Navigating the Complexities of Large Corporations Acquiring Smaller Healthcare Practices

This trend has both advantages and disadvantages.

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The healthcare industry is undergoing significant transformation. One of the notable patterns is that big corporations are acquiring smaller healthcare providers. This consolidation of corporate power has sparked concern about its influence on healthcare delivery, patient outcomes, and the overall well-being of Americans. Understanding the advantages and disadvantages of this trend is crucial for policymakers, healthcare wprofessionals, and patients alike. Although significant work has been done on corporate consolidation in healthcare, a comprehensive analysis of the complexities surrounding large corporations acquiring smaller healthcare practices and clinics is still needed.

Corporate Consolidation in the Healthcare Industry: An Overview

The growing trend of corporate consolidation, as large corporations increasingly acquire and merge with smaller healthcare practices, is causing significant change in the healthcare industry. Corporate consolidation describes the process whereby large corporations consolidate their power and resources by acquiring smaller entities within the healthcare sector.[1]

The trends and drivers of consolidation in the healthcare sector are complicated. As smaller healthcare practices confront growing expenses, decreased reimbursement rates, and higher regulatory constraints, economic forces play a major impact. To achieve financial stability, smaller healthcare practices could seek alliances with large corporations.[2]

For example, CVS Health recently bought Oak Street Health, a primary care chain in 21 states, for $11 billion, and Amazon acquired One Medical, another large health group, for almost $4 billion.[3]

Market competition is another factor, as organizations consolidate to strengthen their market position, gain a competitive advantage, and expand their service offerings. Technological advancements also contribute to consolidation, because large corporations have the financial resources to invest in the advanced equipment and systems necessary for modern healthcare. Lastly, the regulatory environment, such as the Affordable Care Act in the United States, encourages consolidation by creating incentives for integrated care delivery models and accountable care organizations.[4]

Advantages of Large Corporations Acquiring Smaller Healthcare Practices

The acquisition of smaller healthcare practices by large corporations can bring several advantages, including enhanced financial stability, operational efficiencies, and improved access to capital and investments. These advantages have significant implications for the overall delivery of healthcare services and patient outcomes.

One of the primary advantages is the enhanced financial stability that large corporations provide. Smaller healthcare practices often face financial challenges, including limited access to capital, difficulty negotiating favorable contracts with insurance providers, and constrained budgets for investments in infrastructure and technology. Piedmont Healthcare, a growing patient care system in Georgia that includes 19 hospitals and provides its services throughout the state, recently acquired University Healthcare, one

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of the leading healthcare providers in Augusta, Georgia. As a result of that acquisition, University Healthcare will be able to provide over $1 billion to local healthcare programs in Augusta.[5]

Through acquisitions or mergers, large corporations can infuse substantial financial resources into these practices, helping to stabilize their operations and ensure long-term sustainability. This financial stability helps smaller healthcare practices survive economic storms, invest in necessary equipment and technology, and attract and retain qualified healthcare professionals.

Another advantage is the resulting economies of scale and operational efficiencies. Large corporations can leverage their size and resources to optimize many aspects of healthcare delivery. These businesses can save money by merging administrative responsibilities, acquiring supplies and equipment in bulk, and simplifying operations. In return, this can lead to more affordable healthcare services, improved coordination of care, and the ability to invest in innovative practices for patient care.[6] Economies of scale also enable the introduction of uniform procedures and quality improvement initiatives across the acquired practices, leading to better patient outcomes and more consistent care delivery.

Additionally, the acquisition of smaller practices by large corporations provides improved access to capital and investments. Healthcare organizations require significant funds to stay at the forefront of medical advancements, adopt advanced technologies, and respond to changing regulatory requirements. Large corporations have the financial capacity to make these necessary investments, facilitating the modernization of infrastructure, the introduction of electronic health records systems, and the implementation of patient-centered initiatives. Moreover, access to capital enables smaller practices to expand their services, invest in research and development, and explore innovative care models that very likely would have been unattainable without the backing of a larger organization.

Disadvantages of Large Corporations Acquiring Smaller Healthcare Practices

Although there are clear advantages to large corporations acquiring smaller healthcare practices, it is vital to consider the potential disadvantages associated with this trend as well. Some of these disadvantages include concerns regarding the loss of autonomy and local decision-making, impacts on the quality of care and patient-centeredness, and the potential for reduced competition and monopolistic practices.

Large corporations can leverage their size and resources to optimize many aspects of healthcare delivery.

One significant concern is the potential loss of autonomy and local decision-making when smaller practices become part of larger corporate entities. Smaller practices often are deeply rooted in their local communities, allowing them to respond to the specific needs and preferences of the population they serve. However, when these practices are acquired by large corporations, decision-making power may shift to centralized management, potentially resulting in standardized policies and practices that do not adequately reflect the unique characteristics of the local community.[7]

This loss of autonomy may limit the ability of healthcare providers to tailor services to the specific needs of their patients and could hinder the development of innovative solutions at the local level.

Concerns about quality of care and patient focus also arise when large corporations acquire smaller healthcare practices. Smaller practices often prioritize personalized care and patient relationships, which can be challenging to maintain in large corporate settings that focus on operational efficiency and cost management. The shift toward standardized protocols and administrative processes may lead to different approaches to care delivery, potentially compromising the patient experience. Furthermore, the emphasis on financial performance and shareholder interests in large corporations could overshadow the patient-centered goals that smaller practices traditionally have prioritized.

Another potential disadvantage is the impact on competition and the potential for monopolistic practices to develop. As large corporations acquire small practices, market concentration increases, leading to reduced competition. Arthur Gale, MD, a practicing internal medicine doctor in St. Louis, Missouri, says that the Federal Trade Commission has stated that merged hospitals have less competition and charge 40% to 50% more than before the merger.[8]

This consolidation can limit patients' choices in selecting healthcare providers and negotiating favorable terms with insurance companies. With fewer competitors in the market, there may be less incentive for these consolidated entities to maintain competitive pricing or invest in quality improvement initiatives. Moreover, concerns about potential monopolistic practices arise when a single corporation gains significant market power, potentially leading to higher healthcare costs and limited access to care.

Impact on Healthcare Access and Affordability

The acquisition of smaller healthcare practices by large corporations has implications for healthcare access and affordability, which are critical factors in ensuring equitable healthcare for all individuals. Although large corporations may have the financial resources to invest in advanced technologies and expand healthcare infrastructure, there is a concern that the focus on profitability and operational efficiency could lead to the closure or consolidation of cer-

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tain facilities or services in areas that are less economically viable.[9]

As a result, individuals in rural or underserved areas may experience reduced access to essential healthcare services, such as primary care, specialty care, and preventive services. This can lead to disparities in healthcare access, particularly for vulnerable populations who may already face barriers to accessing quality care.

Affordability and insurance coverage also are key considerations. Large corporations may have the negotiating power to secure more favorable reimbursement rates from insurance providers, potentially leading to cost savings for patients. However, there is a concern that the consolidation of healthcare practices also may lead to increased healthcare costs overall. Recently, insurers saw $586 billion from Medicare, $449 billion from Medicaid, and $400 billion from private insurance.[10]

With reduced competition, healthcare prices can rise, resulting in higher out-of-pocket expenses for patients. Changes in insurance coverage or networks resulting from corporate acquisitions can disrupt established patient–provider relationships, forcing patients to seek new providers or face higher out-of-network costs. These affordability challenges can particularly affect people with limited financial resources or those who rely on public insurance programs.

Furthermore, the implications for underserved populations should be considered. Smaller healthcare practices often play a crucial role in serving underserved communities, including low-income individuals, racial and ethnic minorities, and those with language or cultural barriers. These practices may have developed specialized programs or community partnerships to address the unique needs of these populations.[11] When large corporations acquire these practices, there is a risk that the focus on financial efficiency and standardized processes may fail to meet the specific needs of underserved populations. This can exacerbate existing health disparities and contribute to inequities in healthcare outcomes.

Quality of Care and Patient Experiences

One area of concern when large corporations acquire smaller healthcare practices is the effect on care coordination and continuity. Smaller practices often have close-knit teams of healthcare providers who work collaboratively to deliver comprehensive care to their patients. However, when these practices are acquired by large corporations, there is a risk that the integration process and implementation of standardized protocols may disrupt the established systems of care coordination. This may result in gaps or delays in communication among healthcare providers, leading to fragmented care and compromised patient outcomes.[12]

Smaller practices often foster strong relationships between patients and their healthcare providers, characterized by trust, familiarity, and personalized care.

Furthermore, the transfer of patients' medical records and coordination of care across different facilities or specialties within the corporate structure may pose challenges, particularly if there are variations in EHR systems or communication protocols.

The impact on patient–provider relationships is another important consideration. Smaller practices often foster strong relationships between patients and their healthcare providers, characterized by trust, familiarity, and personalized care. However, when these practices are acquired by large corporations, the emphasis on efficiency and standardization may lead to a more impersonal approach to care. Dr. Dan Moo, a doctor who started his own practice in Virginia, says, "We've seen this loss of autonomy. You don't become a physician to spend an average of seven minutes with a patient."[3]

Patients may find themselves interacting with different healthcare providers during their visits, which can disrupt the continuity and rapport they previously had with their primary care physician or other providers.[13] This change in the patient–provider relationship can affect communication, shared decision-making, and patient satisfaction.

Local Communities and Economic Impact

The acquisition of smaller healthcare practices by large corporations has implications not only for the healthcare industry but also for local communities and their economies. One area of concern is the effects on local economies and healthcare infrastructure. When large corporations acquire smaller healthcare practices, there may be shifts in employment patterns and financial resources within local communities. Consolidation may bring economic benefits, such as job creation and increased revenue, but it also can result in job losses or changes in employment conditions for healthcare professionals and support staff from the acquired practices.[14]

Additionally, the redistribution of financial resources within the corporate structure may have implications for local healthcare infrastructure, including the availability of services and the allocation of healthcare resources. Assessing these effects is essential to understand the broader economic impact of corporate consolidation on local communities.

The availability of specialized services in underserved areas is another important consideration. Smaller practices often serve specific local populations and provide specialized services that meet the unique healthcare needs of those communities. However, when these practices are acquired by large corporations, there is a potential risk that services may be consolidated and centralized in certain regions. This may lead to a disparity in the

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availability of specialized healthcare services across different geographic areas, particularly in rural or underserved communities.[15]

Evaluating the impact of corporate consolidation can ensure that all individuals have access to the healthcare services and care they require.

Conclusion

As large corporations increasingly acquire smaller healthcare practices, a multitude of advantages and disadvantages have been observed, and complex implications for patients, communities, and the healthcare system as a whole have been a concern.

On one hand, the advantages of large corporations buying smaller practices include enhanced financial stability and resources, economies of scale and operational efficiencies, and improved access to capital and investments. These benefits potentially can lead to improved infrastructure, expanded service offerings, and greater affordability. However, it is important to acknowledge the potential disadvantages as well. These include concerns about the loss of autonomy and local decision-making, the impact on the quality of care and patient-centeredness, and the potential for reduced competition and monopolistic practices.

It is crucial to preserve the trust and satisfaction of patients and ensure that their outcomes and experiences are not compromised amidst the changes brought by consolidation.

The quality of care and patient experiences can be influenced by corporate acquisitions. Care coordination, continuity, and the patient–provider relationship are vital aspects that require attention to maintain patient-centered care. It is crucial to preserve the trust and satisfaction of patients and ensure that their outcomes and experiences are not compromised amidst the changes brought by consolidation.

Finally, the impact on local communities extends beyond healthcare alone. It affects local economies, healthcare infrastructure, and community well-being entirely. The potential effects on employment, local businesses, and the availability of resources must be carefully managed to ensure a positive outcome.

Navigating the advantages and disadvantages of large corporations buying smaller practices in the healthcare field is vital for comprehending the overall impact on people across the nation. Critically assessing these complexities and implementing appropriate strategies can enable healthcare professionals and communities to navigate corporate healthcare buyouts while ensuring that the healthcare system remains patient-centered, accessible, affordable, of high quality, and ready for future health advancements. PM

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