

Panel Discusses Drivers, Impacts of Health System Mergers in Wisconsin Wisconsin's commitment to quality and integrated care highlighted

Wisconsin Health News (WHN) hosted a panel discussion with CEO of Froedtert Health Cathy Jacobson, Chief Medical Group Officer/President of Advocate Health Jeff Bahr, MD, and Managing Director of Kaufman Hall Courtney Midanek on July 11 about health care mergers and partnerships.



L to R: Sean Kirkby, WHN; Cathy Jacobson; Jeff Bahr, MD; Courtney Midanek

Each of the panelists discussed key drivers of health system mergers and partnerships.

Jacobson noted that achieving a patient population size large enough to enable a health system to take on population health risk arrangements is a critical factor in Froedtert Health's planned merger with ThedaCare.

"When you're really pushing into value-based care, you're taking financial risks," said Jacobson. "You just simply cannot take financial risks on small populations, especially when you get into full risk types of arrangements. One bad case will wipe out everything you have. So you have to have enough population under management to be able to balance the people you can keep well with the people that you take care of when they're really ill."

Jacobson also said that as an academic medical center, serving a greater population creates new opportunities for research and volumes necessary to develop expertise in subspecialties.

Bahr echoed those thoughts as drivers of Advocate Aurora's merger with North Carolina-based Atrium Health, which is a leader in health care research and education. He said that a driver of Advocate Aurora's interest in merging with Atrium Health was to expand their talents and capabilities in Wisconsin and Illinois, including gaining access to the academic and research benefits of Atrium Health.

"The way that we serve patients, not just when they're sick, but trying to preserve their health, is evolving," said Bahr. "And so we

were looking for partners that actually expand our talents and capabilities.”

The relationship between innovation and scale repeatedly came up during the discussion, with Jacobson noting that access to new technology, partnerships and talent that drive health care innovations are increasingly flowing to larger organizations.

Midnek said that while 15 years ago most mergers involved financially challenged smaller health organizations joining larger organizations, today there is a greater number of strategic combinations of health care organizations. She said that inflation and staffing costs are causing a new rise in financially driven mergers, strategic mergers, sometimes between widely dispersed organizations, are being driven by technology and a focus on preserving and maximizing workforce and talent resources.

The Kaufman Hall director also contrasted hospital system mergers and health plan mergers. The scale of health system consolidation dwarfs the much larger scale consolidation occurring in the health plan market, explained Midnek. “It just doesn’t even compare.”

Midnek was also critical of the “salacious headlines” driving a message that hospital and health system mergers increase costs based on narrow studies treating all mergers the same. She shared studies of health care mergers showing increases in quality, cost savings of 3.5% to 7%, and reductions in revenue per admission.

Jacobson touted Wisconsin’s overall health care environment and quality culture as a reason Froedtert Health is joining ThedaCare as opposed to partnering with an organization in a different state.

“Wisconsin is a really great state to do what we do,” said Jacobson. “We are mainly integrated delivery systems, and when you are integrated, you have the ability to do care coordination, quality and population health better when you have that alignment. We have systems that were built that way in Wisconsin. Wisconsin also has a longstanding culture of quality. Way before national standards on quality, Wisconsin was doing that on their own. We practice quality here.”

“As long as there are opportunities in Wisconsin, we are going to stay in Wisconsin,” said Jacobson.

Bahr highlighted the significant investments and over 4,000 new Wisconsin jobs stemming from Aurora Health Care’s merger with Advocate Health Care. Bahr also discussed cost savings stemming from that merger.

“If we just look at (accountable care organization) performance as a surrogate, both Advocate Health Care and Aurora Health Care, dating back to 2012, have saved taxpayers something on the order of \$500 million, cumulatively,” said Bahr. “I’d also say, our quality has never been better.”

Jacobson summarized what makes a successful merger, and Froedtert Health and ThedaCare’s vision for their merger.

“Identify first and foremost what you are trying to achieve,” said Jacobson. “You need to identify some core principles about why 1+1 equals 3, and not 2 and certainly not 1 ½. Once you do that then you have a vision about what are your highest priorities—value, population health and quality.”



Attendees at WHN's July 11 panel discussion on health system mergers in Wisconsin.

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