

Advocate Aurora and Atrium Health join in health system mega-merger, but at what cost to patients?

Article

The news: Health systems **Advocate Aurora Health** and **Atrium Health** announced their plans to merge into Advocate Health.

- Their combined footprint will span over 67 hospitals, 1,000 sites of care, a 5.5 million-plus patient population, and more than 7,600 physicians across six states.
- Their combined annual revenues surpassed \$27 billion last year.

What's driving the mega-merger: It should accelerate development and growth in three main areas:

1. Digital health transformation

- The merger will combine both health systems' digital health programs and open up access to digital health tech to a larger population of patients.
- Atrium Health has played an active role in investing in digital health ventures. These investments and digital health partnerships could ramp up since digital health startups could be enticed by access to a large health system's testing grounds.

2. Value-based care (VBC)

- Advocate Aurora has been a champion of VBC ever since it joined Medicare's Shared Savings Program back in 2012.
- It has been one of few health systems in federal ACO programs that generate savings for Medicare (based on ability to cut costs and improve quality).
- Advocate Aurora's ACOs generated **\$110 million in savings** in 2021, which brought its total VBC savings to **over \$414 million**.
- Advocate Aurora's VBC strategy could be applied to the larger merged health system, which could help it drive its VBC initiatives forward and generate more savings.

3. Financial growth

- The formation of an even larger health system gives Advocate Health greater negotiating power with insurers, meaning it can score more favorable contracts and boost its financial goals.

One thing to consider: For patients, this merger could mean price hikes.

Since consolidation allows health systems to gain a larger share of the consumer market, health systems can then demand higher payments from insurers. Those costs can then be passed down to patients in the form of higher premiums or out-of-pocket costs.

- Studies have shown that the price of healthcare services increases for consumers after health system/hospital M&As.
- For example, one [study](#) showed an **average price hike of 6.2%** after a hospital M&A that continued to increase two years after a merger.
- Another [study](#) showed M&As of two hospitals in the same state can lead to a **7% to 9% price increase**.

