Doctors at Michigan’s Beaumont Health submit no-confidence petition on eve of merger

By Stephen Fuller
1 August 2020

A group of doctors at Michigan’s Beaumont Health system are submitting a no-confidence petition on the eve of a possible merger with Chicago-Milwaukee-based Advocate Aurora Health system. The petition criticizes the company’s focus on financial status over patient well-being and demands the removal of Beaumont CEO John Fox and Chief Medical Officer David Wood, Jr.

The petition reads, “Over the last five years, we the medical staff of Beaumont Health have seen a rapid and progressive deterioration in every aspect of patient care at Beaumont Health. We no longer have confidence in the administration’s ability to provide a safe place for us to care for our patients.”

In the petition against the merger, doctors cited recent pay cuts due to Beaumont’s new compensation model, as well as a non-compete clause that would prevent them from quitting and joining another hospital in the area for one year.

These doctors recognize what many studies have proven, the monopolization of health care worsens outcomes for patients and increases the exploitation of workers. Martin Gaynor, a Carnegie Mellon economist and author of several reviews on the subject, told the *New York Times* that “evidence from three decades of hospital mergers does not support the claim that consolidation improves quality.” In point of fact, the profit motivated health care conglomerates sacrifice real care for its surrogate Relative Value Unit (RVU), a measure of value used in the United States Medicare reimbursement formula for physician services—oftentimes underestimated and almost never achievable in practical terms.

As part of capitalism’s incessant drive for profit and market share, health care mergers have ballooned in recent years, almost tripling in number between 2003 and 2017, hitting $533 billion in 2019. Ryan Buckley, partner at a mergers and acquisitions advisory firm in Chicago, cites unprecedented levels of liquid cash and investments at private equity firms (about $1.5 trillion) and the health care industry’s higher returns on capital investment compared to other industries as the reason for this growth.

Clearly, as unemployment and homelessness reach record levels, the financial oligarchy is sitting on unimaginable sums of money. They are using it to restructure the country’s health care system, not to increase the quality of life for the population but to extract more profits regardless of the consequences and oftentimes by overworking their staff of nurses and physicians.

Beaumont is Michigan’s largest health care system with 38,000 employees, 8 hospitals, and 167 outpatient centers, bringing in $4.7 billion in annual revenue. It signed a non-binding letter of intent on June 17 with Advocate-Aurora to explore a merger of the two largest health care systems in the Midwest.

CEO Fox joined Beaumont after the 2015 merger of Beaumont, Oakwood Healthcare and Botsford Hospital. He said the merger with Aurora is not due to financial concerns, pointing to the nonprofit’s favorable reviews from Wall Street. Moody’s Investor services gave Beaumont an A1 rating in 2018, citing “strong profitability margins.”

Advocate-Aurora Health is the product of a 2018 merger of Illinois-based Advocate Health Care and Wisconsin-based Aurora Health Care, creating the tenth largest non-profit health care system in the country. It has 74,000 employees working at 28 hospitals and over 500 outpatient facilities, making $12.8 billion in annual revenue.

The merger fits in with Advocate and Aurora’s “bold new strategy” announced at the 2020 JPMorgan Healthcare conference to double revenues by 2025 and become a “multimarket consolidator” through mergers and acquisitions.

Consolidation reduces health care access as less-profitable facilities that serve the rural and urban working class are closed. A 2014 study by the *Milwaukee Journal Sentinel* found “nearly two-thirds of the roughly 230 hospitals opened since 2000 are in wealthier, often suburban, areas.”

In 52 major cities, the number of hospitals fell “from its peak of 781 in 1970 to 426 in 2010, a drop of nearly 46 percent … Most of the facilities closed were small to mid-size community hospitals in poor urban neighborhoods and public hospitals, leaving many low-income neighborhoods with no safety-net hospital.”

It was announced July 29 that Mercy Hospital in Chicago’s working-class Bronzeville neighborhood will be closing after a merger with Advocate’s Trinity Hospital and two others fell through due to not receiving enough taxpayer funding. Since the hospital did not meet Advocate’s profitability requirements it was forced to close, and residents of the historically African-American neighborhood will have to travel outside their community for emergency care.

2019 saw a record number of rural hospital closures, with 119 closed since 2010. A study by Guidehouse consulting firm found about 81 percent of rural hospitals at financial risk of closing are considered highly essential to their communities. Under capitalism, the viability of a hospital is determined by its return on investment for Wall Street, not the health care needs of the population.

While lower costs are cited as benefits of health care consolidation, those savings are not passed onto the consumer. A *New York Times* study of 25 metropolitan areas with the highest rate of consolidation saw that “the price of an average hospital stay soared, with prices in most areas going up between 11 percent and 54 percent in the years afterward, according to researchers from the Nicholas C. Petris Center at the University of California, Berkeley.” With medical bankruptcies at record highs, massive profits are funneled to CEOs and Wall Street.

Advocate Aurora’s CEO Jim Skogsbergh was the highest paid hospital CEO in Chicago, making $11.7 million in 2017. Beaumont’s Jim Fox makes around $5.6 million annually. A survey of 82 not-for-profit hospitals by *Forbes* found a total of $297.5 million in cash compensation to top executives in 2017. The hospitals in this study spent $26.4 million lobbying the government for business-friendly legislation.

Even while holding a reported $2.3 billion cash reserve, Beaumont spent 2019 outsourcing critical job functions and laying off employees in the middle of a pandemic to make its books more attractive for the merger. Seventy highly trained anesthesiologists, who risk their health performing intubations on COVID-19 patients, were told their jobs would be outsourced to Texas-based NorthStar Anesthesia, a company founded in 2004 by a private equity firm. In April, Beaumont announced they were selling their 500-employee ambulance division to an Illinois-based company and laying off 2,475 workers. Later, 1,360 were rehired to remain eligible for the $321 million in relief funding awarded through the federal CARES act.

For its part, Advocate Aurora is sitting on a staggering $9 billion cash reserve. As part of their 2018 merger, rank-and-file employees lost their annual bonus.

The Beaumont doctors are correct to protest the merger. But the demand for removal of this or that CEO will not change the fundamental drivers of the capitalist economic system. Nor will they find support from Democratic Party politicians. Michigan Attorney General Dana Nessell is tasked with reviewing the merger and has issued perfunctory statements. Governor Gretchen Whitmer, and congresswomen Debbie Dingell and Rashida Talib, remain silent even as the hospital hemorrhages staff.

The pandemic has exposed the irrationality of the for-profit health care system. Doctors, nurses and staff who heroically risk their lives every day are battling both the virus and hospital administrators, who force workers to take on impossible caseloads with inadequate PPE to save costs. Whistleblowers who expose dangerous conditions are fired. Record numbers of health care workers are being laid off, even as the 20 largest health care chains are sitting on $108 billion in cash reserves. The $175 billion in bailout funds, a fraction of the amount that went to Wall Street as part of the CARES Act, has done nothing to help these essential workers.

Workers are not taking this lying down. Strikes and protests by health care workers are growing across the United States and have received significant support from the working class. This is the force that these workers should turn toward to wrench ownership the health care system away from the financial oligarchy, back into the hands of the population it is meant to serve.