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Correspondence Memorandum

Date: October 13, 2023

To: Group Insurance Board

From: Renee Walk, Programs & Policy Unit Director
 Office of Strategic Health Policy

Subject: Wisconsin Health Market Report

This memo is for informational purposes only. No Board action is required.

Background

The Department of Employee Trust Funds (ETF) tracks changes in the local and national health care industry that may impact the costs of the programs administered by the Group Insurance Board (Board) or access to care under the Board’s programs. This memo highlights key mergers, acquisitions, and facility changes that have occurred since the Board’s last market report in November 2022 ([Ref. GIB | 11.16.22 | 7](#)).

Regulatory Developments

Mergers and acquisitions continue in the health insurance and health care industries, despite evidence that such mergers tend to increase prices without commensurate increases in quality¹. The Federal Trade Commission (FTC) in August 2021 issued a statement that it had received so many merger filings that it would not be able to review all before mandated deadlines. The FTC also issued a warning at that time that it could deem a merger unlawful if the companies do move forward without the FTC’s formal review and approval of their premerger filings. More recently, the FTC has identified cross-market mergers—mergers between two entities whose prior service areas do not overlap—as areas of focus for regulation.

In July 2023, the FTC and the United States Department of Justice (DOJ) released draft merger guidelines². These guidelines would be applicable to hospitals and health systems, among other entities. The FTC and DOJ both also withdrew their prior

¹ Godwin, J, Levinon, Z, and Hulver, S. “Understanding Mergers Between Hospitals and Health Systems in Different Markets,” Kaiser Family Foundation, August 23, 2023. <https://www.kff.org/health-costs/issue-brief/understanding-mergers-between-hospitals-and-health-systems-in-different-markets/>

² U.S. Department of Justice and the Federal Trade Commission. [Merger Guidelines](https://www.justice.gov/d9/2023-07/2023-draft-merger-guidelines_0.pdf) (Draft). July 19, 2023. https://www.justice.gov/d9/2023-07/2023-draft-merger-guidelines_0.pdf.

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 11/01/2023

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healthcare antitrust policy statements because they, “no longer reflect market realities”³. Those statements provided “safety zones” for health system mergers⁴. The deadline for public comment on the new merger guidelines was September 18, 2023. The new guidelines received over 3,000 comments and are currently under review.

Insurance Carrier Developments and Trends

Froedtert Memorial Hospital Becomes Sole Owner of Network Health Plan

In October 2023, Froedtert Health announced plans to buy Ascension Wisconsin’s remaining stake in Network Health Plan, eventually becoming the sole owner. Currently, the two health systems each have a 50% stake in the plan. According to their announcement, Ascension would extend provider contracts through the end of the purchase to remain available to existing members. Currently, Network Health Plan serves 27,752 members of the Group Health Insurance Program in 25 counties.

Provider System Mergers and Acquisitions

Advocate Aurora/Atrium Health Merge

Advocate Aurora Health, whose presence is primarily in southeastern Wisconsin, finalized a merger with North Carolina-based Atrium Health in December of 2022. The merger was first announced in May of 2022. The new organization is called Advocate Health, but Advocate Aurora will continue to use its original branding in Wisconsin. The FTC investigated this merger but did not challenge it. At that time, the merger created the fifth largest nonprofit health system by revenue in the country⁵. Advocate generated the third most profit in 2022 among the largest nonprofit health systems in the country⁶.

UnityPoint Health, Presbyterian Healthcare Services Announce, Call Off Merger

UnityPoint Health, the owner of Madison’s Meriter Hospital, and Presbyterian Healthcare Services of New Mexico announced a letter of intent to merge in March 2023. The merger would have yielded a system generating \$11B in revenue, but both parties announced in October 2023 that they no longer intend to merge⁷.

³ Federal Trade Commission. “Federal Trade Commission Withdraws Health Care Enforcement Policy Statements”. July 14, 2023. https://www.ftc.gov/news-events/news/press-releases/2023/07/federal-trade-commission-withdraws-health-care-enforcement-policy-statements?utm_source=govdelivery

⁴ U.S. Department of Justice and the Federal Trade Commission. “Statements of Antitrust Enforcement Policy in Health Care.” August 1996. <https://www.ftc.gov/sites/default/files/documents/reports/revised-federal-trade-commission-justice-department-policy-statements-health-care-antritrust/hlth3s.pdf>

⁵ Liss, Samantha. “Advocate Aurora and Atrium Complete merger, creating \$27B system.” Healthcare Dive, December 2, 2022. https://www.healthcaredive.com/news/advocate-aurora-atrimum-complete-merger/637880/?utm_campaign=Headlines_120522_US&utm_medium=email&utm_source=Eloqua

⁶ Muoio, D. “The top 10 nonprofit health systems by 2022 operating revenue.” Fierce Healthcare, June 20, 2023. https://www.fiercehealthcare.com/providers/top-10-nonprofit-health-systems-2022-operating-revenue?utm_medium=email&utm_source=nl&utm_campaign=HC-NL-FierceHealthcare&oly_enc_id=834213845112B8C

⁷ Muoio, D. “UnityPoint Health, Presbyterian Healthcare Services call off \$11B merger.” Fierce Healthcare, October 11, 2023. <https://www.fiercehealthcare.com/providers/unitypoint-health-presbyterian-healthcare-services-call-11b-merger>

Froedtert to Merge with ThedaCare

In April 2023, Froedtert Health and ThedaCare announced plans to merge by the end of 2023; this follows announcements in 2022 of plans between Froedtert, Medical College of Wisconsin, and Theda Care to build new hospitals together in Fond du Lac and Oshkosh. At that time, the entities stated no intention to merge. Medical College of Wisconsin is not currently a part of this planned merger.

St Luke's Duluth to Join Aspirus Health

In July 2023, St Luke's hospital in Duluth, Minnesota, announced plans to join Aspirus Health System. If completed, Aspirus Health would become the headquarters; Aspirus Health is based in Wausau⁸.

Health System Capital Development

UW Hospital Announces New East Madison Surgery Center, Increased Inpatient and Emergency

UW Hospital and Clinics Authority approved adding on to their east Madison hospital campus in December 2022. The new facility will be an ambulatory surgery center and is scheduled to open in 2024. In July 2023, UW Hospital announced it would also be increasing capacity at its east Madison campus, adding a new emergency room and inpatient surgical rooms⁹.

Mayo Clinic Expands In-Progress La Crosse Hospital

Mayo Clinic announced the intent to replace its existing La Crosse hospital in February of 2022. In June 2023, they announced plans to increase the number of total beds from 70 to 96. Mayo Clinic still plans for this facility to open in 2024.

Other Hospital and Healthcare System Changes

Ascension St. Francis Ends Labor and Delivery Services

In December 2022, Ascension announced that it would end labor and delivery at its St. Francis Hospital on Milwaukee's south side, with services moving to Columbia St. Mary's and Ascension's St. Joseph campus, each approximately 10 miles away on Milwaukee's north side. Ascension had the fourth-highest revenue amongst large health systems in 2022¹⁰.

⁸ Muoio, D. "Aspirus Health, St. Luke's Duluth unveil plans to form 19-hospital Midwest nonprofit system." Fierce Healthcare, July 12, 2023. <https://www.fiercehealthcare.com/providers/aspirus-health-st-lukes-duluth-unveil-plans-form-19-hospital-midwest-nonprofit-system>

⁹ Wisconsin Health News. "UW Health Plans to Boost Capacity at Two Madison Hospitals." July 28, 2023. <https://wisconsinhealthnews.com/2023/07/28/uw-health-plans-to-boost-capacity-at-two-madison-hospitals/>

¹⁰ Muoio, D. "The top 10 nonprofit health systems by 2022 operating revenue." Fierce Healthcare, June 20, 2023. https://www.fiercehealthcare.com/providers/top-10-nonprofit-health-systems-2022-operating-revenue?utm_medium=email&utm_source=nl&utm_campaign=HC-NL-FierceHealthcare&oly_enc_id=834213845112B8C

Marshfield Clinic Health System Reducing Workforce

The last market update to the Board in November 2022 noted a potential merger between Marshfield Clinic Health System and Essentia Health which, if completed, would result in a new organization with combined revenues of \$5.4B¹¹. Six months following the announcement of the potential merger, Marshfield Clinic announced plans to lay off 222 workers in May of 2023. Marshfield attributed the need for staff reductions to labor costs, supply expenses, and reimbursement decline¹². Marshfield Clinic and Essentia announced in July of 2023 that they intend to close their merger by the end of 2023¹³.

Commonwealth Fund Report: Wisconsin Ranks 21

The Commonwealth Fund released its annual scorecards of healthcare systems in the U.S. by state in June 2023. Wisconsin ranks 21 overall and leads among Great Lakes states. Wisconsin performed best and reported most improvement in preventable hospitalizations for people ages 18 to 64. While Wisconsin also performed best in maternal mortality, it worsened the most in severe maternal morbidity. It also worsened the most in employer-sponsored insurance spending per enrollee, an issue that the Board and ETF continue to look for ways to actively address¹⁴.

Staff will be at the Board meeting to answer any questions.

¹¹ Godwin, J, Levinson, Z, and Hulver, S. "Understanding Mergers Between Hospitals and Health Systems in Different Markets." Kaiser Family Foundation, August 23, 2023. <https://www.kff.org/health-costs/issue-brief/understanding-mergers-between-hospitals-and-health-systems-in-different-markets/>

¹² Wisconsin Health News. "Marshfield Clinic Health System to reduce workforce." March 2, 2023. <https://wisconsinhealthnews.com/2023/03/02/marshfield-clinic-health-system-to-reduce-workforce/>

¹³ Shuda, C. "Marshfield Clinic Health System and Essentia Health agree to integrate by the end of the year." Milwaukee Journal Sentinel, July 27, 2023. <https://www.jsonline.com/story/money/2023/07/27/marshfield-clinic-health-system-and-essentia-health-agree-to-integrate-by-the-end-of-the-year/7047>

¹⁴ Commonwealth Fund. 2023 Scorecard on State Health System Performance: Wisconsin. <https://www.commonwealthfund.org/publications/scorecard/2023/jun/2023-scorecard-state-health-system-performance>