

Key Messages

Health Care Partnerships Benefit Patients, Communities

1) When hospitals partner, access to vital health care services is preserved and improved for patients and communities.

- In the wake of the COVID-19 pandemic and other transformative forces that are reshaping the delivery of care, the ability of local hospitals to partner with larger integrated systems may be the best hope for keeping hospitals open and available to everyone.
- In one recent example, the affiliation between Mendocino Coast District Hospital (a small hospital on the Northern California coast that was facing a rocky financial future) and Adventist Health (a multi-state health system with expertise in operating small, rural hospitals) has resulted in the Mendocino hospital not only remaining open, but in expanding its patient care services through the addition of 32 newly recruited doctors in such specialties as orthopedics, gastrointestinal care, and cardiac services.
- In another example, St. Louise Regional Hospital in Gilroy and O'Connor Hospital in San Jose were saved from outright closure because of their previous owner's bankruptcy by affiliating with nearby, publicly owned Santa Clara Valley Health and Hospital System. That partnership has kept access to critical emergency care and other hospital services available in these communities.
- And patients who need specialized care such as cancer treatment, rehab services, cardiac care, or organ transplants often can be treated closer to home thanks to integrated partnerships between hospitals, doctors, and other caregivers making these advanced services available in local communities.

2) Hospital and health system partnerships are — and will continue to be — an essential tool for many organizations as they attempt to survive the devastating impacts of the pandemic and evolving market forces.

- 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 health care systems.
- A 2021 [report](#) by national consulting firm Kaufman Hall shows 72% of community hospitals in California have partnered with larger health care systems (nationally, 67% of community hospitals are part of integrated 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.

- 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, Walmart, and tech-focused start-up companies are all influencing how and where consumers receive care.
- While these advancements bring new opportunities for patients and communities, they also challenge the financial sustainability of many 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.

3) The COVID-19 pandemic has demonstrated that integrated health systems save lives during the worst of a crisis.

- The pandemic has made clear 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.
- According to the Kaufman Hall report, “Hospitals that had integrated with academic medical centers ... cited their ability to participate in treatment and vaccine trials and to have access to the latest care protocols in treating hospitalized COVID-19 patients as real benefits to the health of the patients and communities they serve.”
- In a March 2021 article in the journal *Health Affairs*, respected futurists Jeff Goldsmith and Ian Morrison noted the sophisticated IT infrastructures and wide geographic reach of multi-hospital systems have made a “decisive difference” in these organizations’ abilities to respond to the pandemic.

4) Policy decisions on health care partnerships must be based on facts, not misinformation.

- A misunderstood aspect of hospital partnerships is the incorrect assertion by some researchers that hospital integration automatically leads to higher health care costs. The Kaufman Hall report refutes that 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.**”
- The findings in the Kaufman Hall report are supported by data. California is in an “enviable position” when it comes to having a lower total cost of care in comparison with nationwide averages.
- Figures from the California Health Care Foundation show per-capita health care spending in California (\$7,549) is more than 6% below the national average of \$8,045.
- According to [state data](#) from the Kaiser Family Foundation, in almost 80% of the most integrated states — including California — the average total annual premium costs for an employer-sponsored single individual health plan were *below* the national average in 2019.
- As noted in the Kaufman Hall report, “hospitals and health systems must have flexibility as they continue to adapt to the growing complexities of the healthcare landscape.” The ability for hospitals to form these beneficial partnerships must be preserved.