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More options, leverage expected to accompany Ascension merger with Henry Ford



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Detroit — Henry Ford Health on Tuesday joined with parts of the Ascension Michigan health system to become Metro Detroit's largest hospital system, a development that experts said gives the new combined group more leverage over employers and insurance companies but could also result in improved, streamlined access to services.

The merged health system under the Henry Ford name includes 13 acute care hospitals, three behavioral health facilities and roughly 50,000 employees across 550 sites of care, officials said at a Tuesday news conference announcing the finalized deal. The rules for reproductive rights services at sites for Ascension Michigan, a private Catholic health care system, won't change under the combination, said Ascension Senior Vice President Carol Schmidt, who now becomes Henry Ford Health's senior integration adviser.

The joint operation will make Henry Ford Health the largest local health care provider, controlling about 44% of the Metro Detroit hospital market share by revenue, according to 2022 financial results assembled by Allan Baumgarten, a Minneapolis-based health market analyst who has been following the Michigan market for decades. The Eastern Michigan division of Corewell Health controls about 34.5% of the market, while the Detroit Medical Center holds 11.4%, he said.

The joint venture follows a series of hospital system mergers in southeast Michigan during the past decade. Beaumont Health in 2015 took over Botsford Health Care in Farmington Hills and Oakwood Healthcare in Dearborn. Seven years later in 2022, Beaumont and

Spectrum Health combined into a renamed Corewell Health in 2022, while Ann Arbor-based Michigan Medicine absorbed Sparrow Health in the Lansing area in 2023.

The joint ventures also comes after Ascension Health had a \$1.8 billion loss in fiscal year 2024, down from a \$3 billion deficit in 2023, according to its most recent financial reports. Ascension this summer sold facilities in Saginaw, Tawas, and Standish to Midland-based MyMichigan Health. It also has been unloading hospitals and other assets in the past three years, according to Becker's Hospital CFO report.

"The question here becomes, can Henry Ford operate them profitably, or will they be a drain on Henry Ford?" said Alex Calderone, president of the Birmingham-based Calderone Hudson consulting group.

The main concern is that when a health system controls more than 40% of a local market, it can increase the amount it charges commercial insurance payers and employers, Baumgarten said.

"The hospitals look to commercial payers and employers to make up for the money they think they should have gotten from Medicare and Medicaid but didn't get," said Baumgarten, referring to the government health care programs for seniors and low-income residents. "That's, I think, the No. 1 concern that having that much market power gives you more leverage to increase the prices that you're charging to employers, either through their self-funded plans or through the insurance plans that they're buying from Blue Cross, or Henry Ford (through the Health Alliance Plan), for that matter, or any of the other large companies in the area."

The joint venture allows patients and employees at the former Ascension Michigan hospitals to explore insurance coverage options from HAP, Henry Ford Health President and CEO Bob Riney said.

While it is possible to reduce costs by streamlining certain operations within a health system or reducing surplus capacity, the research literature on mergers like the Ascension-Henry Ford combination shows the efficiencies don't result "in price reductions to employers or to insurers" but in "increased profits," Baumgarten said.

But Calderone said it would be challenging to predict how the joint venture will affect pricing given the many factors that could influence the situation, particularly a health system's insurance contracts. In some instances, prices have dropped when mergers and joint ventures create economies of scale or lower costs through efficiencies, he said.

"It does give them more leverage in negotiating with their different vendors and the insurance companies," Calderone said.

Riney said Tuesday he does not expect any significant increases in prices. Most forms of insurance force health care providers to prove they've elevated the care and managed the patients well to justify the cost, he said.

"I don't anticipate that there will be significant increases in care," Riney said. "I think people are going to see value, and value comes from coordination, and value comes from eliminating waste and adopting best practices."

Henry Ford Health holds an 80% ownership stake in the joint venture while Ascension has the remaining 20%, officials said. The eight former Ascension Michigan hospitals and one center for recovery have been rebranded under Henry Ford Health.

Baumgarten said he would have expected the deal to get more scrutiny from state and federal regulatory agencies. Michigan Attorney General Dana Nessel's office confirmed that the department conducted an antitrust review of the joint venture but could not elaborate further.

The joint venture isn't Henry Ford's first attempt at expansion. A proposed merger with Beaumont was abandoned in 2013 when the health systems mutually decided the risks outweighed the benefits.

What changes under merger

While the merger will benefit Henry Ford, it does pose challenges, Calderone said. From staffing shortages to cyber attacks plaguing health systems across the country, it has become more difficult to operate hospitals since the COVID-19 pandemic, he said.

"It's tough enough alone to kind of actively manage the facilities that one already does have, let alone bite off eight new ones and figure out how to run those and plug them into an existing system," Calderone said.

Last fall, the two hospital systems entered into a joint venture agreement. It includes the Ascension St. John Hospital in Detroit, Ascension Macomb-Oakland Hospital's Madison Heights and Warren campuses, Ascension Providence Hospital's Novi and Southfield campuses, Ascension Providence Rochester Hospital, Ascension River District Hospital in St.

Clair County's East China Township, Ascension Genesys Hospital in Grand Blanc as well as the Ascension Brighton Center for Recovery.

Henry Ford officials touted the merger as expanding the number of health care choices for patients.

"This is a staggering number, 550 individual sites of care, from Downriver to Grand Blanc, from Detroit to Jackson, from West Bloomfield to Warren and everything in between and around," Riney said. "If you are a patient of Ascension Michigan in this area, you can now see any Henry Ford Health doctor, and vice versa, for Henry Ford Health patients."

The joint venture is the latest development in a busy year for Henry Ford Health, which broke ground on a new hospital last month and a new research center in May. The projects, located in Detroit's New Center area, are part of a \$3 billion investment and partnership between Henry Ford Health, Michigan State University and the Detroit Pistons.

The expansion projects and joint venture with Ascension Michigan are, at least in part, an effort by Henry Ford to increase their capacity and keep patients in the Detroit area so they don't seek primary and specialty care from other expanding health systems like Michigan Medicine, Baumgarten said. Michigan Medicine announced plans in March to purchase vacant land at the former Kmart headquarters in Troy to build a multi-specialty facility.

Managing the Detroit construction projects while integrating the new Ascension facilities is a "tall order," Calderone said.

"I think there is a decent amount of execution risk associated with this deal," he said.

Effects on patients explored

When asked about what the joint venture would mean for patients in the long run, Riney said they are the real beneficiaries of the expansion.

The merger will result in "holistic care ... that is highly coordinated, that offers a full continuum of services and allows people to get the right care, right reason, at the right place that is convenient for them," Riney said. "This coming together for consumers offers a lot of options for people to know that they can get their care and their care will be highly connected."

Services might be altered or shifted between hospitals to eliminate redundancies or "steer patients toward a facility that may be able to undertake or offer those services better, perhaps more profitably, or just with a greater level of expertise," Calderone said.

"They may also decide that they have too much capacity, either at clinic sites or in inpatient hospitals units or in their different specialty centers, and may try to, again, streamline those operations, those clinical operations," Baumgarten said.

Henry Ford may also want to send as many patients into its new New Center patient tower when it is completed, he said.

"They will want to get as many patients into that tower as possible and so, for that reason, you might see them begin to reduce either service lines or capacity at, say, St. John hospital on the east side," Baumgarten said.

The combination of a secular nonprofit health care provider with Ascension, a St. Louis-based private health system that follows Catholic ethical and religious directives, won't change the rules for care, Schmidt said. The rebranded Ascension Michigan hospitals will continue to follow these rules, she said.

"There's certain services that are provided in certain hospitals or certain facilities, and maybe not in all," Schmidt said when asked about what kinds of reproductive and gender-affirming care would not be available at the former Catholic hospitals. "It will be no different than it would have been historically when we were Ascension without the JV (joint venture) part."

The Catholic Hospital Association indicated in a February statement that Catholic health care providers don't perform elective abortions but "are held to the exact same clinical standards of care and adhere to the same policies as every other hospital in the country." Catholic hospitals aren't prohibited from the religious and ethical directives "from providing medically indicated care to a woman who is suffering from serious or life-threatening conditions during pregnancy," the association said.

Staffing effects

Integrating Ascension workers into the Henry Ford system will be a challenge, experts said. The work will include merging employee benefit plans and the electronic medical records of the two hospital systems, Baumgarten said. Electronic medical record transitions are almost always expensive, he added.

"While they're training people, claims don't get written and cash flow gets disrupted, and it takes them months, literally, to catch up with all the work that they've been doing but... not billing correctly for," Baumgarten said.

But Riney said he is "extremely excited" about the investments Henry Ford is making in electronic medical record platform upgrades at the former Ascension Michigan care sites. Henry Ford uses Epic, a Wisconsin-based health information company, for EMR and billing, and aligning the former Ascension Michigan hospitals with Epic is one of the first priorities, he said. Integration is expected to take two years, Riney added.

A group of contracted emergency department workers at the former Ascension St. John, now Henry Ford St. John Hospital, voted to unionize last year. The workers, who include physicians, physician assistants and nurse practitioners, work for TeamHealth, a private physicians and hospital management company. Riney couldn't speak to that union specifically but said union contracts would be honored.

"I certainly enjoy and believe that we have to earn the right to have direct relationships with all of our team members," Riney said, "but we honor and respect those that choose to use a third party, and that will not change."

Managing morale during this transition will be important, Calderone said. Each health system has its own policies and training people on new policies tends to be disruptive and cumbersome, he said.

"I think one of the more important things for them is to just make sure that they're keeping the people happy — the doctors, the nurses, other people that they're acquiring," Calderone said. "Oftentimes, the most significant challenges end up being those associated with cultural challenges."

The joint venture will provide physicians with the opportunity to participate in education and research if they want, Riney said.

"It will allow all of our physicians, first of all, to be electronically connected in a very user-friendly way, and that's critical for understanding the whole profile of a patient," Riney said. "Second, for our physicians, it's going to allow them to be part of an even bigger and broader array of clinical service lines where best practices can be created, shared and implemented."

The combined health system may look for areas to increase savings during the first year, Baumgarten said, such as streamlining operations in procurement, human resources, and

management departments, which could reduce the number of employees.

"Most of the time, if there are jobs that evaporate, they tend to be back office jobs and oftentimes eliminating those are critical to restoring profitability," Calderone said.

But Riney said Henry Ford does not plan any employee layoffs. Over 99% of Ascension team members who were offered positions at Henry Ford Health under the joint venture accepted, which he said was an "extraordinary vote of confidence."

"We are a growing organization," Riney said. "More and more patients and community members are finding that they align very well with the care and services offered by Henry Ford Health."

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