



Health Care Mergers:

Understanding the Effects on Prices, Quality, and Access

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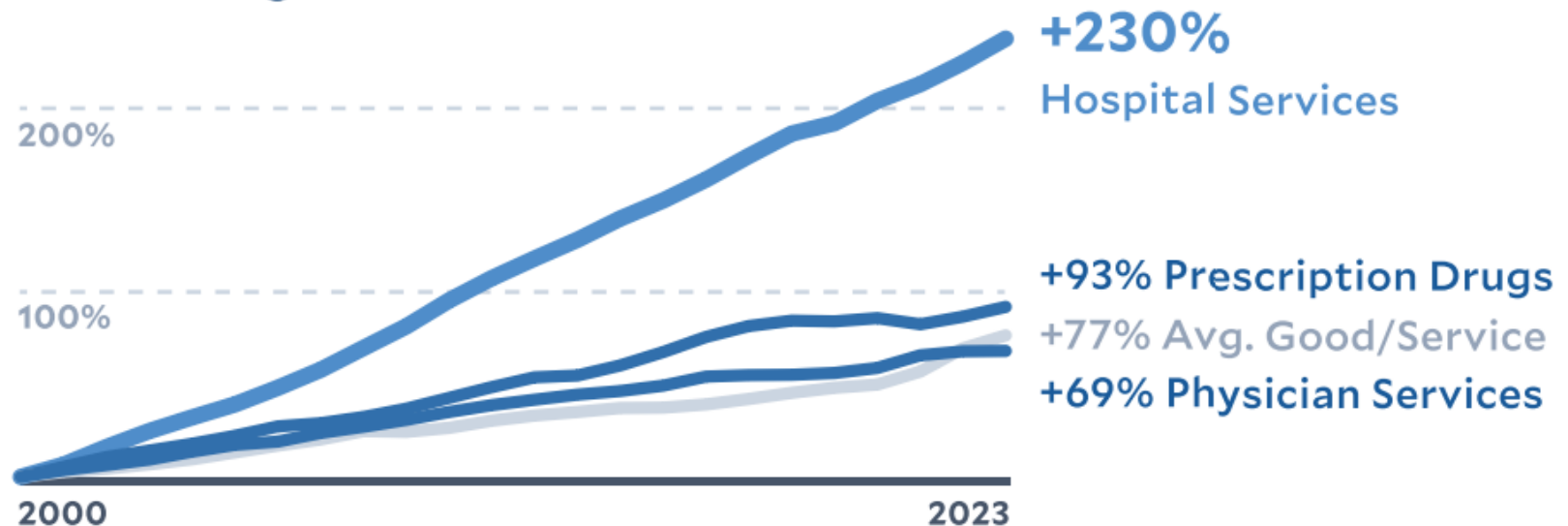
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Two Related Trends in Health Care

1. Consolidation in health care provider markets
2. Rising health care prices

Price changes since 2000



Consolidation and Health Care Prices

- Some health care prices are set administratively (e.g., Medicare); the rest are negotiated between providers and private health insurers.
- In price negotiations, large health systems have more bargaining power than independent hospitals.
- Many studies find that provider consolidation increases health care prices.¹⁻⁵

1. Cooper Z, Craig SV, Gaynor M, Van Reenen J. The price ain't right? Hospital prices and health spending on the privately insured. *Q J Econ*. 2019;134(1):51-107.
 2. Brand K, Garmon C, Rosenbaum T. In the shadow of antitrust enforcement: price effects of hospital mergers from 2009 to 2016. *J Law Econ*. 2023;66(4):639-669
 3. Capps C, Dranove D, Ody C. The effect of hospital acquisitions of physician practices on prices and spending. *J Health Econ*. 2018;59:139-152.
 4. Dafny L. Estimation and identification of merger effects: an application to hospital mergers. *J Law Econ*. 2009;52(3):523-550.
 5. Haas-Wilson D, Garmon C. Hospital mergers and competitive effects: two retrospective analyses. *Int J Econ Bus*. 2011;18(1):17-32.
- And many more, available upon request.



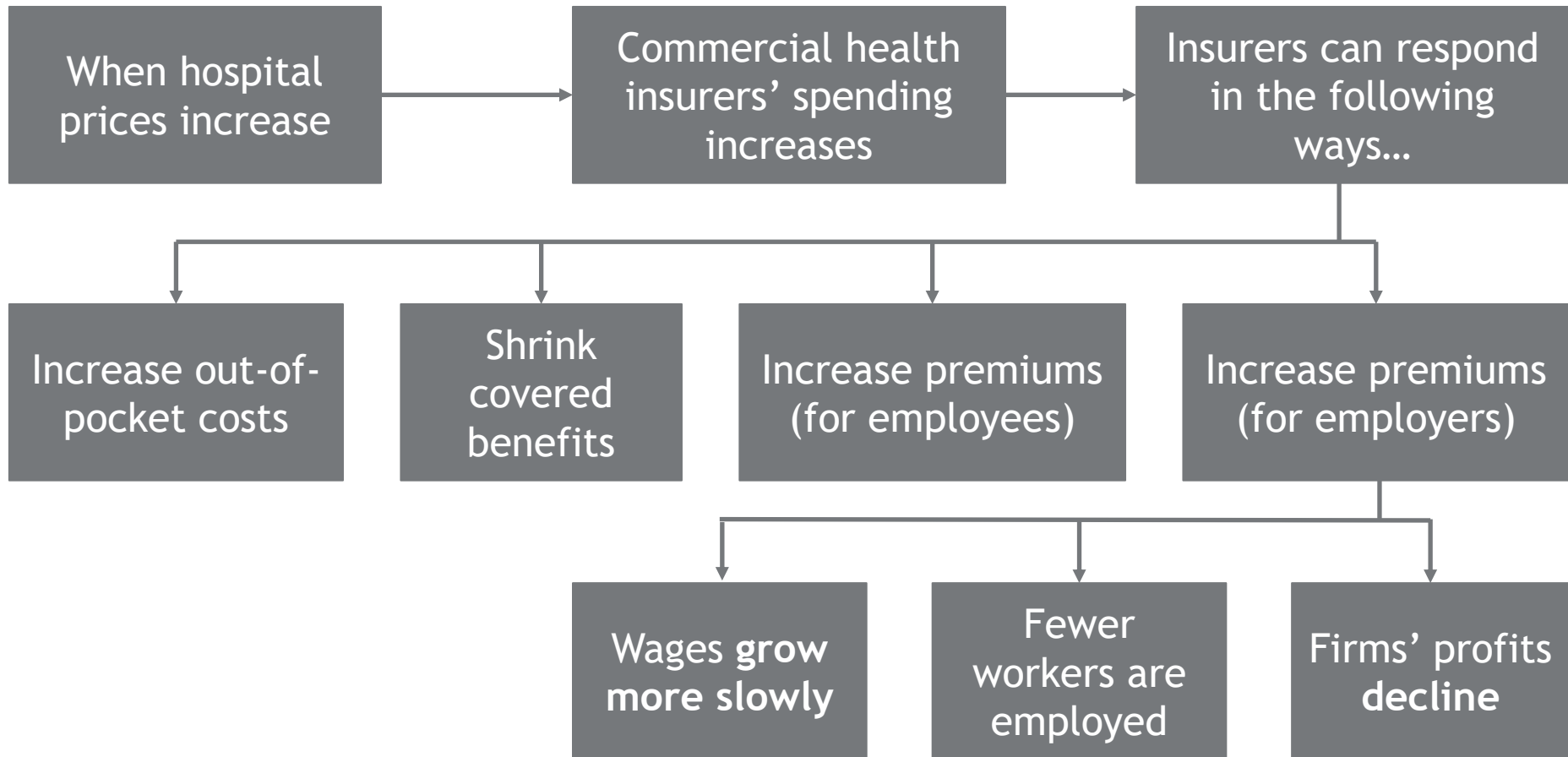
Cross-Market Mergers and Health Care Prices

- Cross-market mergers describe transactions that include health care providers in multiple geographic markets.
- Cross-market mergers may also increase bargaining power.
- Evidence finds that cross-market mergers increase hospital prices by 7-17%.¹⁻⁴

1. Lewis MS, Pflum KE. Hospital systems and bargaining power: evidence from out-of-market acquisitions. *RAND J Econ*. 2017;48(3):579-610.
2. Schmitt M. Multimarket contact in the hospital industry. *Am Econ J Econ Policy*. 2018;10(3):361-387.
3. Dafny L, Ho K, Lee RS. The price effects of cross-market mergers: theory and evidence from the hospital industry. *RAND J Econ*. 2019;50(2):286-325.
4. Arnold DR, King JS, Fulton BD, et al. New evidence on the impacts of cross-market hospital mergers on commercial prices and measures of quality. *Health Serv Res*. 2025;60(1):e14291.



Consequences of Higher Prices



Consolidation and Health Care Quality

- Proponents of hospital mergers and acquisitions frequently argue that they will improve quality of care.
- Potential mechanisms include
 - Integrated IT and better care coordination
 - Capital investments
 - Volume-outcome relationship
- Little research evidence has documented a positive relationship between consolidation and improvements in care quality.^{1,2}

1. Beaulieu ND, Dafny LS, Landon BE, Dalton JB, Kuye I, McWilliams JM. Changes in quality of care after hospital mergers and acquisitions. *N Engl J Med*. 2020;382(1):51-59.

2. Gaynor M, Sacarny A, Sadun R, Syverson C, Venkatesh S. The anatomy of a hospital system merger: the patient did not respond well to treatment. *Rev Econ Stat*. 2026;108(1):272-281.

Consolidation and Access to Care

- Consolidation might improve access
 - Survival
 - Capital and recruitment
 - System-level workforce availability
- Consolidation might reduce access
 - Portfolio optimization
- Limited evidence suggests that acquisition may improve financial health at the cost of some local service offerings.^{1,2}

1. O'Hanlon CE, Kranz AM, DeYoreo M, Mahmud A, Damberg CL, Timbie J. Access, quality, and financial performance of rural hospitals following health system affiliation. *Health Aff (Millwood)*. 2019;38(12):2095-2104.
2. Henke RM, Fingar KR, Jiang HJ, Liang L, Gibson TP. Access to obstetric, behavioral health, and surgical inpatient services after hospital mergers in rural areas. *Health Aff (Millwood)*. 2021;40(10):1627-1636.





Thank you!