.

Andy Hetzel, Blue Cross vice president of corporate communications, declined to comment on the proposed merger or impact on Beaumont.
Merger: Systems could save: could employ, consumers, care

By Jay Greene

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Much will change, but systems will keep own names

By Brian Connolly

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What is driving this merger will be the need to be more viable in the evolving landscape?”

Carey Kalmowitz, The Health Law Partners

“We hope sharing services leads to better quality, lower costs and fewer procedures done,” Jackson said.

For example, Jackson said Henry Ford’s “Always wanted open heart and elective angioplasty services at Henry Ford West Bloomfield Hospital.”

“Now they will have Beaumont right down the road with one of the highest quality heart care services,” in Michigan, Jackson said.

“With the need to be more viable in the evolving landscape of health care, we need to be a larger network of physicians, we have a mechanism in place to bring in specialists and whenever changes are made in whatever direction health care reimbursement takes.”

Maryland Community

In the near term, Kalmowitz said, the merger of Henry Ford and Beaumont will position the new organization to extract more favorable prices from payers.

“Also you are in a better position to withstand contract reimbursement pressures that other smaller hospitals systems,” said.

Over the long term, Kalmowitz said a fully merged Henry Ford-Baumont health system will be able to accept risk contracts with Medicare as accountable-care organizations and have enough size to contract with employer groups such as the UAW Retiree Medical Benefits Trust and BEBA Trust.

Patricia Maryland, CEO of War- ren-based John St. Joseph, said she wasn’t surprised Henry Ford and Beaumont came together.

“Providing high-quality care is priority for all,” Maryland said. “I hope this merger will increase access to care.”

Maryland added that Henry Ford and Beaumont “are following in our footsteps” in merging their organizations because as a health care provider, Michigan has been consolidating its five operating units since 2008.

“We have been breaking down those silos to coordinate care,” renegotiating group contracts and consolidating, said Maryland, adding, “We have saved $100 million in the last two years.

Brian Connolly, CEO of Dearborn-based Oakwood, said the Beaumont-Henry Ford combination may allow Oakwood to reassess how the market could change if the merger is completed.

But he said Oakwood plans to continue to focus on improving pa- tient care and implementing its strategic plans.

“As Henry Ford and Beaumont are going through this very, very complicated exercise, there will be opportunities for Oakwood to focus on our programs and services,” Con- nolly said.

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