

## **Columbia Healthcare Corp. Merges with HCA-Hospital Corp. of America. (Originated from The Miami Herald)**

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Oct. 5--The future of medical care has arrived in Florida. It was confirmed this weekend when Columbia Healthcare Corp., the largest provider of hospital beds in South Florida and nationwide, agreed to merge with HCA-Hospital Corp. of America, the nation's second-largest provider.

The huge deal reflects the consolidation sweeping the industry as medical providers jockey to prepare for health-care reform. The larger companies are joining forces to compete and cut costs.

Nowhere are the results more evident than in Florida. "Florida is the best example for the entire company," said Richard L. Scott, Columbia's chief executive and pioneer of its aggressive acquisition strategy. The way to lower costs, "is to drive more business into fewer facilities."

The state, where reforms are under way, has been an important market for Columbia. It dominates the delivery of medical care in several cities by buying underperforming hospitals, then sharing services and cutting overhead.

Scott expects his consolidation strategy to work whether it's th government or large private employers, such as Barnett Banks, buying medical coverage. This approach impressed Thomas F. Frist, HCA chief executive, enough to propose a merger with Columbia to Scott only three weeks ago.

"The Clinton plan is saying it's not business as usual," Frist said. Frist and Scott began talking the day after Columbia completed its last acquisition, buying Galen Health Care and tripling its revenues.

The \$5.6 million merger would create a giant chain of 190 hospitals in 2 states with close to 3 percent of the country's hospital beds and \$10 billion in annual revenues. Together, the companies will have 125,000 jobs and expect to cut \$130 million in expenses. Pending regulatory and shareholder approvals, the merger is expected to be completed before the end of the year.

In Florida, the combined companies would end up with about 45 hospitals. Most of the HCA hospitals are north of Orlando. Columbia is stronger in South Florida. The merger would add Northwest Regional Hospital, owned by HCA in Margate, to the 14 Columbia hospitals already in Dade, Broward and Palm Beach counties.

"The goal is to be one-stop-shopping for any payer," said Dan Moen, regional head of Columbia's operations in South Florida, Daytona Beach, Orlando and Jacksonville. Moen said there were no plans to reduce the 10,000 employees in South Florida.

But consolidation would continue. Moen said services now provided at the former Miami Beach Community Hospital would be shifted to the Miami Heart Institute. Victoria Hospital operations will be consolidated at Cedars Medical Center.

While such moves can lower operating costs, some experts worry that consumers won't see all the savings.

"With the larger network, the greater the opportunity for efficiency," said Thomas A. Natiello, who directs the Institute for Health Administration and Research at the University of Miami. "But it reduces the number of competitors, hence makes it more difficult to negotiate pricing."

Because HCA adds only one Broward hospital to the Columbia chain, the local effects of merger may not be immediate. But industry observers still expect changes.

"There's no doubt that every time Columbia makes a move, it speeds up everybody's strategic planning and process," said Richard J. Stull, chief executive of the North Broward Hospital District.

Financial analysts were surprised by the speed of the Columbia-HCA merger, but generally agreed it was a good move.

"You're going to see many more deals being made," said Jeffrey Villwock, an investment analyst for Johnson Rice & Co. in New Orleans.

HCA shares, jumped \$6.12, or 27 percent, to \$28.875 Monday, making it the biggest gainer Monday on the New York Stock Exchange. Columbia's stock fell \$1.37 to \$28.87 per share. The two stocks ranked Nos. 1 and 2 among the Big Board's most active stocks.