



August 2024

Analysis of CMS Hospital Ownership Data

The market for hospitals has grown increasingly concentrated, raising concerns over potential adverse effects on competition.¹ To promote transparency, in April 2022, the Centers for Medicare & Medicaid Services (“CMS”) released, for the first time, data publicly on mergers, acquisitions, and consolidations involving hospitals enrolled in Medicare that occurred on or after January 1, 2016.² CMS describes this data as “a powerful new tool for researchers, state and federal enforcement agencies, and the public to better understand the impacts of consolidation on health care prices and quality of care.”³ In this article, we discuss insights from analysis of this data. The main takeaways are:

- Hospital ownership change has slowed considerably since 2019;
- Acquiring hospitals were larger and more likely to be for-profit; and
- Health system penetration has increased over time.

Overview of Data

When a Medicare-enrolled provider has been purchased (or leased) by another organization, the seller and the buyer must report the transaction to CMS.⁴ Ownership is defined broadly by CMS to include “individuals and firms that have operational or managerial control.”⁵ The most common type of transaction is Change of Ownership (“CHOW”), in which the seller’s Medicare Identification Number (“MIN”) and provider agreements are transferred to the buyer. If both the buyer and the seller are Medicare-enrolled providers, the transaction is separately categorized as Merger & Acquisition (“M&A”) by CMS. A third type of transaction, Consolidation, has been rare, and none was reported during the analyzed period.

¹ Fulton, Brent D. “Health Care Market Concentration Trends in the United States: Evidence and Policy Responses.” *Commonwealth Fund* (Sept. 5, 2017).

<https://www.commonwealthfund.org/sites/default/files/documents/___media_files_publications_in_the_literature_2017_sep_fulton_hlt_care_market_concentration_ha_09_2017_itl.pdf> (accessed Aug. 28, 2024).

² “HHS Releases New Data and Report on Hospital and Nursing Home Ownership.” *U.S. Department of Health and Human Services* (Apr. 20, 2022). <<https://www.hhs.gov/about/news/2022/04/20/hhs-releases-new-data-and-report-hospital-and-nursing-home-ownership.html>> (accessed July 23, 2024).

³ *Id.*

⁴ “Medicare Fee-For-Service Provider Enrollment – Hospital Change of Ownership: Data Guidance.” *Centers for Medicare & Medicaid Services* (Sept. 2022). <https://data.cms.gov/sites/default/files/2022-10/Hospital_CHOW_Data_Guidance_2022.09.30.pdf> (accessed July 30, 2024).

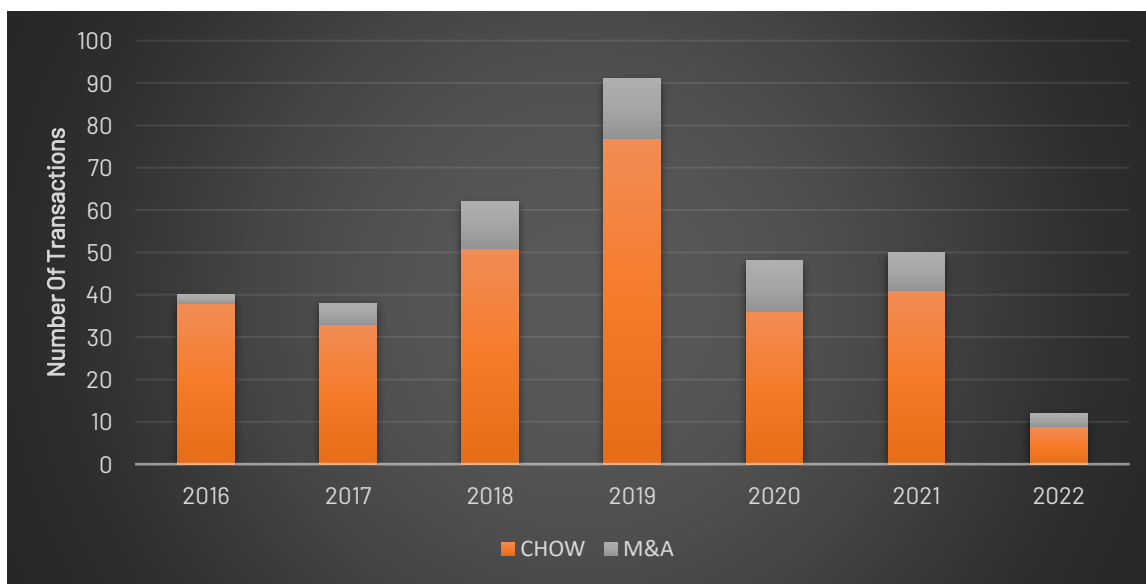
⁵ *Id.*

For this analysis, we merged the CMS ownership data (as of Q4 2022) with the 2022 Compendium of U.S. Health Systems⁶ and the corresponding hospital linkage files to identify unique transactions.⁷ The merged data contains not only transaction-level details such as transaction type and effective date, but also characteristics of hospitals—and the health systems they are part of—such as location, bed count, discharges, and revenue.

Change of Ownership Transactions Have Slowed Considerably Since 2019

There were 341 unique hospital ownership transactions that occurred between 2016 and 2022, of which 285 classified were CHOW transactions and 56 were M&A deals. As depicted in **Figure 1**, the volume of transactions more than doubled from 40 in 2016 to 91 in 2019. That means, in 2019, one in every 68 hospitals changed hands. Since then, the pace of transactions has slowed down considerably—only 12 transactions were recorded in 2022.

Figure 1: *Change of Ownership Transactions by Year, 2016-2022*



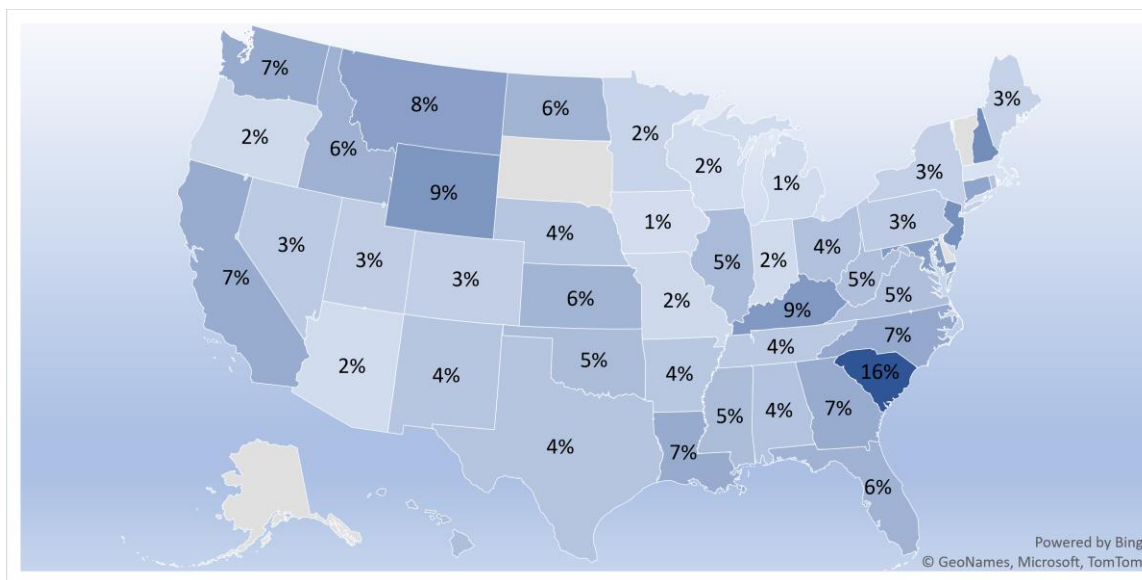
Unsurprisingly, more transactions took place in larger states like California, Texas, and Florida. To account for differences in population size, we ranked states by their hospital turnover rate, calculated as the ratio of transaction volume to the number of Medicare-enrolled hospitals. By this measure, South Carolina was head-and-shoulder above everyone else, as shown in **Figure 2**. Cumulatively, nearly one in six hospitals were sold from 2016 to 2022. This momentum seemed to carry over to 2023, as Tenet Health announced a deal with Novant Health to sell three South

⁶ "Compendium of U.S. Health Systems, 2022." *Agency for Healthcare Research and Quality*. <<https://www.ahrq.gov/chsp/data-resources/compendium-2022.html>> (accessed July 30, 2024).

⁷ We identified unique hospitals based on the "compendium_hospital_id" variable in the hospital linkage files, which is the "unique hospital ID created by the CHSP initiative and used across all CHSP analyses." See "Comparative Health System Performance Initiative: Compendium of U.S. Health Systems, 2022, Hospital Linkage File, Technical Documentation." *Agency for Healthcare Research and Quality*. <<https://www.ahrq.gov/sites/default/files/wysiwyg/chsp/compendium/2022-hospital-linkage-techdoc-021224.pdf>> (accessed Aug. 5, 2024).

Carolina hospitals for \$2.4 billion.⁸ Other states with a notably high hospital turnover rate include New Hampshire, New Jersey, Wyoming, and Kentucky. In contrast, few hospitals changed hands in states like Massachusetts, Iowa, and Michigan, where the turnover rate hovered around just one percent.

Figure 2: *Hospital Turnover Rate by State, 2016-2022*



Acquiring Hospitals Were Larger and More Likely to be For-Profit

The acquiring hospitals (i.e., identified as buyers in CMS’s transaction data) were nothing like the average hospital. *See Table 1.* For one, the acquiring hospitals were nearly twice as large as the average hospital, whether measured by the number of beds, patient discharges, or net patient revenue. Moreover, the acquiring hospitals were also more likely to be for-profit or investors-owned, though they are equally as likely to be non-profit. Select indicators of patient demographics also suggest that the acquiring hospitals were more likely to serve a higher proportion of low-income patients.⁹

Table 1: *Comparison of Select Hospital Characteristics*

	All Hospitals	Acquiring Hospitals
No. of Hospitals	6,764	341
<i>Hospital Size</i>		
Median No. of Beds	65	102

⁸ Muoio, Dave. “Tenet Healthcare selling 3 South Carolina hospitals to Novant Health for \$2.4B cash.” *Fierce Healthcare* (Nov. 17, 2023). <<https://www.fiercehealthcare.com/providers/tenet-healthcare-selling-3-south-carolina-hospitals-novant-health-24b-cash>> (accessed Aug. 28, 2024).

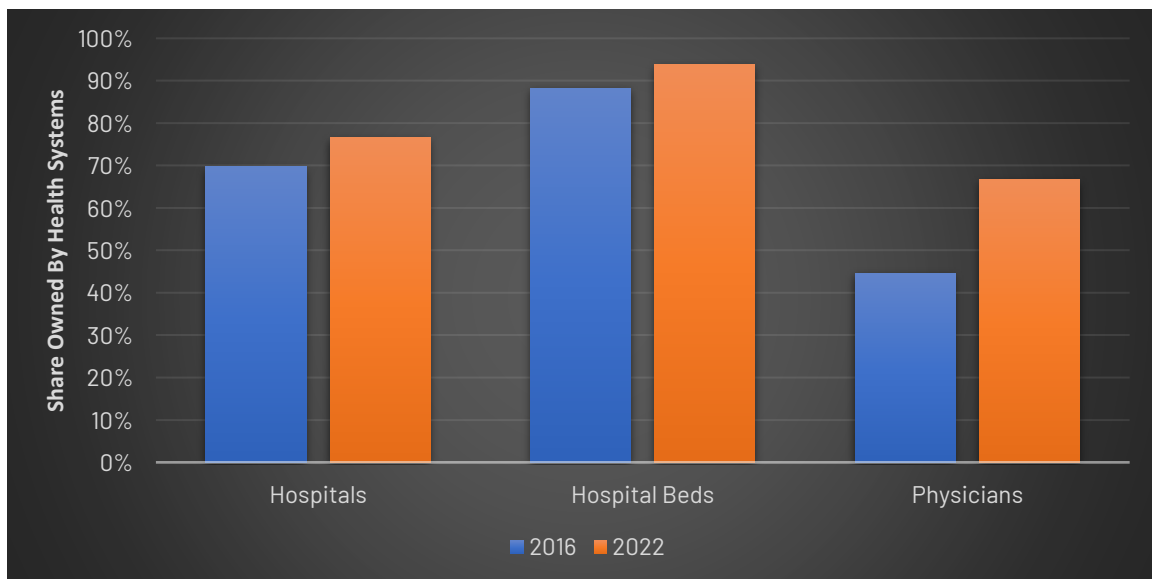
⁹ *Id.* CMS designates a hospital as having a high uncompensated care burden if the hospital is among the top quintile of all hospitals in terms of uncompensated care burden, which reflects a hospital’s charity care and bad-debt expenses as a share of total operating expenses. CMS tags a hospital as having a high Disproportionate Share Hospital (“DSH”) patient percentage if the hospital’s overall caseload of low-income insured patients is within the top quintile of all hospitals.

Median No. of Discharges	1,568	3,337
Median Net Revenue (Million USD)	\$63.2	\$96.3
<i>Hospital Ownership</i>		
Is Nonprofit	34.8%	36.3%
Is For-Profit/Investors Owned	25.0%	34.7%
<i>Patient Socio-Economic Indicators</i>		
Has High Uncompensated Care Burden	12.4%	17.9%
Has High DSH Patient Percentage	8.3%	14.1%

Health System Penetration Has Increased Over Time

Penetration by health systems has increased over time. **Figure 3** compares health system penetration between 2016 and 2022. In 2016, 70 percent of non-federal acute care hospitals, 88 percent of hospital beds, and 45 percent of physicians were part of a health system. By 2022, 630 health systems commanded 76 percent of all non-federal acute care hospitals,¹⁰ collectively owning 93 percent of all hospital beds and employing 67 percent of physicians.

Figure 3: *Share of Hospitals, Beds, and Physicians in Health Systems, 2016 and 2022*



The most active health system, as measured by the number of transactions in which they were the acquiring entity, was CommonSpirit Health. Created in 2019 through a \$30 billion merger of Catholic Health Initiatives and Dignity Health, CommonSpirit Health purchased 15 hospitals

¹⁰ For CMS's definition of a health system, see "Comparative Health System Performance Initiative: Compendium of U.S. Health Systems, 2022, Technical Documentation." *Agency for Healthcare Research and Quality*. <<https://www.ahrq.gov/sites/default/files/wysiwyg/chsp/compendium/2022-Compendium-TechDoc.pdf>> (accessed Aug. 2, 2024).

between 2016 and 2022.¹¹ HCA Healthcare was a close second with 14 transactions. Collectively, the top ten most active health systems accounted for 27 percent of all transactions.

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¹¹ Dubb, Steve. "Record Merger Creates Nation's Largest Nonprofit Catholic Healthcare Company." *Nonprofit Quarterly* (Feb. 6, 2019). <<https://nonprofitquarterly.org/record-merger-creates-nations-largest-nonprofit-catholic-healthcare-company>> (accessed Aug. 9, 2024).