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Standalone Hospitals Struggling to Survive

In a healthcare market dominated by significant mergers and acquisitions in recent decades, the healthcare network appears to be a prominent fixture in this new era of healthcare reform. Left behind in the wake of the progression of major health networks, the small "*standalone*" hospital has become an increasingly smaller blip on the healthcare industry radar. From 2008 until the present, two major factors have accelerated this trend: the economic downturn and the recent healthcare reform.

Currently, standalone hospitals make up just over twenty percent of all hospitals in the United States, and the current economic climate has limited most public hospitals still standing to three options: sell, consolidate, or file for bankruptcy. [1] Economic competition appears to be taking a backseat to pure economic survival, as these smaller hospitals are finding it increasingly difficult to compete with larger, consolidated health networks.

There are several reasons why standalone hospitals are finding it difficult to compete. First, the economic downturn has led to decreased patient volumes, difficulties in physician recruitment, and rising costs.[2] A lower number of patients does little to help the rising costs that are associated with the recession.[3] Because most standalone hospitals are solo operations, they lack the economies of scale that large hospital networks experience, which allow them to more easily spread the costs.[4]

The recent healthcare reform has also appeared to present standalone entities with new challenges. The healthcare reform initiative includes implementing new medical and administrative technologies which are very expensive to put in place, and costs for all hospitals, standalone or not, may continue to rise as new and expensive technologies make their way into hospitals. [5] Many of these technologies may be difficult for standalone hospitals to acquire, due to challenges in obtaining capital financing.[6] Large hospitals under major health network umbrellas might find it much easier to purchase and implement these new technologies than will smaller, standalone hospitals. Failure to implement electronic health records may initially result in a denial of Medicare payment incentives and could result in monetary penalties, if not implemented by Congress's 2015 deadline.[7]

While recent legislation and economic trends do not look promising for the existence of standalone hospitals, some promising trends exist. There have been twenty-five hospital mergers and transactions in the first half of 2010, according to statistics from Irving Levin and Associates.[8] Of these twenty-five deals, twelve involved standalone hospitals.[9] In 2009, forty-four of the fifty-two mergers (85%) involved standalone hospitals.[10] These statistics give credence to an increasingly common belief in the field that while standalone hospitals may become a thing of the past, there will likely not be a large flurry of standalone closures as was once predicted.[11] Notwithstanding, events surrounding the economy and the implementation of healthcare reform must continue to play out, before the effects on standalone hospitals will be fully understood.

1 "Cash-Poor Governments Ditching Public Hospitals", Suzanna Sataline, Wall Street Journal, 2010, http://online.wsj.com/article/SB10001424052748703618504575459823259071294.html, (Accessed 9/10/10).

2 "Small Hospitals Face Heavy Weather", Timothy Kelley, Managed Care Magazine, 2010, http://www.managedcaremag.com/archives/1003/1003.smallhospitals.html, (Accessed 9/13/10)

3 "Hospital Finances Show Improvement; Mass Layoffs Decline", Victoria Stagg Elliott, American Medical News, 2010, http://www.ama-assn.org/amednews/2010/08/09/bisc0811.htm (Accessed 9/10/10).

4 "Cash-Poor Governments Ditching Public Hospitals", Suzanna Sataline, Wall Street Journal, 2010, http://online.wsj.com/article/SB10001424052748703618504575459823259071294.html, (Accessed 9/10/10).

5 "Cash-Poor Governments Ditching Public Hospitals", Suzanna Sataline, Wall Street Journal, 2010, http://online.wsj.com/article/SB10001424052748703618504575459823259071294.html, (Accessed 9/10/10).

6 "For Stand-Alone Entities, Singular Issues", Mary Pratt, Boston Business Journal, 2010, http://boston.bizjournals.com/boston/stories/2010/07/12/focus2.html, (Accessed 9/10/10).

7 "The Road to Meaningful Use: What It Takes To Implement Electronic Health Records in Hospitals", Trendwatch, American Hospital Association, April 2010, p.1.

8 "The Health Care M&A Report" Irving Levin Associates, 1995-2010. https://www.levinassociates.com/dealsearch (Accessed 9/16/2010).

9 "The Few, The Proud . . .", Melanie Evans, Modernhealthcare.com, 2010, http://www.modernhealthcare.com/article/20100726/MAGAZINE/100729957 (Accessed 9/13/10).

10 "The Few, The Proud . . .", Melanie Evans, Modernhealthcare.com, 2010, http://www.modernhealthcare.com/article/20100726/MAGAZINE/100729957 (Accessed 9/13/10).

11 "Small Hospitals Face Heavy Weather", Timothy Kelley, Managed Care Magazine, 2010, http://www.managedcaremag.com/archives/1003/1003.smallhospitals.html, (Accessed 9/13/10).

(Continued on next page)

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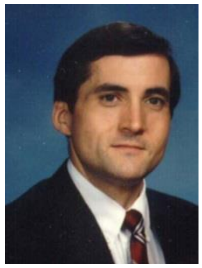

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