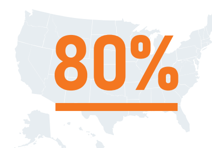
California Hospital Association

Health Care Partnerships Benefit Patients, Communities

The Issue

In the wake of the COVID-19 pandemic and other forces that are reshaping the delivery of health care, partnerships among hospitals and health systems have taken on new importance in protecting and improving the quality of care as well as access to care in communities throughout California.



percent of U.S. states with highest levels of integration where employer-sponsored individual health care premiums are below the national average.

Hospital partnerships can take many forms — including affiliations, mergers, or acquisitions. Whatever the structure, the ability of hospitals and other providers to work together more closely brings many benefits to patients and communities. For example, patients who need specialized care such as cancer treatment, cardiac care, or organ transplants often can receive that care closer to home when doctors, hospitals, and caregivers are part of an integrated delivery system.

In some communities, the ability of local hospitals to partner with larger systems may be the best hope for keeping hospitals open and available to everyone. One recent example is the affiliation between Mendocino Coast District Hospital (a 25-bed critical access hospital located on the Northern California coast that was facing a rocky financial future) and Adventist Health, (a multi-state hospital system with expertise in operating small, rural hospitals). In 2020, Mendocino voters overwhelmingly approved an affiliation with Adventist Health. As a result, the Mendocino hospital not only remains open, but has expanded its patient care services through the addition of 32 newly recruited doctors in such specialties as orthopedics, gastrointestinal care, and cardiac services.

According to a 2021 report by the national consulting firm Kaufman Hall, 72% of California hospitals have already partnered with larger health care systems. That number is likely to grow over the next few years as many health care organizations attempt to survive the devastating, long-term financial and workforce impacts of the pandemic. California hospitals lost more than $8 billion in 2020 due to the pandemic, even after federal financial relief. And the pandemic losses continued to mount in 2021, with hospitals in the Golden State losing an estimated $2 billion more last year.

Many financially struggling hospitals are only open today because they have partnered with integrated systems.

The pandemic also has highlighted the essential role that hospital partnerships can play in managing scarce resources amid a public health crisis. Integrated systems have been able to seamlessly shift supplies and staffing to areas hard hit by COVID-19. And, in an example cited in the Kaufman Hall report, hospitals that have integrated with academic medical centers have been able to bring new COVID-19 treatment protocols and vaccine trials to their patients.

The pandemic is not the only driving force behind the growth of integrated systems. Changing demographics, innovations in care delivery such as telehealth and home health monitoring, and the emergence of non-traditional care providers such as CVS Health, Wal-Mart, and tech-focused start-up companies are all influencing how and where consumers receive care. While these advancements bring new opportunities to patients and communities, they also challenge the financial sustainability of vital health care organizations. The ability for hospitals to partner with larger systems is key to ensuring hospitals remain viable during these rapidly evolving market conditions.

What's Needed

First, it's critical that legislators and other policymakers base their views of health care partnerships on facts rather than misinformation. For example, one misunderstood aspect of integrated systems is the **incorrect assertion** by some researchers that **hospital integration automatically leads to higher health care costs**. The Kaufman Hall report refutes this argument, stating **"there is no apparent correlation between higher levels of integration and lower levels of affordability for consumers."** In fact, according to the report, "**consumers in more highly integrated states may have more affordable insurance premiums and lower per capita health care expenditures**."

This finding is supported by data. According to a report by the California Health Care Foundation, per-capita health care spending in California is $7,549, more than 6% below the national average of $8,045. California is considered by experts to be in an "enviable position" when it comes to having a lower total cost of care in comparison with nationwide averages.

Second, the ability for hospitals to form these beneficial partnerships must be preserved. According to the Kaufman Hall report, "hospitals and health systems must have flexibility as they continue to adapt to the growing complexities of the healthcare landscape." As health care organizations navigate the long-term impacts of the pandemic on their finances and their workforce, the ability to partner with other providers will be essential to ensuring that patients and communities continue to have access to high-quality care whenever they need it.