Health execs mum on possible mergers

Aurora, UW Health talks may trigger discussions among systems, experts say

There's one big question facing southeastern Wisconsin health care systems after Milwaukee-based Aurora Health Care announced it is discussing possible collaborations with UW Health of Madison.

Who’s next?

Hospital system mergers have been scant in southeastern Wisconsin despite a nationwide trend toward consolidation. But most observers predict the Aurora-UW Health news will cause health care executives to revisit shaking up the status quo.

“Everybody is talking to everybody today,” said Peter Pruessing, chief executive officer of Quality Health Solutions (QHS), Brookfield, which runs an accountable care organization. “It’s a sign of the times.”

Merger discussions will be driven by the shift away from the fee-for-service payment model that has existed for decades toward the less lucrative, value-based medicine of the future, said Adam Lynch, a vice president at Principle Valuation LLC in Chicago. Many hospital executives believe they need to increase the size of their systems to improve efficiencies and gain leverage in negotiating with insurers.

“Once one system pulls the trigger and says they’re looking for greater scale, then that has a domino effect,” Lynch said.

Any consolidation of hospital systems could result in hospital or clinic closings, which would reduce their employment and patients’ access to care. Bigger hospital systems also could
stand firm on prices, which ultimately would impact health benefits costs paid by Milwaukee-area employers and their employees.

However, leaders of southeastern Wisconsin hospital systems continue to insist they are not planning mergers — even in light of the Aurora-UW Health news.

Waukesha-based ProHealth Care, the smallest health care system in the area, is the frequent target of merger speculation. ProHealth issued a statement to The Business Journal stating that the system’s leaders intend to remain independent.

“The ProHealth Care board of directors continues to believe that our organization can best meet the needs of the community by remaining an independent health care system,” ProHealth said via email.

Another frequently discussed combination is the area’s two Catholic systems, Wheaton Franciscan Healthcare and Columbia St. Mary’s. But apparently no one told the two systems’ executives.

“We’re not engaged in any conversations about a merger,” said Wheaton Franciscan spokeswoman Anne Ballentine. “Our current interest is partnering and collaborating with other health care systems in ventures like QHS.”

The Quality Health Solutions accountable care network includes Froedtert Health, Wheaton Franciscan, Columbia St. Mary’s and the Medical College of Wisconsin.

Columbia St. Mary’s, through a spokeswoman, declined to comment.

**COLLABORATION MORE LIKELY**

Froedtert Health chief executive officer Cathy Jacobson acknowledged at The Business Journal’s Power Breakfast in September that there could be consolidation among area health care systems. But she said collaboration is more likely.

One possible collaboration has yet to reach fruition. ProHealth and Columbia St. Mary’s announced in March plans for a joint heart surgery venture. They have yet to name a specialty medical center to advise the initiative.

Aurora spokesman Mike Brophy said the system has no further comment on its discussions with UW Health.

Other possible transactions could involve either a national hospital-clinic organization or an Illinois provider doing a deal in southeastern Wisconsin.

Larger players that could move into the local market include Mayo Clinic, Cleveland Clinic, Northwestern Memorial of Chicago and Advocate Health Care of Chicago, said Dr. John Raymond, president and CEO of the Medical College of Wisconsin in Wauwatosa.

“Organizations are looking on the horizon and saying ‘Who is the best partner?’” Raymond said.
The Illinois hospital systems definitely will be exploring entry into Wisconsin, Principle Valuation’s Lynch said.

One mitigating factor is that southeastern Wisconsin hospital systems remain financially strong, he said. That leaves the need for longer-term survival and a greater critical mass as a reason to merge.

“So much of this has to do with defensive strategies — like Aurora blocking the (Illinois) border,” Lynch said.

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