

Beaumont and Spectrum Health announce merger, establishing largest hospital system in Michigan

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Beaumont Health, based in Southfield, Michigan, and Spectrum Health, based in Grand Rapids, Michigan announced on June 17 a plan to merge into one company and create the largest health care organization in the state.

In an 8-page letter of intent dated June 16 and entitled “For Michigan, By Michigan,” the leaderships of the two nonprofit corporations elaborate on their “shared goal” of establishing the new firm to “transform health care and coverage in Michigan.”

Signed by the Board Chair, CEO and President of both hospital groups, the letter goes on at length about how the merger will “improve health, health access and health equity,” “enhance customer experience,” “improve the quality, value, and outcomes of health care,” “make health care more affordable for the communities we serve” and “ensure the voices of team members and physicians are heard.”

As health care workers employed by Beaumont and Spectrum—along with the public that uses their facilities—are fully aware, these phrases are being used purely for the purpose of winning regulatory approval for the merger. The one thing that is missing from the hailing by the hospital executives of how great this merger will be for Michigan is any discussion of the financial arrangements that lie behind the agreement and, most significantly, how much they will be paid to oversee it.

Beaumont Health is currently Michigan’s fourth largest health care system with eight hospitals, 3,375 beds and 155 outpatient sites in the Detroit Metropolitan area. The organization has 5,000 doctors and 33,000 employees and annual revenue of \$4.7 billion. Beaumont’s current resources are the product

of two previous mergers with Botsford Hospital in Farmington Hills and Oakwood Hospital in Dearborn.

Beaumont Health has a history of giving massive payouts to executives while cutting the compensation of health care staff and destroying long-established work practices. Last November, it was revealed that the hospital system paid CEO and President John Fox—a signer of the merger agreement—a \$2.6 million bonus as part of his 2019 total compensation of \$6.75 million. The bonus was prepared just as the deadly coronavirus pandemic was hitting Detroit and paid out as the hospital was laying off employees even as it received \$866 million in federal CARES Act funds.

Spectrum Health is Michigan’s largest health care system with 15 hospitals, 12 urgent care facilities and 43 labs and physician practices in the western Michigan region. The corporation also includes the insurance provider Priority Health. With an annual revenue of \$7.2 billion, Spectrum is the largest employer in the area with 4,200 physicians and 31,000 employees.

According to a 2018 government filing, Spectrum paid its top 21 executives more than \$27 million in compensation ranging from \$4.8 million to Director Richard Breon to \$451,461 to SVP of Human Resources Brian Krupiczewicz. CEO and President Christina Freese Decker, who has signed the merger letter of intent, was paid more than \$3.5 million in salary and benefits during 2018.

Becker’s Hospital Review says that the tentative name of the new company will be BSHS System and the leadership arrangement will be Freese Decker as the new CEO and Fox staying on board throughout the transition with plans to leave the organization once the merger is complete.

The plan also calls for the headquarters of the new organization to remain in both Southfield and Grand Rapids. There will be a 16-member board with seven each from the former company boards plus Freese Decker and Fox.

The corporate media, Michigan political elite and industry experts have been quick to praise the merger announcement. The *Detroit Free Press* published an article on June 18 that cited Professor Erik Gordon of the Ross School of Business at the University of Michigan who gushed, “Folks should be relieved—patients and employees. This is a happy combination.”

The *Free Press* added, “Spectrum comes to the negotiations with a reputation for being well run and without major financial troubles. And because there is no market overlap between the health systems, there shouldn't be much concern about hospitals closing, major job losses or antitrust issues to snarl the deal.”

Meanwhile, Representative Andy Levin, Democrat from Bloomfield Township, whose 9th Congressional District includes Beaumont's flagship Royal Oak Hospital, said, “I am committed to preventing spikes in health care costs and worse patient outcomes, as evidence indicates can happen following mergers. I will not accept inferior care for my constituents in the name of consolidation of competition or growth of revenue.”

The only published opposition to the deal came from the former CFO of Spectrum, Michael Freed, who said, “I only see the potential for massive financial loss” and added that the merger, which spans a distance of 150 miles from Grand Rapids to Detroit, will lead to a loss of “local control.”

Staff opposition to previous merger plans between Beaumont Health and Advocate-Aurora in Chicago, Illinois last summer disrupted the deal and caused Fox and others on the board to pull their proposal off the table. At the time, the *World Socialist Web Site* warned that, with the collapse of the deal with Advocate-Aurora, Beaumont management was biding its time and another merger deal was likely in the works.

The financial manipulation of the nonprofit health care industry by executives who collectively take tens of millions of dollars in compensation each year will again face opposition from doctors, nurses and the health care staff at both the Beaumont and Spectrum facilities. The workforce that has been responsible for

the functioning of the hospitals and clinics throughout the pandemic—working under conditions which threaten their lives each day—must take forward this fight by organizing its own independent workplace committees fighting for a socialist program which guarantees free universal health care for all.

Only on this basis can the health care industry be truly transformed to serve the medical needs of the public and not the wealth-generating interests of a handful of executives and top administrators.



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