

Experts differ on findings of health-care study

BY SCOTT VAN VOORHIS
JOURNAL STAFF

Despite recent hospital mergers and closings, health care costs will dramatically increase rather than decrease over the coming years, according to a new study by a Boston University professor.

Alan Sager, a controversial health care critic and professor at BU's School of Public Health, said while hospital closings over the past 10 years have left Massachusetts with fewer beds than the national average, health care costs have increased relentlessly at a rate more than 20 percent higher than the norm.

Sager, who predicted the number of hospitals statewide will decrease from 81 today to less than 20 by early next century, co-authored the study with Deborah Socolar, also of the BU School of Public Health.

But others questioned Sager's findings. While the number of beds may have dropped, Massachusetts has yet to see the long-term results of a series of relatively recent mergers by some of the state's largest hospitals. These mergers, say health care consultants and other industry experts, have the potential to make a serious dent in the state's health care costs.

The merger of Beth Israel and Deaconess hospitals in Boston into Care-Group Inc. took place just last fall, pointed out Ellen Trager, director of health care strategies at the Boston law firm of Brown, Rudnick, Freed & Gesmer.

Southcoast Hospitals Group—St. Luke's Hospital in New Bedford, Charleston Hospital in Fall River and Tobey Hospital in Wareham—also was formed last year. And Massachusetts General and Brigham and Women's hospitals are still ironing out their merger first announced in 1994.

Each of these new hospital systems is in the midst of combining departments and consolidating services—efforts that should pay off down the line in reduced health care costs, Trager said.

"It is too early to assess the resultant potential costs savings. Cost savings will be achieved only when the mergers produce streamlined operations and organizational efficiencies as well as clinical sharing and efficiencies," she said.

In terms of consolidations and cost cutting, Massachusetts has not seen anything yet if national trends are taken into account, said Thomas Reardon, co-chairman of the health-care department at the Boston law firm of Mintz, Levin, Cohen, Ferris, Glovsky & Popeo.

"Why are hospitals closing and consolidating in the first place? There is less demand for their beds. I think we are seeing the tip of the iceberg in terms of cost reduction in this state," Reardon said.

Nor are Massachusetts health care costs as high as Sager suggests, said Andrew Dreyfus, vice president for public advocacy and policy for the Massachusetts Hospital Association.

When teaching costs and extraneous factors are calculated in, Massachusetts' health care costs are comparable to that of other large, urban industrial states.

In fact, competition has dramatically reduced the rate of increase in the state's health care costs, he said.

Since state legislation in the early 1990s opened the way for competitive pricing by hospitals, overall health care costs have risen 4 percent, compared to 9.7 percent under the old regulatory system, Dreyfus said.

When it comes to predictions of future hospital closings, Sager's report, "Before It's Too Late: Why Hospital Closings Are Becoming A Problem, Not A Solution," also has generated controversy.

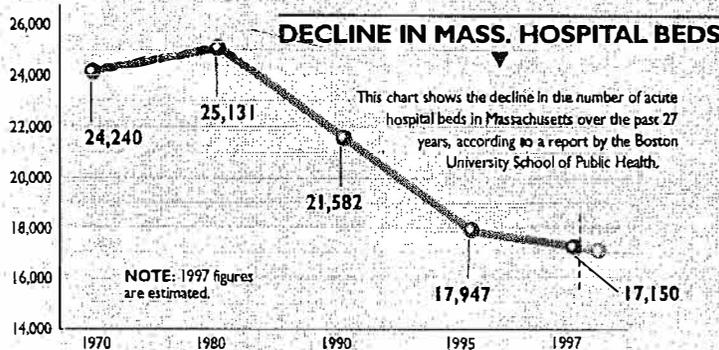
Based on prevailing trends, the number of hospitals could drop to fewer than 20 in 2010 from 81 today, Sager argues.

While agreeing that the trend of hospital closings is destined to continue for years to come, other industry experts shied away from such a dramatic reading of the future of Massachusetts' hospitals.

While it is easy to project into the future a current trend, trends rarely move forward in such a straight line in real life, said David Szabo, an attorney in the health care practice of the Boston law firm of Nutter, McClennen & Fish.

However, Sager said his projections about hospital closings is more of a warning of what could happen than a prediction of what will happen.

"First the hospitals overbuild and now they are overclosing. Both are extremely dangerous for those who pay the bills," Sager said.



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