

RLI Power Hour Webinar

Hospital Mergers & Consolidating Radiology

Andy K. Moriarity, MD
@andykmoriarity

25 August 2021



College of Human Medicine
MICHIGAN STATE UNIVERSITY

aetnaSM

Anthem[®] 

 Cigna[®]

MetLife[®]

Humana[®]

AARP[®]

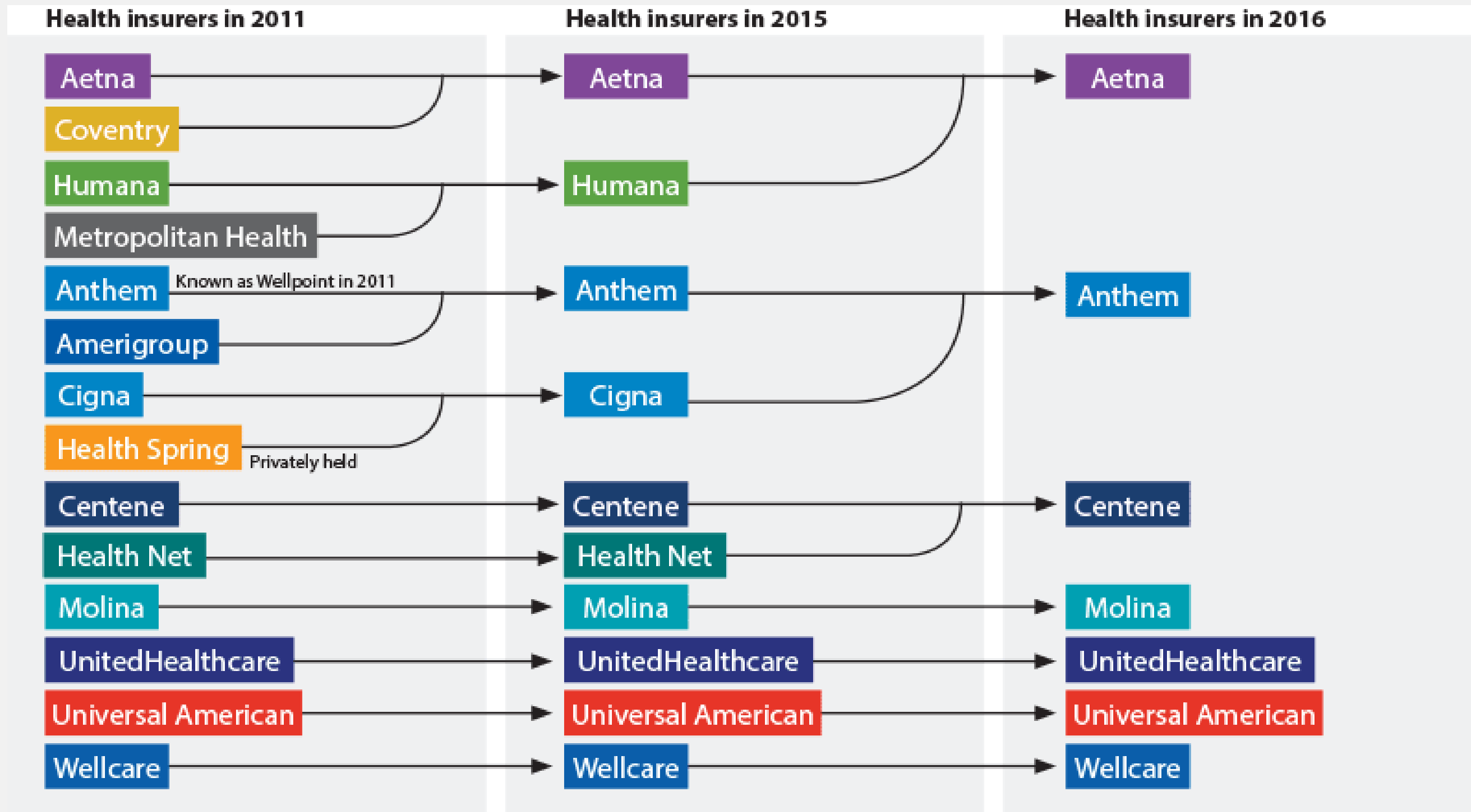
 ASSURANT

PROGRESSIVE[®]

 USAA[®]

 KAISER PERMANENTE[®]

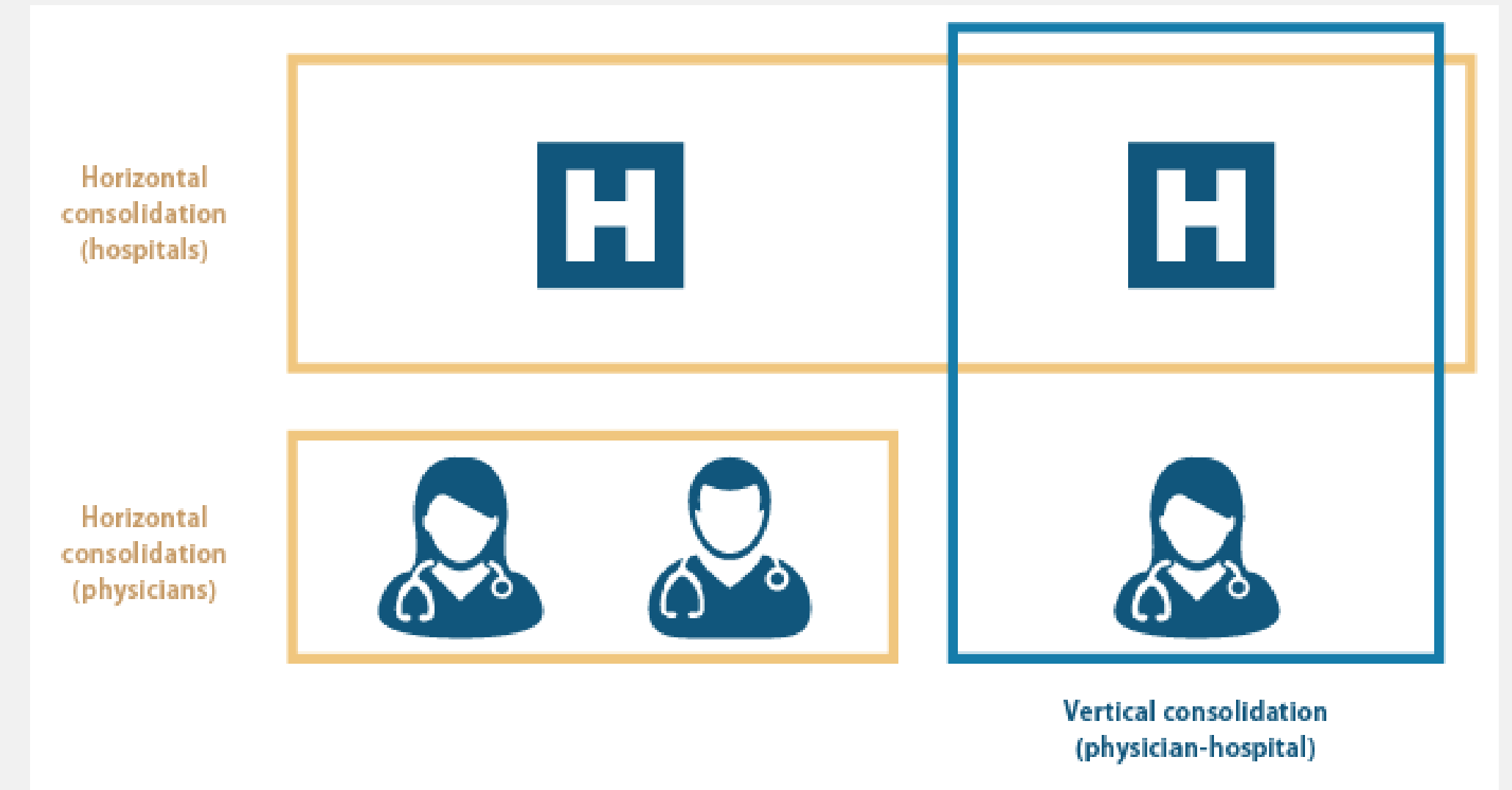
UnitedHealthcare[®]



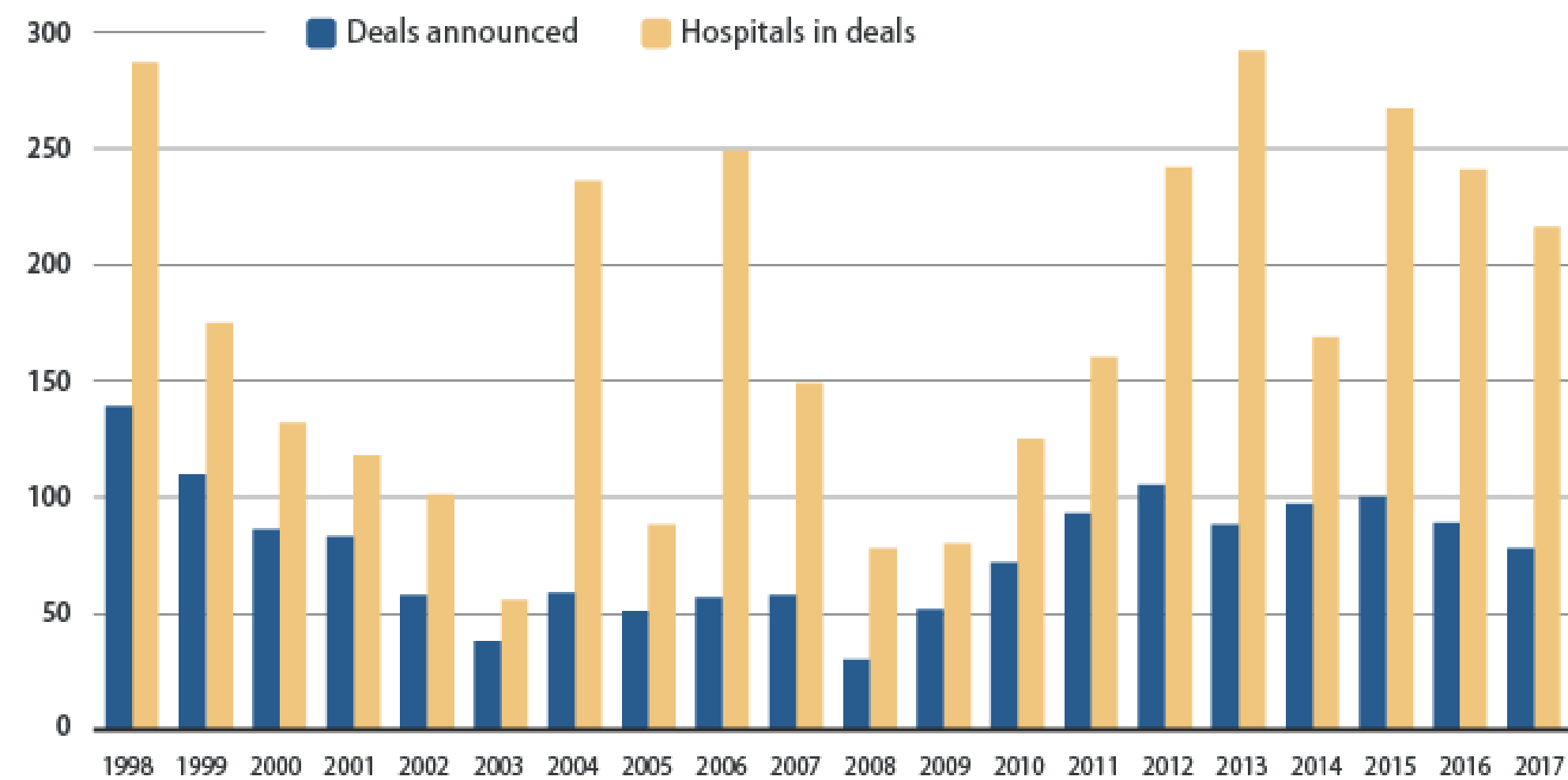
Insurer	 UnitedHealthcare	 aetna®	 Humana.	 Cigna.
PBM	 OPTUMRx®	 CVS caremark®	 Humana Pharmacy Solutions.	 EXPRESS SCRIPTS®
Pharmacy	 briovax®	 CVS pharmacy	 Humana Pharmacy Solutions.	 accredo. <small>a medco company</small>
Provider	 OPTUMCare®	 minute clinic	 Kindred at Home Hospice	

Consolidation

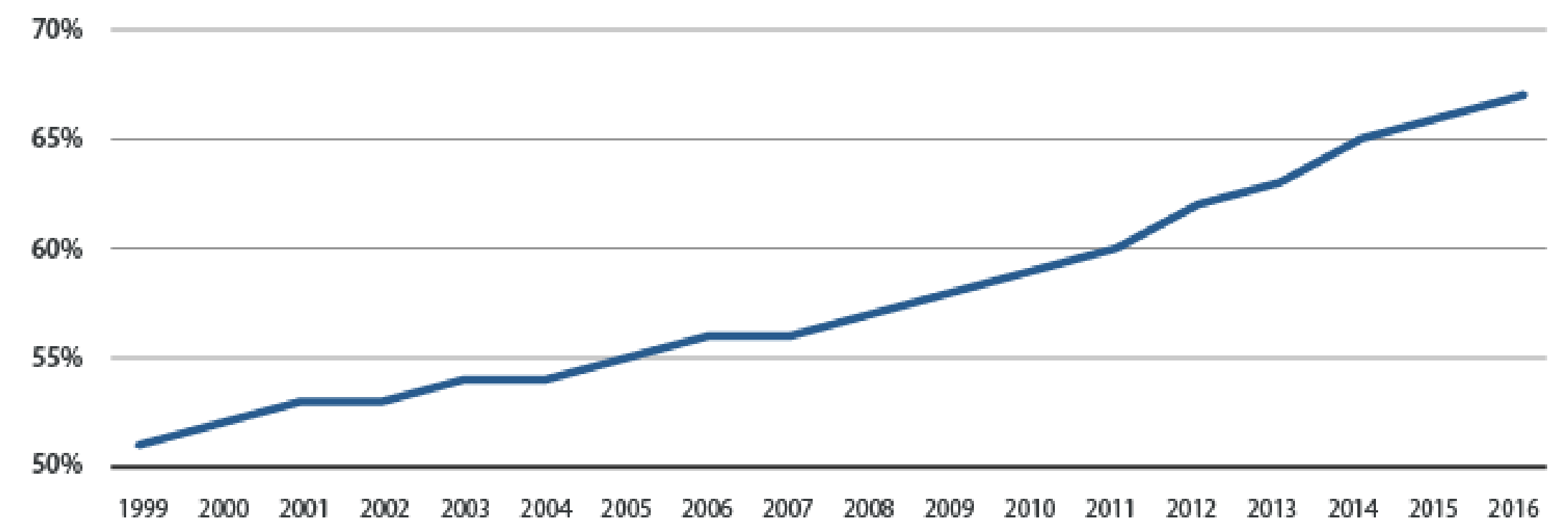
- Horizontal hospital consolidation
- Horizontal physician consolidation
- Vertical consolidation
- Consolidation vs Medicare



Hospital consolidation shows no signs of slowing
Number of announced hospital mergers and acquisitions, 1998–2017

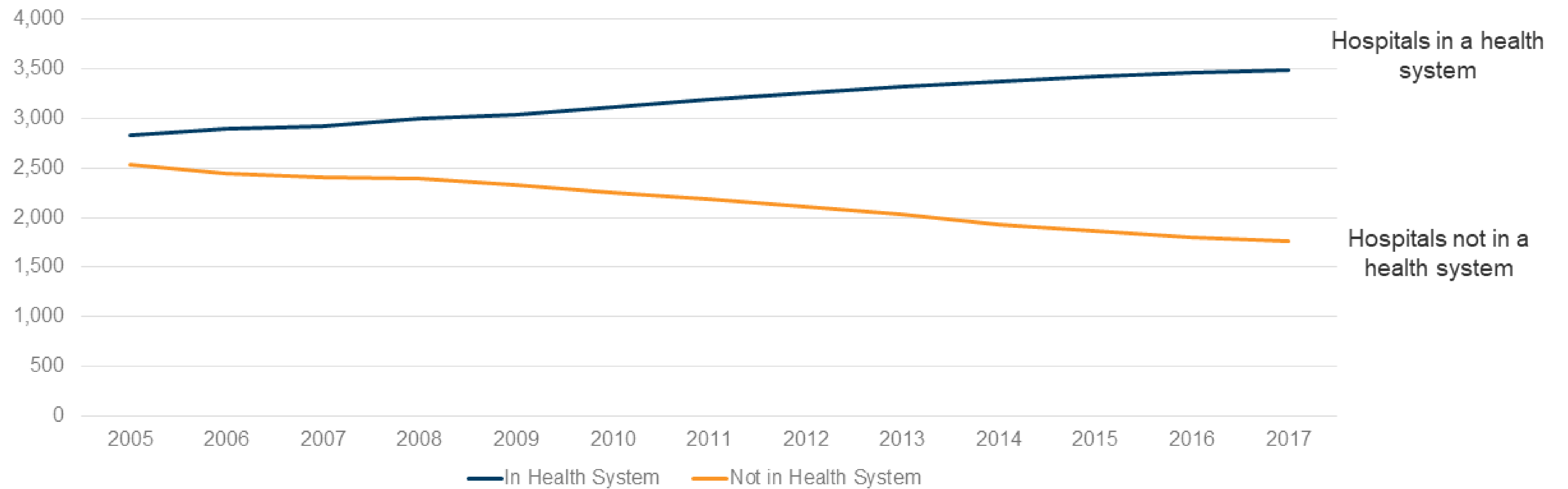


Fewer hospitals are independent of health systems
Percent of community hospitals belonging to health systems, 1999–2016

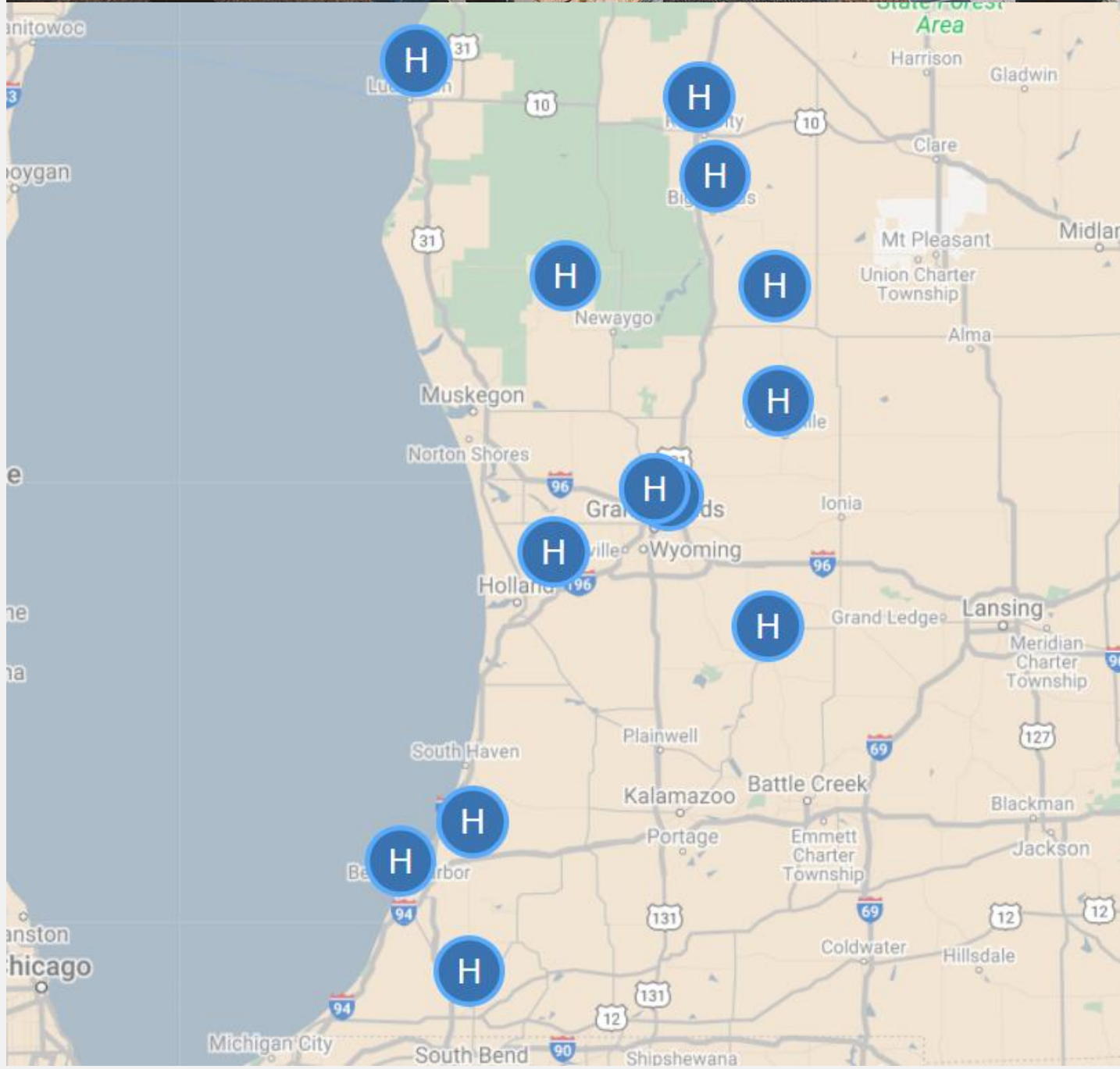


The Number of Hospitals that Are Part of Hospital Systems Increased from 2005 to 2017






Number of Hospitals in Health Systems, 2005-2017



Consolidation



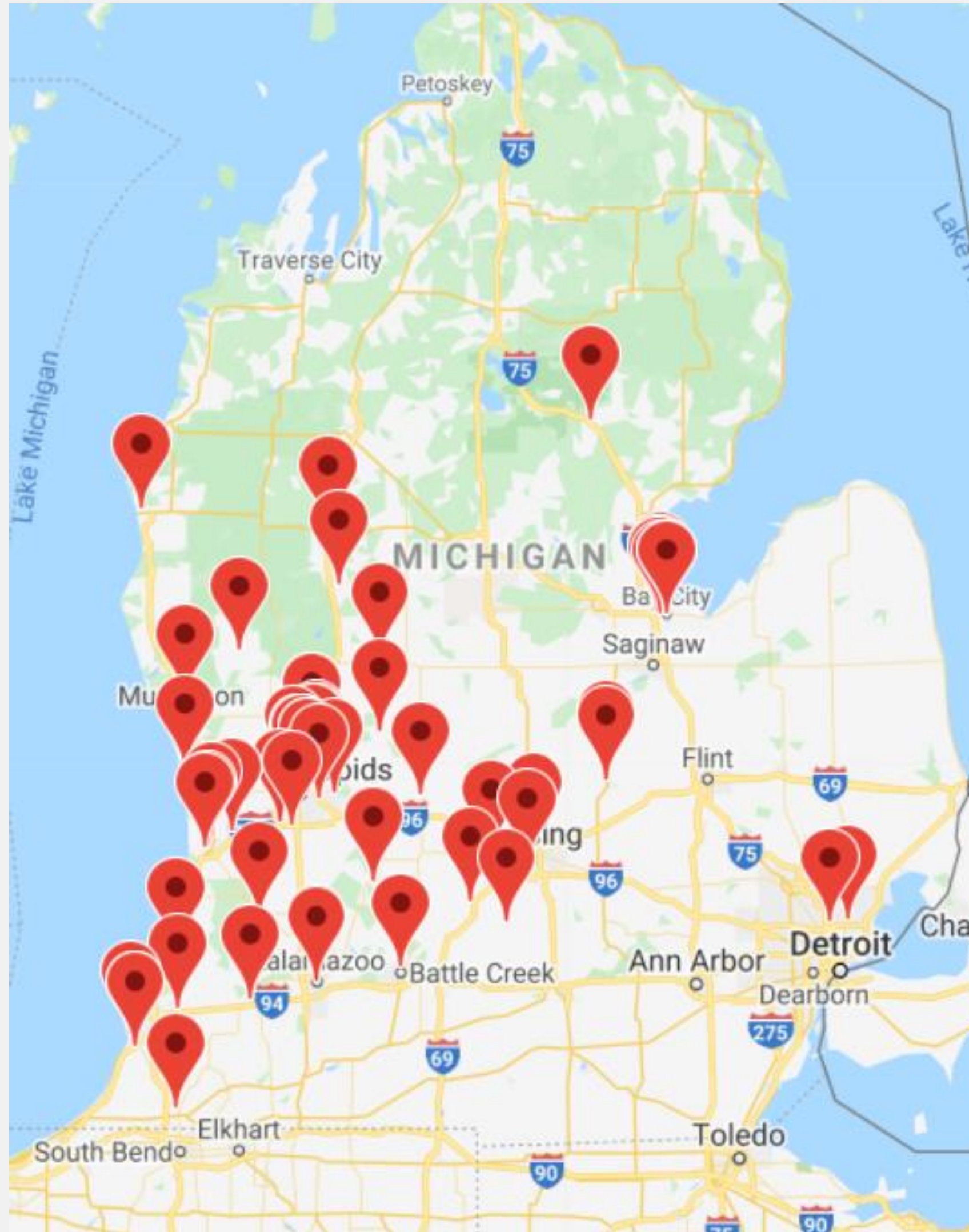
Improve health, inspire hope and save lives™

 <p>31,000 Team Members</p>	 <p>\$8.3 Billion Enterprise*</p>	 <p>\$542 Million Community Benefit*</p>	 <p>\$30 Million Philanthropy*</p>	 <p>2,300 Volunteers*</p>
 <p>4,700 Physicians and Advanced Practice Providers (employed and independent)</p>	 <p>14 Hospitals</p>	 <p>150 Ambulatory Sites</p>	 <p>219,000 Virtual Video Visits*</p>	
 <p>1 Million+ Members Served by our Health Plan</p>	 <p>7,000+ Employers Contracted by Priority Health</p>	 <p>97% Michigan Primary Care Doctors in Network</p>	 <p>\$100 Million Venture Capital Fund</p>	

*Jan. 1 to Dec. 31, 2020
3.22.2021



Consolidation



MSUTODAY

May 7, 2019

MSU Health Care and Advanced Radiology Services form first joint venture

MSU Health Care and Advanced Radiology Services, P.C., have formed a joint venture to provide exclusive reading services for MRI's and other medical imaging to McLaren Greater Lansing, including the new McLaren Hospital.

The joint venture will form a new for-profit, limited-liability company named Spartan Radiology. MSU Health Care and ARS will each control 50% of the new company.

"The joint venture with ARS is another important step in MSU's journey to become a national model for quality, safety and innovation in health care," Interim President Satish Udpa said. "Joint ventures like this will help revolutionize how health care is delivered to the local community and beyond."

February 18, 2020

Private Equity Acquisitions of Physician Medical Groups Across Specialties, 2013-2016

Jane M. Zhu, MD, MPP, MSHP¹; Lynn M. Hua, BA²; Daniel Polsky, PhD, MPP³

» Author Affiliations | Article Information

JAMA. 2020;323(7):663-665. doi:10.1001/jama.2019.21844

- Anesthesiology (19.4%)
- Multispecialty (19.4%)
- Emergency medicine (12.1%)
- Family practice (11.0%)
- Dermatology (9.9%)
- 2015-16: Increased activity in cardiology, ophthalmology, radiology, & obstetrics/gynecology

Table 1. Characteristics of Physician Medical Groups Acquired 2013-2016 (N = 355)

Characteristic	Total
Acquired by private equity group	
No. of practices	355
No. of sites	1426
No. of physicians ^a	5714
Physicians per practice, mean (SD) [median]	16.3 (26.3) [7]
Sites per practice, mean (SD) [median]	4.0 (7.8) [1]
Physicians per site, mean (SD) [median]	6.2 (12.7) [2]
Practice accepts new patients, No. (%)	289 (81.4)
Practice accepts Medicare, No. (%)	296 (83.4)
Practice accepts Medicaid, No. (%)	214 (60.3)
Location of practice by US region, No. (%) ^b	
South	184 (43.9)
Midwest	90 (21.5)
Northeast	69 (16.5)
West	76 (18.1)

Report of the SI2025 Task Force

2025 Projected View

With the continued emergence of new technologies and the evolution of health care delivery models, there are increasingly blurred lines between physicians' roles and responsibilities and those of other health care professionals.

Health care (including rural health care) is often delivered at a distance, using remote technology and teams of other health care professionals with physician oversight.

A small number of large health care organizations will oversee the health care of an increasing proportion of the US population.

2025 Projected View

Physicians are increasingly evaluated on their ability to provide efficient and cost-efficient health care.

Health care structure is increasingly based on the service line and the delivery model. Bundled, global, and capitated payments within the context of pay-for-performance are increasingly the most common forms of financing care.

Almost all physicians are employed by health systems and health care organizations. Few physicians remain in private practice and even fewer seek to establish new private practices due to operational complexity.

An increasing number of health care services are bundled and/or commoditized.

Report of the SI2025 Task Force



2025 Projected View

Physicians are increasingly evaluated on their ability to provide efficient and cost-efficient health care.

“The evolution of health care will increase in complexity and pace during the next decade due to driving forces such as democratization, **commoditization, & corporatization.**”

health care professionals with physician oversight.

A small number of large health care organizations will oversee the health care of an increasing proportion of the US population.

private practices due to operational complexity.

An increasing number of health care services are bundled and/or commoditized.

- “If nothing else, PPMs will be remembered years from now for their sheer destructiveness.”
- “The reasons for the emergence of this industry haven't disappeared. Doctors need capital and business discipline.”

“You can't abdicate business decisions.”

Physician Practice Management Companies... Going...Going...

March 5, 2001



Companies that bought practices in the mid-90s are mostly out of gas or running on empty. But what about the new, "compact" models hitting the market?

PPMs: Going . . . going . . .

Jump to:	Choose article section... Why PPMs soared, only to crash and burn Single-specialty PPMs: The track record is mixed Multispecialty PPMs: still trying to get it right Do you really need help from a PPM?
----------	--

Companies that bought practices in the mid-'90s are mostly out of gas or running on empty. But what about the new, "compact" models hitting the market?

By Robert Lowes
Midwest Editor

An 80-doctor group practice in Pittsfield, MA, disbanded last fall—one more gravestone in the physician practice management cemetery.

Though dead, Berkshire Physicians & Surgeons isn't resting in peace. ProMedCo Management, the PPM that bought the practice in 1998, has sued five doctors, claiming that they owe \$1.9 million in penalties for leaving prematurely. Another departing doctor, FP Steven Myers, couldn't cough up the \$120,000 demanded of him if he wanted to continue practicing in Pittsfield. So he's moving to North Carolina. Meanwhile, ProMedCo stock was trading about 10 cents a share in February, down from \$16 in 1998.

Not much has changed with the PPM industry since it imploded in 1998, wreaking financial havoc on thousands of doctors. The disasters just keep coming. Elsewhere in 2000, KPC Global Care, which took over the California physician network of MedPartners, went bankrupt. The 79-year-old Nalle Clinic in Charlotte, NC, folded under PhyCor, which hopes to unload its remaining clinics in 2001. Other venerable groups that died after a PPM buyout include Thomas-Davis Medical Centers in Tucson, founded in 1920 and acquired by now-defunct FPA Medical Management, and the Burns Clinic in Petoskey, MI, a PhyCor pickup founded in 1931. If nothing else, PPMs will be remembered years from now for their sheer destructiveness.

Current trends

- Beyond radiology, physician practices across much of medicine have been consolidating for many years [1,2]
- Vertical integration, the purchase of physician practices by hospitals and hospital systems, has been occurring for well over a decade [3]
- Insurance company consolidation and growth via mergers and acquisitions have also been going on for many years [4]
- Such activity is not limited to the private sector, with academic centers also taking part in similar integration [5]
- Consolidation is part of a general evolution of the health care ecosystem. Physician practices, including radiology groups, are a part of that ecosystem



1: [10.1377/hlthaff.2016.0130](https://doi.org/10.1377/hlthaff.2016.0130)

2: [10.1377/hlthaff.2017.0556](https://doi.org/10.1377/hlthaff.2017.0556)

3: [10.1377/hlthaff.2017.1520](https://doi.org/10.1377/hlthaff.2017.1520)

4: binsights.com/research/health-insurance-consolidation

5: news.emory.edu/stories/2018/09/ehc_dekalb_medical_celebrations_signage_unveils/index.html

pixabay.com/photos/stairway-staircase-stairs-outdoors-828883/

The 50 Largest Private Radiology Practices

Cheryl Proval | November 29, 2010 | Business Intelligence



The Radiology 100: Grows Upward

Cheryl Proval | Experience Stories

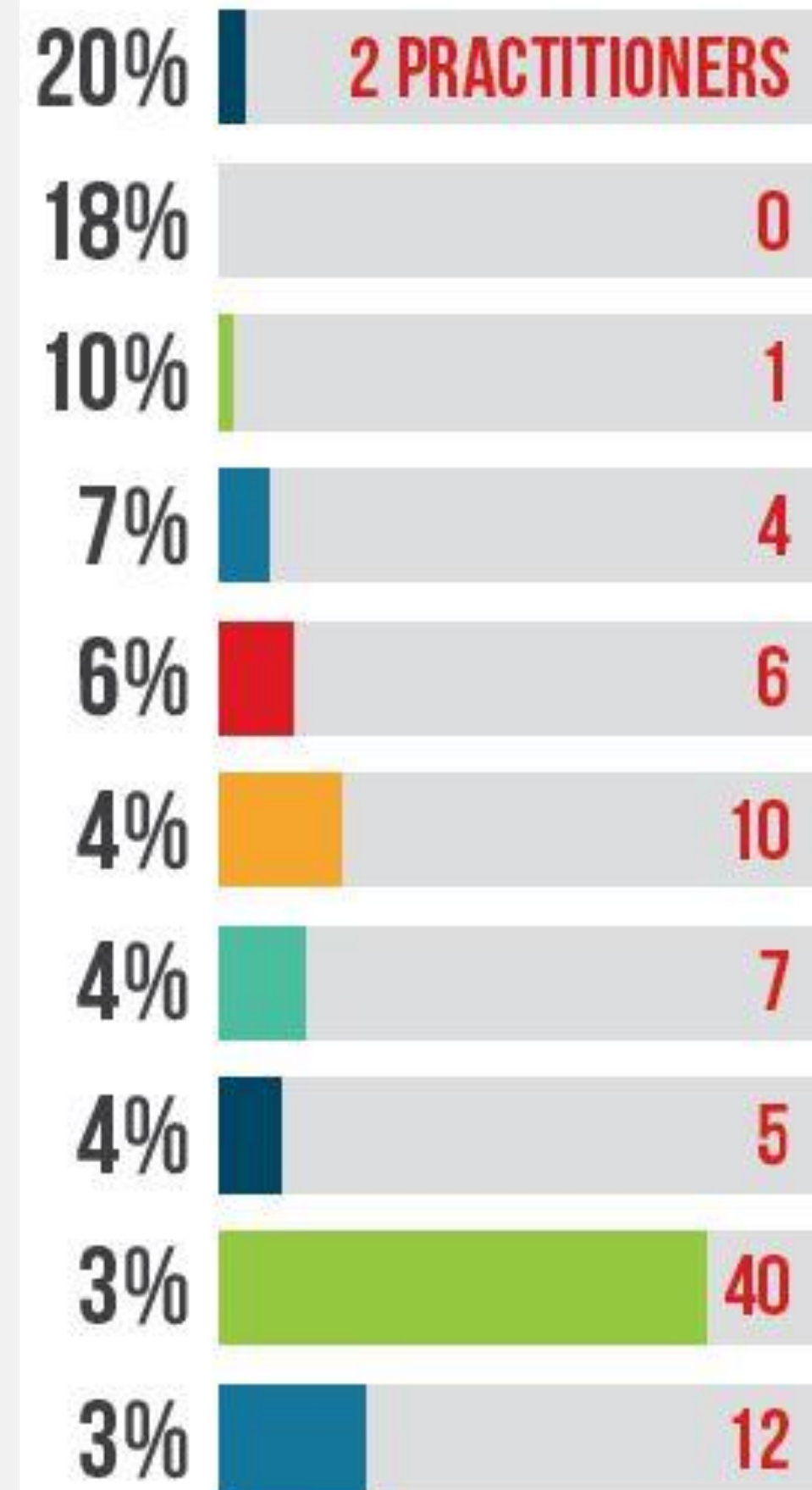


2019 Group Practice Survey: The Exemplary 80

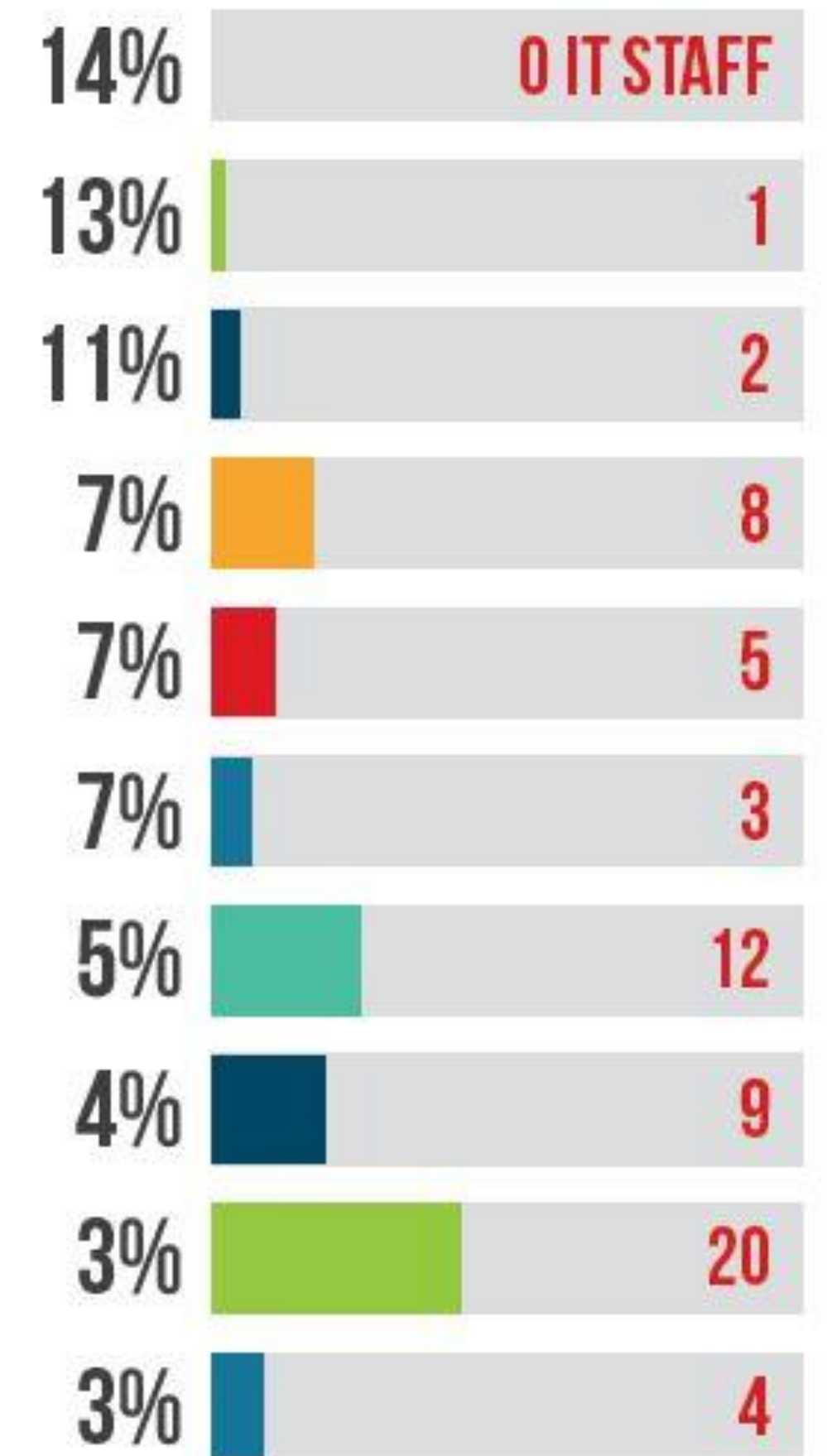
Dave Pearson | October 14, 2019 | Economics



FTE ADVANCED PRACTITIONERS (top 10 headcounts)



IT-DEDICATED EMPLOYEES (top 10 headcounts)



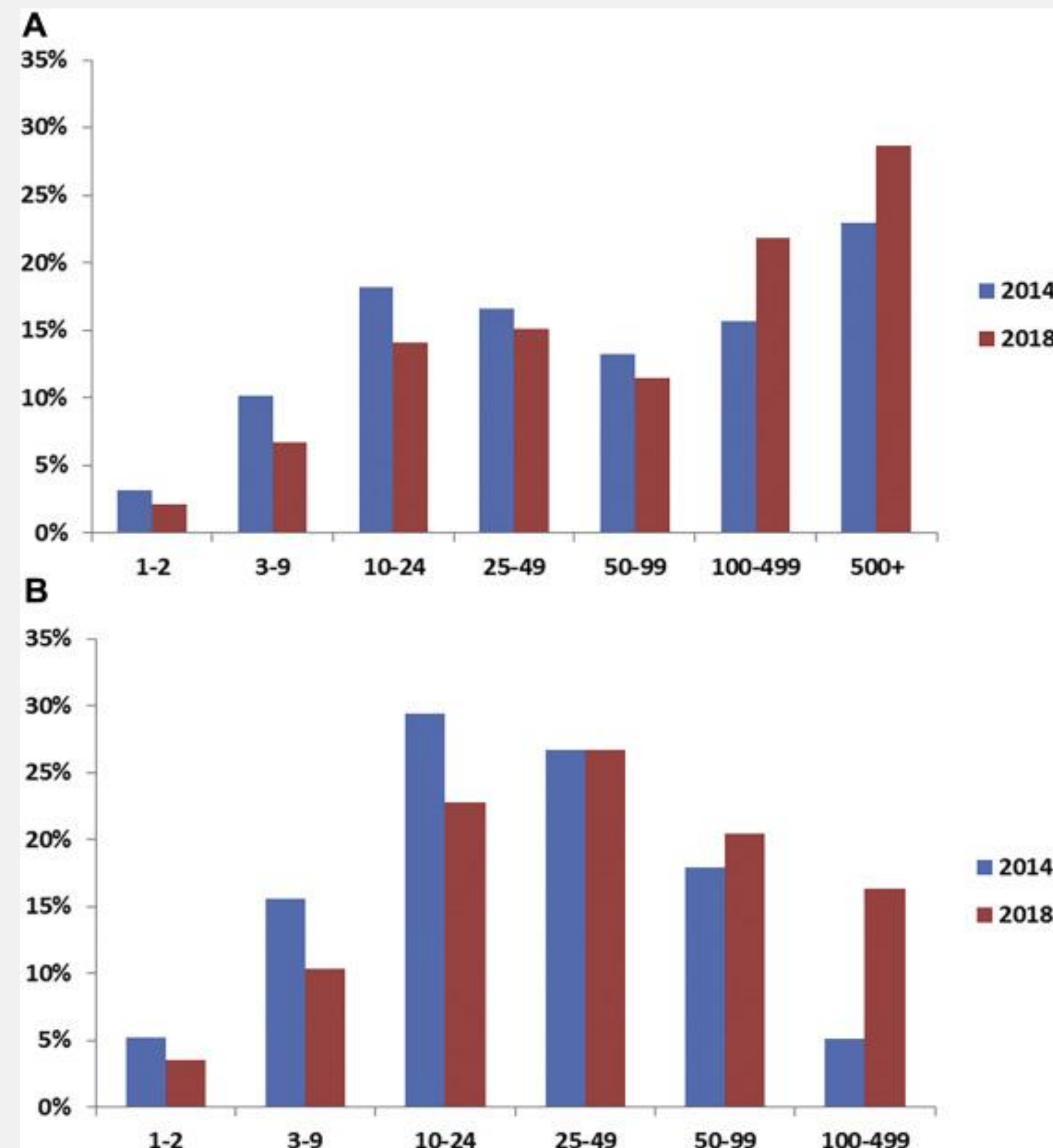
“From mergers and acquisitions to joint ventures and other sorts of practice partnerships and fusions—not to mention hospital absorptions and investor gobbles—consolidation continues.”

ORIGINAL ARTICLE FOCUS ON CORPORATE TRANSFORMATION OF MEDICINE | VOLUME 17, ISSUE 3, P340-348, MARCH 01, 2020

Radiology Practice Consolidation: Fewer but Bigger Groups Over Time

Andrew B. Rosenkrantz, MD, MPA • Howard B. Fleishon, MD, MMM • Ezequiel Silva III, MD • Claire E. Bender, MD • Richard Duszak Jr., MD

- “In very recent years, the US radiologist workforce has consolidated, leading to increased practice sizes and a substantial decline in the number of distinct practices, disproportionately affecting single-specialty radiology practices.”
- “The impact of this consolidation on cost, quality, and patient access merits further attention.”



Consolidation



COURTESY PHOTOS

Spectrum Health, Beaumont Health plan blockbuster merger

BY MARK SANCHEZ

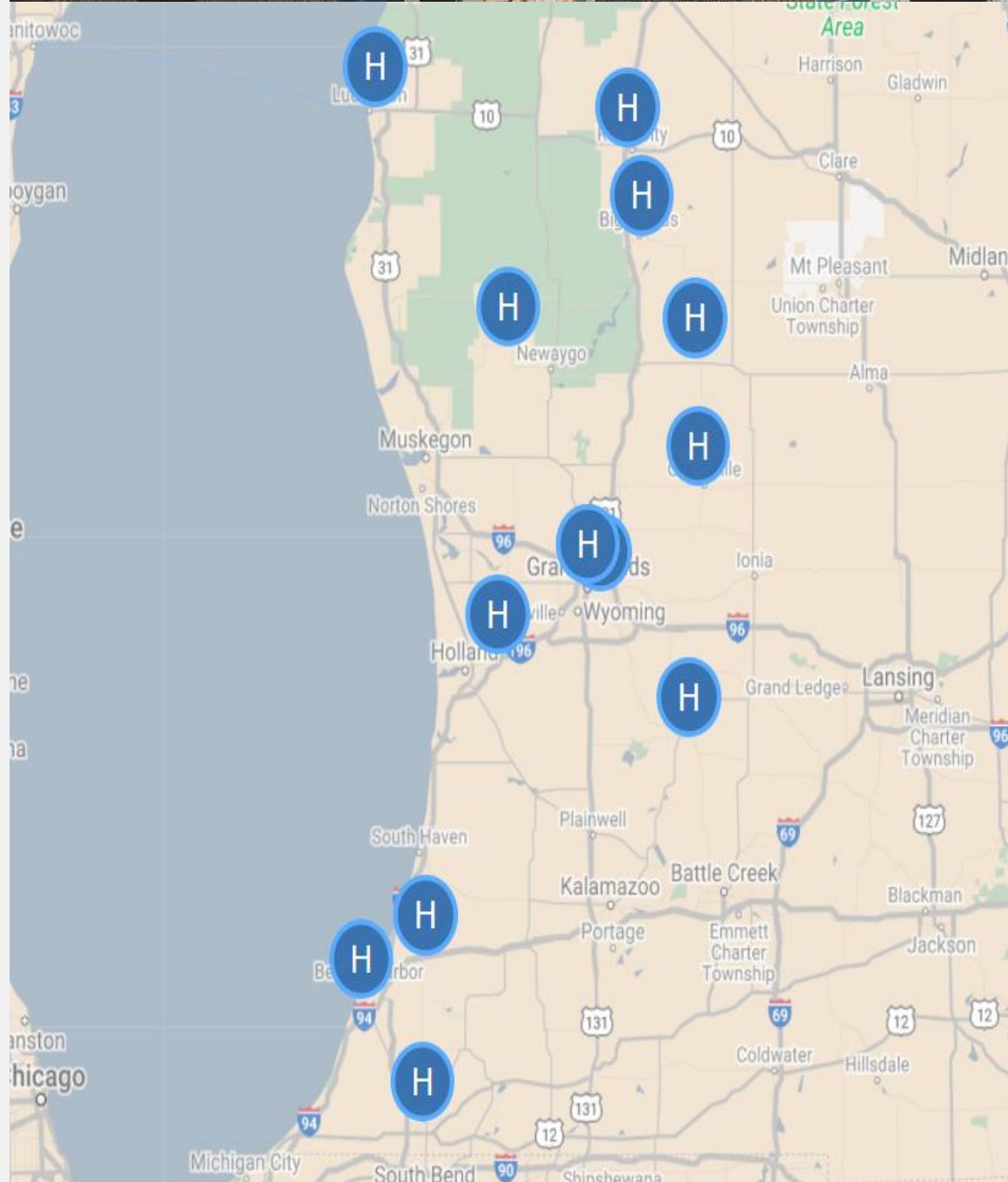
Thursday, June 17, 2021 10:10am

GRAND RAPIDS — Spectrum Health, which was created through a merger more than two decades ago and went on to become West Michigan's largest health care provider, intends to merge with Southfield-based Beaumont Health.



The two health systems have signed a letter of intent to "explore creating a new health system" in a blockbuster deal that would create a health care powerhouse and the largest in-state health system.

A combined health system between Grand Rapids-based Spectrum and Beaumont would have 22 hospitals, 305 outpatient care centers and about \$13 billion in operating revenue. The combined company would have more than 7,500 employed, affiliated and independent physicians.



SUBSCRIBE

NEWSLETTER

The Untamed Rise Of Hospital Monopolies

July 20, 2021 · 9:40 AM ET

GREG ROSALSKY



Last month, Michigan's two largest hospital systems, Spectrum Health and Beaumont Health, announced they wanted to become one. The \$12.9 billion "megamerger" would create a health industrial complex spanning 22 hospitals, 305 outpatient facilities, and an insurance company. It would employ 64,000 people, making it the largest employer in Michigan. Local newspapers had expected the merger to "sail through" government approval. But now they're **not so sure**.

That's because President Biden recently signed an executive order saying his administration was serious about promoting competition, and he specifically singled out hospitals as an area where growing monopolization is a concern. The order, [the White House says](#), "underscores that hospital mergers can be harmful to patients and encourages the Justice Department and Federal Trade Commission (FTC) to review and revise their merger guidelines to ensure patients are not harmed by such mergers."



Michigan's two largest hospital systems, Spectrum Health and Beaumont Health, announced last month they wanted to merge. Hospital mergers and monopolies are increasingly the norm in the United States — which drives prices.

Elaine Cromie/Getty Images

Andy K. Moriarity, MD

@andykmoriarity
amoriarity@advancedrad.com

Vice President of Clinical Operations
Quality Committee Chair
Advanced Radiology Services, PC

Assistant Professor,
Division of Radiology and Biomedical Imaging,
College of Human Medicine,
Michigan State University



College of Human Medicine
MICHIGAN STATE UNIVERSITY