



# Strategic Intent of Hospital Mergers and Acquisitions: Then and Now

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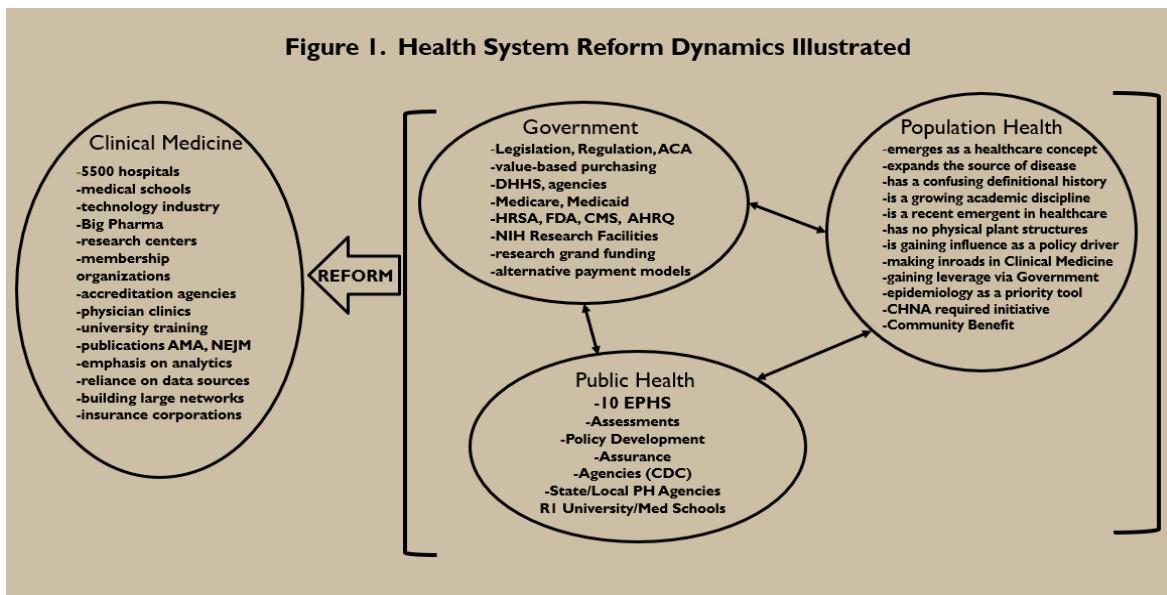
**Abstract:** The hospital mergers-and-acquisitions (M&A) trend is reviewed in terms of duration in and impact on US health care. This information supports an understanding of the strategic intent of M&As. Hospital mergers and acquisitions fostered the creation of integrated delivery networks to enhance competitive and volume-profit capacity. The value of this initial strategic intent is discussed in relation to today's emerging population-community health and health status emphasis. Subsequent insights foster views about future expectations of and behaviors from the national system.

**Keywords:** US hospitals, mergers and acquisitions, healthcare ecosystem, system reform, population health.

## INTRODUCTION

The backstory of healthcare mergers and acquisitions (M&A) unfolded increasingly over the past 20 years. Hospital M&As have significantly changed the country's healthcare industry and environment. Although healthcare M&A activity predates the 2000s, it increased significantly following enactment of the 2010 Affordable Care Act (ACA). By supporting value-based compensation models, increasing care coordination, and providing incentives for service integration across delivery systems, this legislation became a pivotal moment in United States healthcare. Hospitals and health systems pursued consolidation ostensibly to manage financial risk, stay competitive, and enhance population health outcomes because of these legislative mandates and policies.

**1.1 Purpose.** This paper reviews the hospital M&A trend to revisit the strategic intent of this process. A corollary goal is to anticipate the trend's future given today's health system dynamic. To accomplish this objective requires an understanding of the pivotal consequences of the ACA for US healthcare.



**Figure 1: The Current Healthcare Reform Participants and Dynamic**

Figure 1 illustrates the organization and reform vectors unfolding today in the nation's healthcare. The system is defined as four domains of Clinical Medicine, Government, Public Health, and Population Health. Clinical Medicine (CM) is considered the dominant arena that accounts for the largest percentage of the nation's total healthcare expenditures (THE). CM is this arena in which hospital mergers-and-acquisitions occurred. The REFORM vector identifies the three bracketed domains as a coordinated effort to have clinical medicine reach beyond its volume-profit focus. This mission expansion involves a concern for improving the health status of its service area's populations.

### HOSPITAL M&A TREND - THEN

The backstory highlights how changes in U.S. healthcare regulations, finances, and structure facilitated M&A. Hospitals combined not just to survive but also to reposition themselves in a rapidly changing healthcare sector, which is the context in which the strategic goal of consolidation must be understood [1]. The rate of hospital mergers intensified substantially between 2010 and 2020, with over one hundred agreements reported in some years [2]. Many hospitals, particularly those that were smaller or more financially precarious, looked like they combine with larger health systems to improve their technical infrastructure, obtain access to finance, and adhere to ever-tougher standards. As systems sought to offer seamless, coordinated care across a wide range of services, the development of integrated delivery networks (IDNs) emerged as one of the key structural characteristics of the post-ACA healthcare landscape [3, 4].

Clinical medicine's competitive pressures have also fueled M&A activity. Hospitals realized they needed to scale operations, maximize resource usage, and broaden their geographic reach when recent technology, data analytics, and payment structures appeared. Aiming for long-term sustainability and strategic positioning in a healthcare industry that is increasingly value-driven, the strategic consolidations are a response to both financial and policy challenges. Rosecrance [5] argues that M&A activities are driven by an intent "to project power and influence [while] merging with like-minded companies to cope

with a competitor". Furthermore, larger structural changes that started to recast healthcare as an integrated system had an impact on mergers. Mergers became a tactical representation of the necessity for systemic alignment, which these intersections reaffirmed.

### **Impact of Hospital M&As**

Stakeholders have expressed both hope and concern about the mixed effects of hospital mergers and acquisitions (M&A) on healthcare systems and the communities they serve. Although the research shows a diverse array of results that vary by location, population need, and the merger's specific character, these actions are frequently rationalized as ways to increase efficiency, access, and care coordination [6].

#### **Positive Impact**

By joining bigger, more resource-rich systems, mergers have allowed many hospitals to survive, especially those in financially vulnerable situations. Theoretically, cost reductions can result from economies of scale, streamlined operations, and increased purchasing power, all of which are frequently enjoyed by these consolidated businesses [4]. Larger systems can also spend money on data analytics platforms, telemedicine infrastructure, and sophisticated health IT systems, all of which are essential for managing population health and providing modern care. Enhancing quality measures, decreasing reductions to hospitals, and promoting preventative care all depend on these capabilities. Furthermore, by centralizing administrative tasks and simplifying supply chain management, mergers can reduce overhead costs and generate economies of scale [7].

One result of mergers is Integrated Delivery Networks (IDNs), which have aided in bringing outpatient services, physician practices, and hospitals together under a single care continuum. By guaranteeing consistent protocols, shared data, and less duplication of services, this integration promotes better care transitions and can enhance patient outcomes [8].

#### **Negative Impact**

The possible advantages of M&A are not assured, though. According to a few studies, consolidation may result in less competition, which could raise costs for insurers and patients without bringing about equivalent improvements in quality [9]. Greater market power may give larger hospital systems the ability to bargain with payers for higher prices, which are frequently passed on to patients. In underserved or rural areas, where treatment alternatives may already be scarce, this effect is especially worrisome. Additionally, some mergers have resulted in facility closures or downsizing, particularly in underserved or low-income areas. Critics contend that by limiting access to necessary care, such measures worsen health inequities [10]. When decision-making moves to far-off corporate headquarters, there are additional worries about diminished community accountability, loss of local control, and disruption of the workforce.

## **HOSPITAL M&A TREND - NOW**

A multifaceted strategy for negotiating a complicated and changing healthcare environment is reflected in the strategic goal underlying hospital mergers and acquisitions (M&A). The primary motivations for the M&A movement are competitive advantage and organizational sustainability. As seen in the reform configuration shown in Figure 1, the deeper intent is to align with system-level transformation goals, which are shaped by the interaction of clinical medicine, public health, governmental regulation, and population health.

### **Population Factors**

The impact of M&A from the standpoint of population health hinges on how successfully integrated systems use their size and data to address social determinants of health, chronic illness management, and health inequities. Populations typically benefit more from mergers that put community health improvement ahead of just financial gain. As public expectations for healthcare increase in terms of accountability, openness, and value, this divide becomes increasingly important. Though hospital M&As can spur innovation and create efficiency, these effects are not uniform and consistent. The best results come from mergers that are deliberately matched with patient-centered care and population and community health objectives rather than just market consolidation or financial gain [11, 12].

### **Micro-Level Goals (Market Position and Organizational Efficiency)**

Hospitals and health systems use M&A at the micro level to improve internal operations, cut down on unnecessary services, and increase their geographic reach. This makes it possible for organizations to invest in innovation, standardize clinical procedures, and increase their bargaining power with payers. Additionally, consolidation aids businesses in overcoming financial strains such as diminishing reimbursement rates and growing labor and technology expenses [8]. Achieving resilience and agility in a market that is changing quickly is the strategic objective here.

### **Meso-Level Goals (Community Alignment and Regional Integration)**

M&A is frequently a response to the fragmentation of regional health systems at the meso-level. Health systems aim to create integrated delivery networks (IDNs) that offer coordinated services across hospitals, clinics, and outpatient locations to unify care delivery throughout areas. Population health initiatives like managing chronic illnesses, enhancing maternity health, and tackling social determinants of health at the community level are supported by this integration. Enabling accountable, regionally cohesive care networks that can achieve efficiency and health fairness is the goal here.

### **Exo-Level Intent (Network and Inter-System Influence)**

Relationships between systems and outside entities like insurance companies, tech suppliers, and scholarly research institutes are included at the exo-level. The goal of this level of M&A activity is to increase influence inside these external networks. Merged systems

frequently lead clinical trials or innovation projects, take part in national data collaboratives, and negotiate risk-sharing agreements with payers more successfully. Being a dominating ecosystem player with the power to influence healthcare delivery outside of conventional institutional boundaries is the goal of strategic intent at this level.

### **Macro-Level Goals (System Alignment and Policy Reaction)**

Macro-economically speaking, M&A shows a strategic connection with state and federal healthcare changes. System-wide coordination is encouraged by policies that support accountable care organizations (ACOs), value-based care, and alternative payment models. Organizations can expand to satisfy these policy requirements and have an impact on more general healthcare agendas through M&A. Here, the strategic intent is to connect with national goals, also known as the Triple Aim: lowering costs, improving care quality, and improving population health. In conclusion, the M&A trend has multiple layers of strategic intent. It encompasses market consolidation, population health improvement, operational survival, and policy responsiveness. Mergers are seen by healthcare organizations as an essential transformational tool that puts them in a position to lead rather than follow in a system that is becoming increasingly defined by integration, data-driven care, and reform alignment.

## **WILL THIS TREND CONTINUE?**

The trend of hospital mergers and acquisitions (M&A) will continue, albeit with changing motivations and a modified level of intensity, given the multilayered strategic aim mentioned in the previous section and illustrated in Figure 1. Emerging challenges in healthcare reform are starting to change the nature and objectives of consolidation, even while many of the fundamental drivers—financial sustainability, regulatory alignment, and strategic positioning—remain pertinent. The next stage of M&A is anticipated to be more value-oriented, reform-driven, and regionally targeted than unfettered development [13, 12 14].

### **Indications of Plateauing**

The enormous M&A activity of the last ten years may be plateauing, according to several recent research. Given evidence that consolidation can result in price increases and decreased competition without evident quality advantages, the Federal Trade Commission's (FTC) regulatory scrutiny has risen [14]. Furthermore, transparency, equity, and population health improvement are becoming increasingly important to the public and policymakers, and these goals require quantifiable value in addition to size.

### **Configuration of Regional Intensification and Reform**

Health systems would intensify regionally, forming more unified and strategically coordinated networks within certain geographic or population-based catchment areas, rather than completely giving up on consolidation. This approach is in line with the course's Figure 1 Reform Configuration, which illustrates how Clinical Medicine, Government, Public

Health, and Population Health interact. Due to the growing interdependence of these industries, regional integration—rather than just national integration—will be necessary for efficient collaboration [15]. The upcoming wave of M&A will be evaluated in this reform-driven climate not only based on corporate performance but also on its capacity to:

- Boost community-based results
- Encourage the infrastructure of public health
- Use data analytics to target care and manage risks.
- Fulfill requirements related to value-based purchasing and alternative payment models.

### **Beyond Volume-Profit Toward Value and Health**

Value, efficiency, and health equity are replacing the traditional M&A paradigm, which was focused on growth, volume, and market dominance. This change is in line with more recent federal initiatives, like HRSA's drive for regional health innovation and CMS' emphasis on health equity in reimbursement models. Future mergers must show that they result in quantifiable gains in health equity, care coordination, and social determinants of health in addition to system consolidation. Indeed, hospital M&A will continue to be popular, but with a more focused approach. The wide, expansionist tactics of the past will be replaced by regional integration, which is based on reform agendas and systemic cooperation. This next stage will be led by organizations that adopt the complete healthcare reform architecture shown in Figure 1, making mergers instruments of change rather than surviving and/or prevailing.

### **SUMMARY**

Since the early 2000s, hospital mergers and acquisitions have changed the face of healthcare in the United States. Also, implementing provisions of the Affordable Care Act sped and justified this process. Mergers run the risk of decreasing competition, increasing costs, and endangering quality, though they can also foster integration, efficiency, and capital availability. These initiatives have a multifaceted strategic goal, ranging from macro-level alignment with government policy to micro-level enhancements in patient care. However, if consolidation reaches a plateau, the subsequent stage can prioritize cooperative, non-merger alternatives that prioritize preventive care, community health, and interoperability. In this way, hospitals are repositioned as key participants in determining the direction of healthcare delivery, rather than just surviving through M&A [15]

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