



Healthbase | IDN Profiles | Market Overviews

# IDN and Provider Trends:

How patient flow and population health will define the next era of healthcare in the United States

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November 16, 2022

# About the analysts



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# Agenda

1. Consolidation of integrated delivery networks is key driver of market dynamics
2. Nontraditional providers counter IDN dominance to disrupt patient flow and control
3. A plethora of primary care startups have accelerated operations
4. Payviders and insurtechs enhance primary-care coverage at a lower cost
5. ASCs and physician services outsourcing companies
6. Employers get skin in the game through centers of excellence and national provider networks

1

# Consolidation of Integrated Delivery Networks is Key Driver of Market Dynamics

As markets crystalize into fewer ecosystems, hospitals and insurers alike want more providers in their spheres of influence in order to **direct and contain patient flow**



# Modern Healthcare Eras

## From Managed Care to Population Health Ecosystems



### 1995

- Thomas Jefferson University Hospitals and Main Line Health merge into **Jefferson Health System**
- Jefferson grows into the **Largest IDN in Philadelphia** with new members Einstein Health Network, Frankford Hospitals, and Magee Rehab

### 2008-2009

- **Einstein and Frankford depart**; other members did not support expansion plans

### 2014

- **TJUH and Main Line split**
- Continue co-ownership of Delaware Valley ACO

### 2015-2017

- Jefferson acquires **Abington, Aria, and Kennedy**
- Jefferson and Main Line co-acquire **Physicians Care Surgical**

### 2021

- Jefferson acquires **Einstein**
- Jefferson acquires full ownership of **Health Partners Health Plan**

### 2022

- **Humana** gets equity stake in Delaware Valley ACO

**Jefferson transforms** from a large consortium of local health systems with competing interests into a **population health ecosystem**

### 1990s

#### HMO Revolution

- Employers adopt managed care benefits for employees but with limited choice (gatekeeper HMOs, narrow provider networks)
- Hospitals and providers develop IDNs to negotiate against insurers
- Many of today's major integrated payer/providers (UPMC, HealthPartners, Spectrum, Sentara, Presbyterian) began insurance operations in the 1980-1990s

### 2000s

#### Managed Care Backlash

- Insurers place emphasis on broad provider network PPOs; tax-shielded health benefits absorb and obfuscate costs
- For-profits HCA, Community Health Systems, and Tenet grow into largest hospital operators in the nation, feasting on fee-for-service
- Nonprofits have less incentive to stay together

### 2010s

#### Post-Obamacare, Great Recession

- Value-based care and insurance exchanges take off
- Markets rapidly consolidate around fewer IDNs
- Insurers reintroduce narrow and tiered provider networks

### 2020s

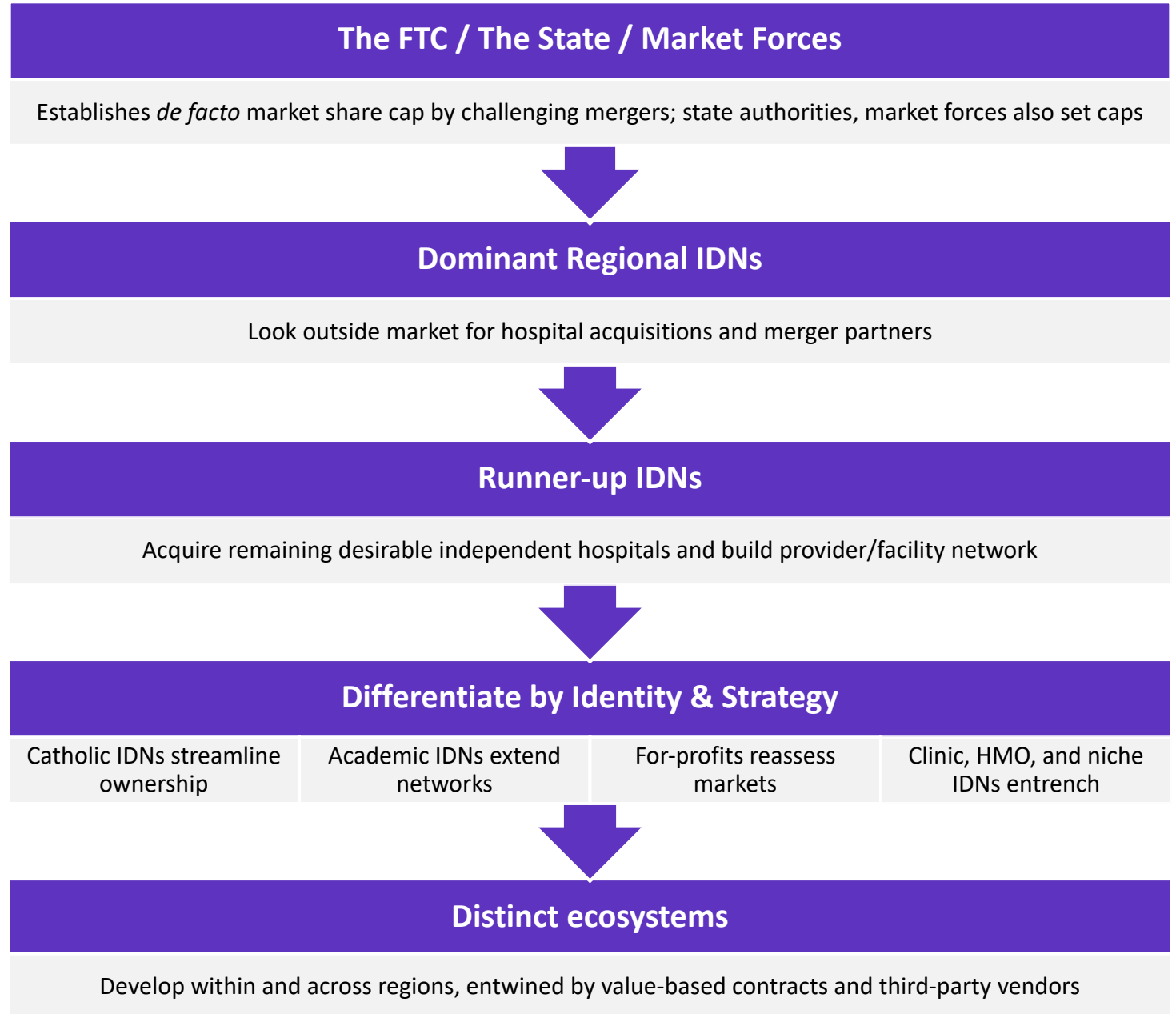
#### Population Health Organizations

- IDNs have garnered experience in value-based/risk-based contracting
- Regional Nonprofit IDNs expand, prepare their own health plans
- Uncertain economy could push employers to value-based benefits
- Population Health Management becoming as important as patient volume

# Markets Mature

## As IDNs divide them

- Interwoven trends have encouraged the growth of **major IDN brands**
- As regions meet maximal consolidation, IDNs are establishing separate lanes based on **geography, theology, and market position**
- These lanes can help determine **population health strategy** and **capability for centralizing controls**
- **Nonprofit IDNs** develop regional ecosystems designed to engage in value-based contracting and potentially launch health plans
- **For-profit IDNs** focus on markets where profits can still be wrung from fee-for-service model and government payers



# IDN Market Position

The clout to affect insurer negotiations; the geographic scope to handle pop health

# IDNs can only grow so big in a market

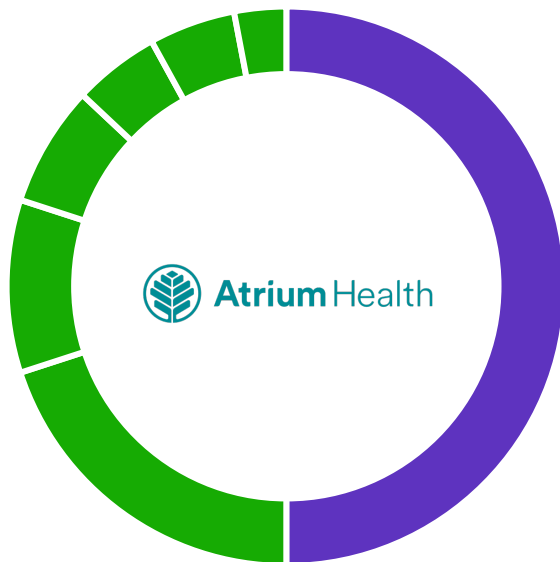
Market position can determine strategies for pop health, value-based care, and centralized controls

Charlotte

Austin

Nashville

Cincinnati



Health Alliance™



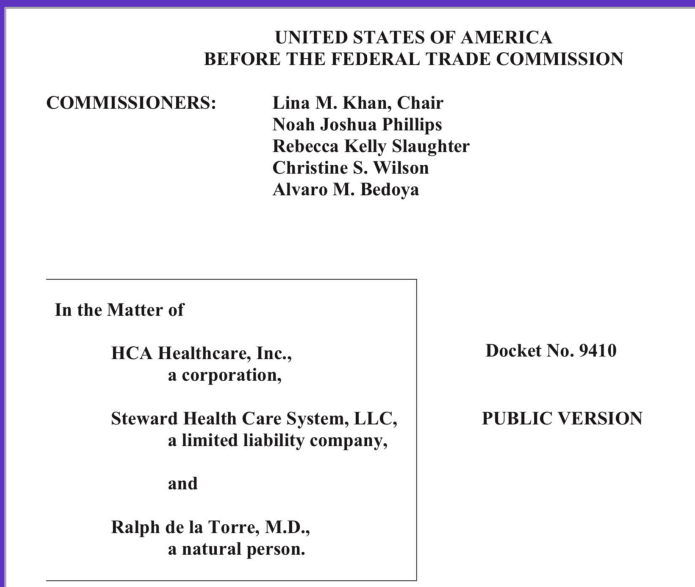
# The FTC sets *de facto* market share caps

Preserving competition by ensuring **IDN counterweights**



## • Recent successful merger blocks

1. **HCA** > five Salt Lake hospitals from **Steward**, abandoned June 2022



6. Evidence of direct competition between HCA and Steward corroborates the market concentration evidence and further demonstrates the likely anticompetitive effects of the Proposed Transaction. **HCA and Steward compete to be included in commercial insurers' health plan networks. HCA demands and receives significantly higher reimbursement rates than Steward because it currently has substantial bargaining leverage during negotiations with health insurers that offer health plans to employers and individuals. By contrast, Steward offers low-cost healthcare services and innovative contract terms** and benefit designs. Competition with HCA has motivated Steward to offer such arrangements. The Proposed Transaction will eliminate Steward as a low-cost provider. As a result, HCA will have greater bargaining leverage, which will **allow it to command even higher reimbursement rates**. Commercial insurers would pass on at least a portion of those higher healthcare costs to employers and health plan members in the form of increased premiums, deductibles, co-pays, and other out-of-pocket expenses.

**IDN Rule: Position for leverage on insurer provider networks to ensure patient volume and maximize reimbursement**

# The FTC sets *de facto* market share caps

Preserving competition by ensuring **IDN counterweights**

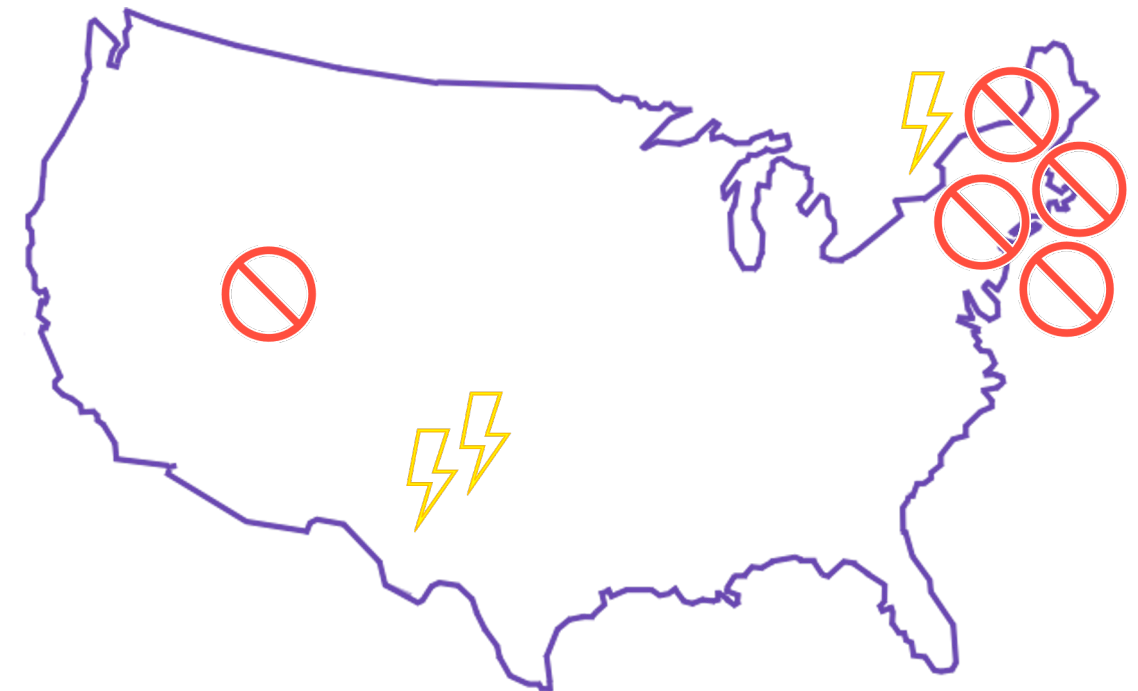
## • Recent successful merger blocks

1. **HCA** > five Salt Lake hospitals from **Steward**, abandoned June 2022
2. **RWJBarnabas** > **Saint Peter's** (Middlesex, NJ), abandoned June 2022
3. **Hackensack Meridian** > **Englewood** (Bergen County, NJ), abandoned April 2022
4. **LifeSpan** > **Care New England** (RI), abandoned March 2022
5. **Dartmouth** > **GraniteOne** (NH), abandoned May 2022

- \*Challenged by state AG

## • But watch for **COPA**

1. **SUNY Upstate** plans to acquire **Crouse Hospital**, which would give the IDN 60+ market share in Syracuse
2. **FTC** challenged in October 2022
3. New York replaced Certificated of Public Need process with **Certificate of Public Advantage**, which shields the merger from federal antitrust oversight
4. Texas' COPA allowed **Shannon Health** (San Angelo) and **Hendrick Health** (Abilene) to acquire Community Health Systems hospitals over FTC objections in 2020

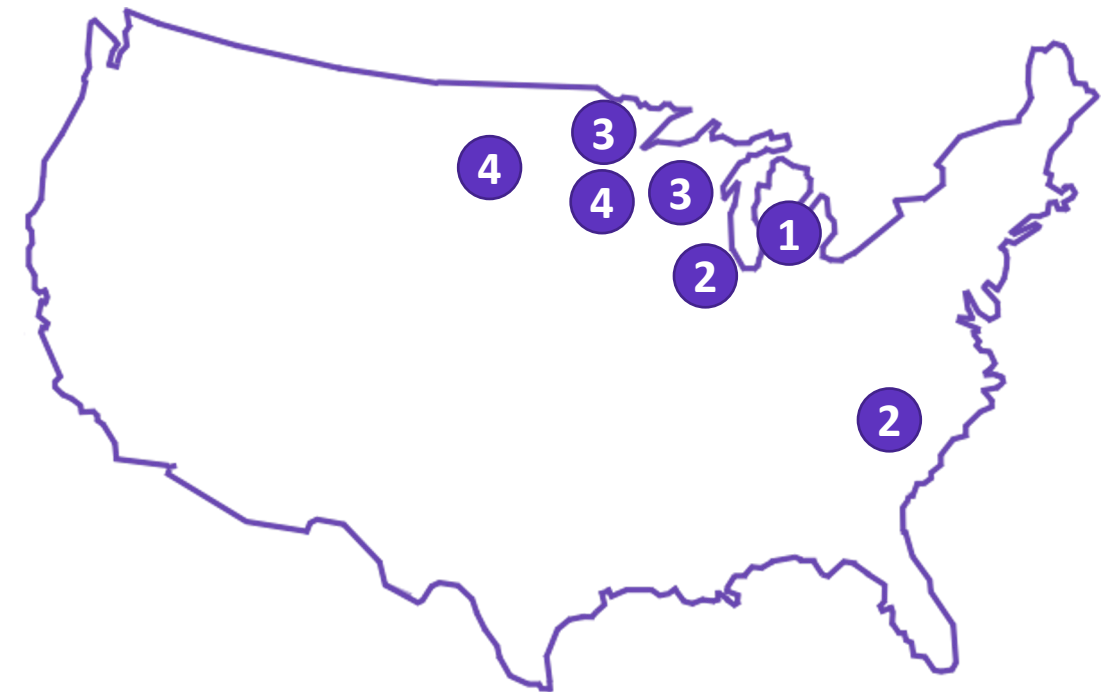


# Dominant Regional IDNs look elsewhere for growth

Nonprofit IDNs seeking like-minded systems in other markets

- **Nonoverlapping service areas** may escape scrutiny:

1. **Beaumont** (Detroit) + **Spectrum** (Grand Rapids) = **Corewell**, February 2022
    - Spectrum's **Priority Health Plan** is the 2nd largest insurer in the state
  2. **Atrium** (North Carolina, Georgia) + **Advocate Aurora** (Chicago, Milwaukee) = **Advocate**, announced May 2022
    - Aurora increased its ownership stake in **Quartz Health**, the third largest health plan in Wisconsin
    - The Illinois Health Facilities and Services Review Board approved on Monday
  3. **Essentia** (Duluth) + **Marshfield Clinic** (NC Wisconsin), announced October 2022
    - Marshfield's **Security Health** is the second largest IDN-owned health plan in Wisconsin (behind Quartz)
  4. **Sanford** (Dakotas) + **Fairview** (Twin Cities), announced yesterday
    - Sanford is the largest IDN and insurer (**Sanford Health Plan**) in combined Dakotas
- Proposed mega-mergers have collapsed because of internal dynamics, not FTC scrutiny



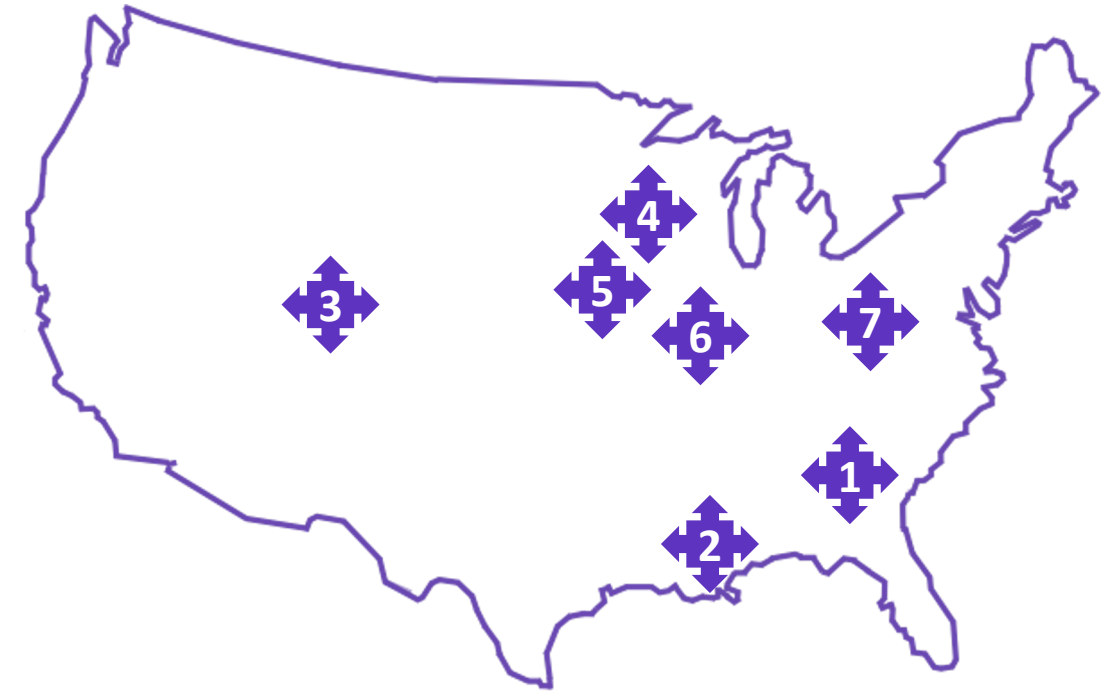
Successful completion of the Atrium/Advocate Aurora merger could **trigger rapid consolidation of large nonprofit IDNs across regions**

# Dominant Regional IDNs look elsewhere for growth

Nonprofit IDNs seeking like-minded systems in other markets

## • Dominant IDNs expand into satellite markets

1. **Piedmont** (Atlanta) acquires **University Health** (Augusta), March 2022, after expansions into Columbus, Athens, and Macon
2. **Ochsner** (New Orleans) acquires **Jennings American Legion** (Lafayette), April 2022; and **Rush Health Systems** (Mississippi/ Alabama), August 2022
3. **Intermountain** (Utah) and **SCL Health** (Colorado, Kansas) merge, April 2022
4. **Gundersen** (SW Wisconsin) to acquire **Bellin** (NE Wisconsin/UP Michigan), announced June 2022
5. **MercyOne** (Iowa) to partner with **Genesis Health System** (Quad Cities), announced September 2022
6. **Carle** (Central Illinois) to acquire two Peoria hospitals from **UnityPoint**, expected April 2023
7. **WVU Medicine** to acquire three hospitals across state in 2022; 11 total since 2019



# Runner-up IDNs acquire remaining independent hospitals

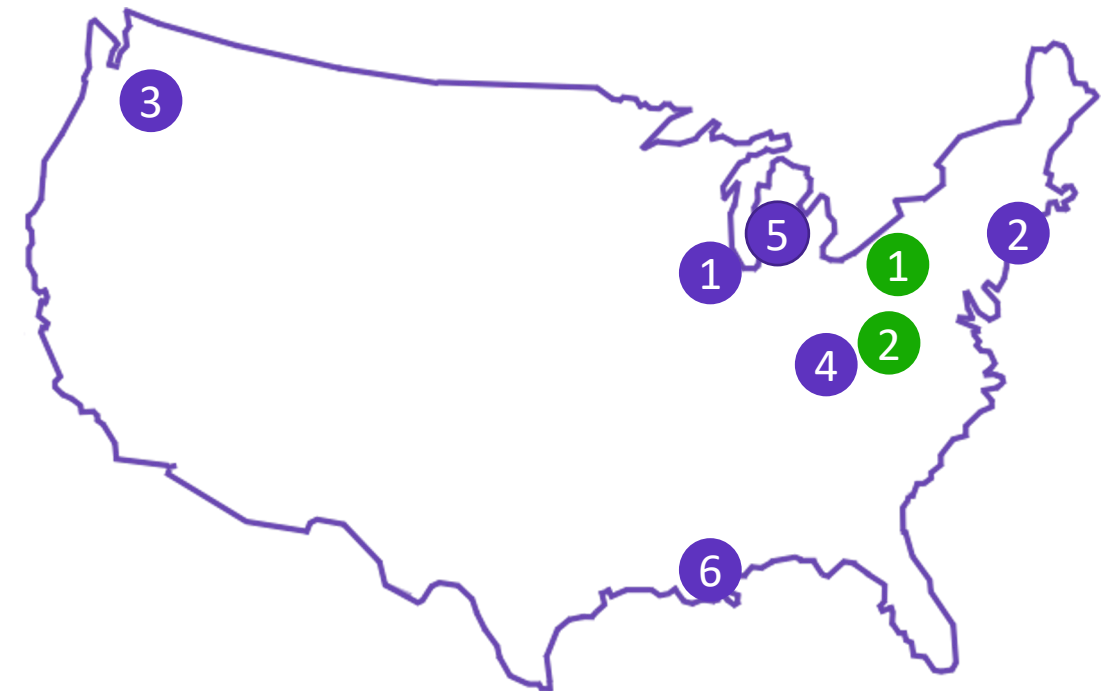
With Dominant IDNs local growth capped, smaller systems jockey for position

## • Runner-up IDNs grow in market or nearby submarket

1. **NorthShore** (North Side Chicago) acquires **Edward-Elmhurst** (Western Suburbs), January 2022
2. **NYU Langone** (Manhattan) acquires **Long Island Community Hospital**, March 2022
3. **MultiCare** (Tacoma, Spokane) to acquire **Yakima Valley Memorial**, announced May 2022
4. **Mountain Health Network** (Huntington, WV) acquires **Pleasant Valley**, October 2022
5. **Trinity Michigan** acquires **North Ottawa Community** (Western MI), October 2022
6. **LCMC** (New Orleans) to acquire HCA's **Tulane**, announced October 2022; partnering with LSU and Our Lady (Baton Rouge)

## Smaller IDNs merge to compete against larger IDNs:

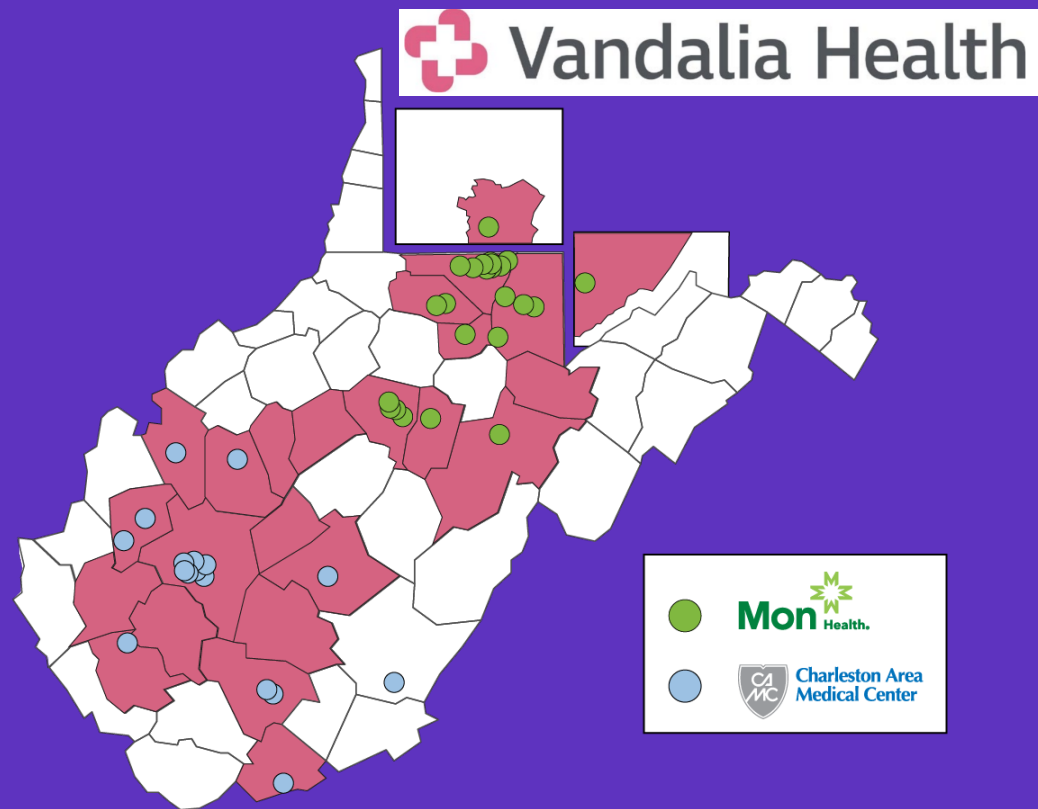
1. **Butler** (North of Pittsburgh) + **Excelsa** (East of Pitts) announce merger, June 2022, expected late 2022
2. **CAMC** (Charleston, WV) + **Mon Health** (North WV) merged to form **Vandalia Health**, September 2022





# Regions coalesce around IDN-backed ecosystems

Smaller IDNs merge to catch up



## Marshall Health and Mountain Health Network join Peak Health

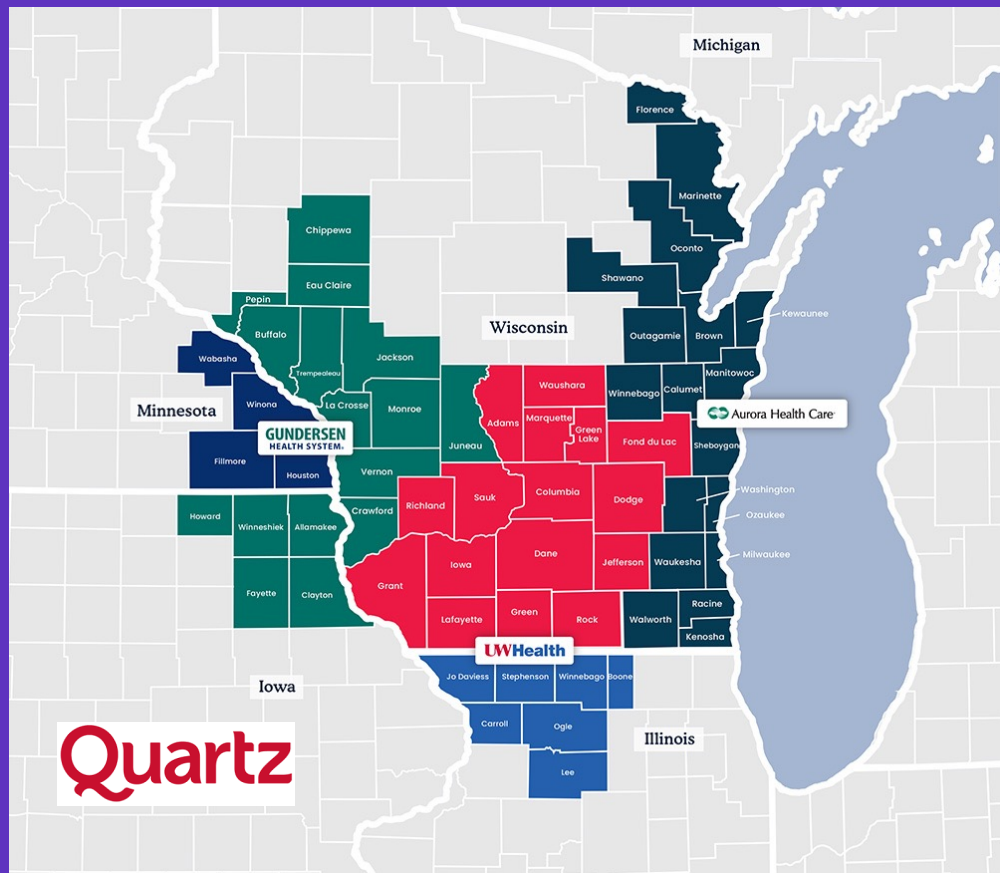
Posted on 2/14/2022

MORGANTOWN, W.Va. – Marshall Health and Mountain Health Network have joined the West Virginia University Health System (WVU Medicine) as owners of Peak Health, a West Virginia-based health insurance company formed in 2021 with the mission of making healthcare more accessible, understandable, and collaborative. Peak Health's goal is to build an inclusive, provider-led health plan to help West Virginians live healthier and fuller lives.



# Multi-IDN-owned health plans reveal pop health alignment

Population health management getting as important as patient volume?



A map of West Virginia counties with numbered markers (1-23) indicating hospital locations. The map is color-coded by region: blue for the north, yellow for the south, and orange for the east. A news article overlay is present in the bottom right corner.

**Member System Hospitals**

1. BRIDGEPORT United Hospital Center
2. BUCKHANNON St. Joseph's Hospital
3. FAIRMONT Fairmont Medical Center A CAMPUS OF J.W. RUBY MEMORIAL HOSPITAL
4. GASSAWAY Braxton County Memorial Hospital
5. GLEN DALE Reynolds Memorial Hospital
6. KEYSER Potomac Valley Hospital
7. MARTINSBURG Berkeley Medical Center
8. MORGANTOWN J.W. Ruby Memorial Hospital and WVU Medicine Children's
9. NEW MARTINSVILLE Wetzell County Hospital
10. PARKERSBURG Camden Clark Medical Center
11. RANSON Jefferson Medical Center
12. RIPLEY Jackson General Hospital
13. SUMMERSVILLE Summersville Regional Medical Center
14. WHEELING Wheeling Hospital
15. BARNESVILLE, OHIO Barnesville Hospital
16. CADIZ, OHIO Harrison Community Hospital
17. UNIONTOWN, PENNSYLVANIA Uniontown Hospital

**Managed Hospitals**

18. BLUEFIELD

**WVU Medicine**

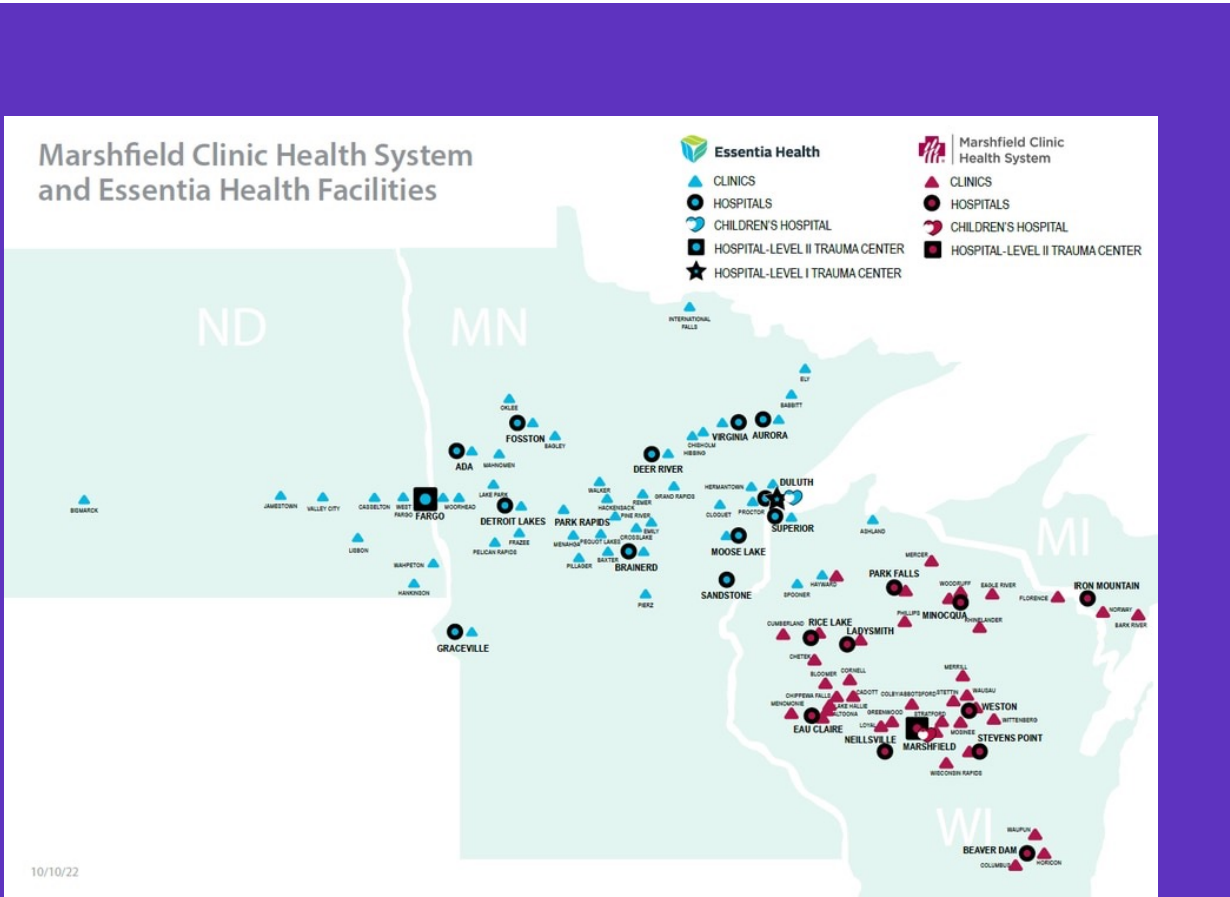
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# IDN mergers focus on **nonoverlapping service areas**

Puzzle pieces matching up within states and across regions



# Advanced IDNs forming Healthcare Ecosystems

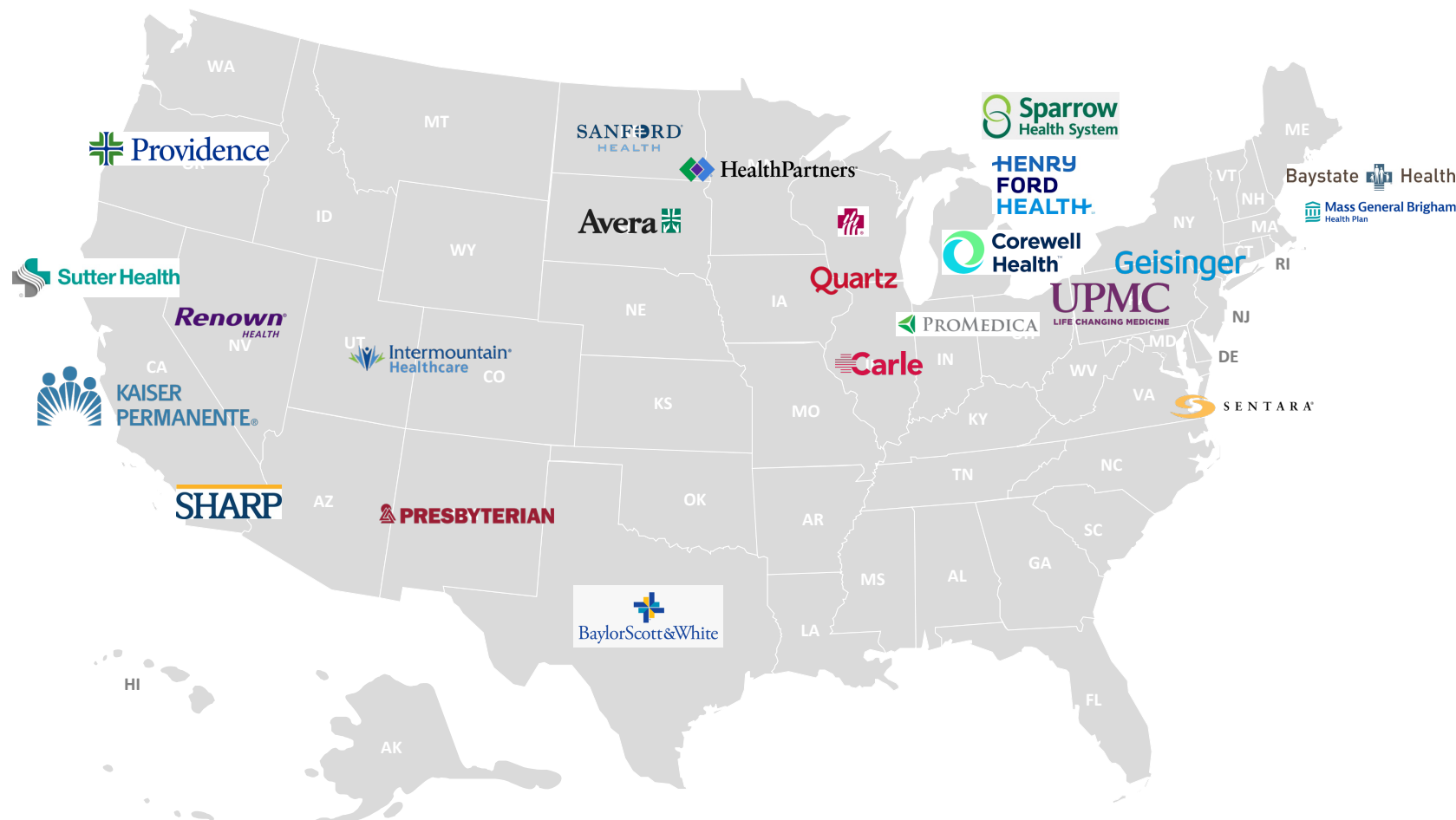
## The importance of integration

### Two sides of the see-saw

- **IDNs** can use referrals, EMRs and telehealth to contain patients within the ecosystem
- **Payers** can direct patients through lower cost sharing and narrow provider networks
- **Integration** of IDN and payer gives greater control and monitoring of patient journey

### Pop Health & Patient Flow

- As these **ecosystems** manage population health at a regional and national level, there will be more emphasis on preventive care, disease management, and pro-active patient targeting



**IDN Rule:** Position for leverage on insurer provider networks to  
**IDN Rule:** Position to be provider networks minimize reimbursement

# IDN Personality

Consolidation demands differentiation, and IDNs have found their lanes

# IDN Consolidation leads to IDN Differentiation

IDN Personality can determine population health strategy and centralized protocol capabilities



## Major Regional Nonprofit

- Market ubiquity and loyalty
- Seeking partners to drive efficiencies
- Ideally positioned for pop health partnerships



## Catholic/Religious

- Regional ministries being streamlined into national operations
- Experiments at local level often scaled up



## Academic Medical/Prestige

- “Must Have” in provider networks because of specialized services
- Forefront of trends
- Expanding in suburbs



## Integrated Payer Provider

- Membership model contains the customer experience
- Lower-cost option may be more attractive in post-pandemic economy



## For-Profits

- Focus on volume and operational efficiency
- Generally unconcerned with population health



## Geographic Niche

- City-owned Safety-net
  - Medicaid health plans
- Affluent Suburban
  - Medicare Advantage plans

# IDN Consolidation leads to IDN Differentiation

IDN Personality can determine population health strategy and centralized protocol capabilities



## Major Regional Nonprofit

- Advocate Aurora
- Northwell
- Banner
- Memorial Hermann



## Catholic/Religious

- CommonSpirit
- Ascension
- Trinity
- Providence



## Academic Medical/Prestige

- Mass General Brigham
- Penn Medicine
- Stanford Medicine
- Mayo Clinic



## Integrated Payer Provider

- UPMC
- Sentara
- Intermountain
- Kaiser



## For-Profits

- HCA
- Tenet
- Community Health Systems
- Universal Health Services



## Geographic Niche

- City-owned Safety-net
  - Grady, Parkland, NYC H+H
- Affluent Suburban
  - Main Line, NorthShore, Northside



# Catholic IDNs streamline ministries

After years of acquiring local ministries, a time to regroup

**Trinity** epitomizes trend of refocused geographies, ownership, and insurance

- **Illinois:** Sold **Mercy Hospital** on Chicago's South Side, May 2021
- **Pennsylvania:** Sold 50% stake in Medicaid insurer **Gateway Health** to **Highmark**, August 2021
- **New York:**
  - Drops sponsorship of **Catholic Health Buffalo**, November 2021
  - Consolidates Albany and Syracuse regional ministries, July 2022
  - Plans acquisition of **Ellis Medicine** in Albany
- **Iowa:**
  - Buys **CommonSpirit** out of **MercyOne** (second largest IDN in state), July 2022
  - Plans strategic partnership with **Genesis Health System** (Quad Cities), September 2022
- Expands Columbus, Ohio-based **Medigold Medicare Advantage** plan to Idaho, Iowa, New York, and (for 2023) Connecticut
- Local Catholic ministries have been testing grounds for population health initiatives (specialty pharmacy, accountable care) later scaled up to national scale

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## Catholic IDNs refocus

- **Ascension** and **AdventHealth** unwind AMITA (Chicago), May 2022
  - Once the second-largest IDN in Chicago
  - Ascension owns 11 of the 15 AMITA hospitals
  - **FALLOUT:** UChicago buying controlling stake in the four former AMITA hospitals owned by AdventHealth
- **Hoag** splits from **Providence** (Orange County), January 2022
  - **FALLOUT:** Providence plans \$712M Southern California expansion in 2023; reorganizes regions, including Swedish in Seattle
  - Hoag spending \$1B on two specialty hospitals and expansion at Sand Canyon
- **SSM** sells majority stake in Dean Health Plan to Medica, December 2021
  - **FALLOUT:** Minnesota-based Medica now controls fourth-largest insurer in Wisconsin

# Academic IDNs expand into community

Better payer and acuity mixes in suburbs balance prestigious anchors

## Single-site / Top Heavy AMCs expand into suburbs:

- **University of Utah Health** \$400M West Valley City Hospital to open by early 2027
- **University of Iowa Health** \$526M hospital in North Liberty to open in 2025
  - Offered \$605M to acquire Mercy Iowa City in 2021
- **UChicago Medicine** acquiring controlling stake in the four AdventHealth hospitals that were part of AMITA, announced September 2022
- **Keck Medicine of USC** acquires Methodist Hospital of Southern California, July 2022
- **University of Kansas Health System** to acquire Olathe Health, announced October 2022
- **Vanderbilt Health** acquires two Community Health Systems hospitals, October 2021
- **WVU Medicine** acquires 11 hospitals since 2019
- **UF Health (Florida)** building community hospitals in partnership with Flagler Health (to open 2023) and Jupiter Medical Center (2024) while building hospitals on its own in Ocala and The Villages
- **Cautionary tale: Fairview Health Services** sold PreferredOne to UnitedHealth, August 2021
  - Acquired full control of PreferredOne 2016; entered partnership with University of Minnesota 2019

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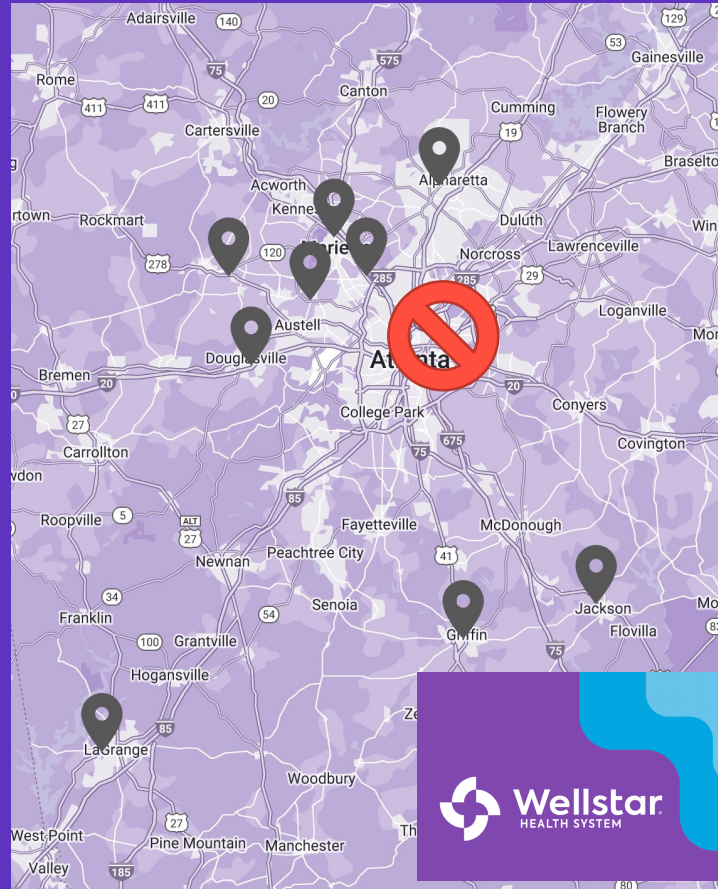
## Specialty opportunities for growth

- Academic medical centers with **NCI-designated Comprehensive Cancer Centers** are building oncology care networks based on access to specialists and clinical trials
- Several IDNs (Loma Linda, AdventHealth, Penn State) are seeking NCI-designation
- NCI-designation is becoming proxy for depth of continuum of care for IDN
- Non-academic IDNs have partnered with large medical schools to build hospitals, such as HCA Florida University Hospital (Davie) with Nova Southeastern University and HCA Florida UCF Lake Nona Hospital with University of South Florida

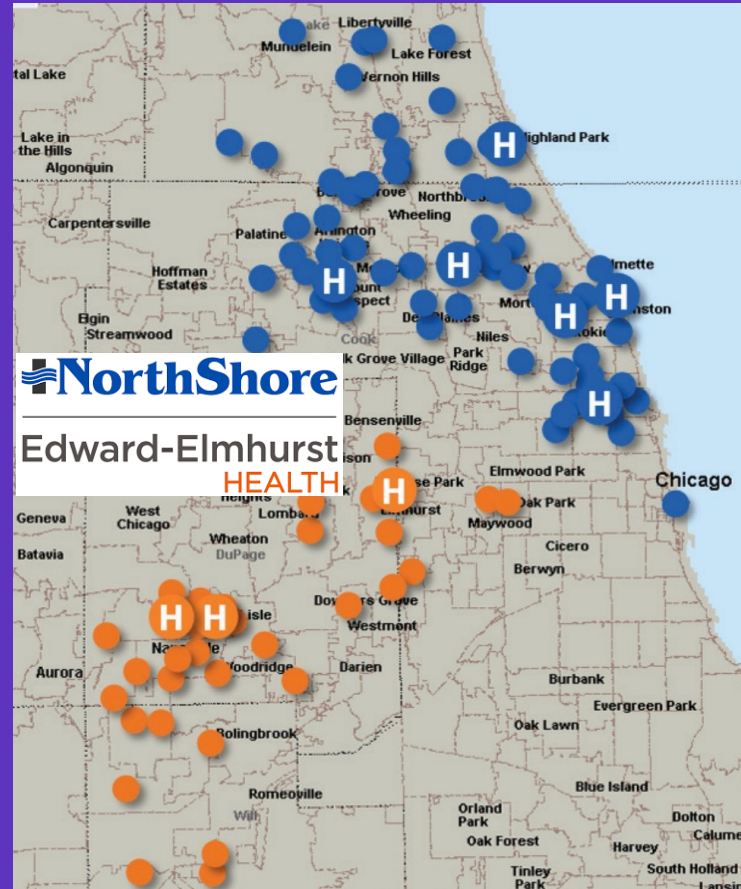
# Niche IDNs entrench in affluent suburbs

Bucking trend for regionwide care, some IDNs stay out of cities

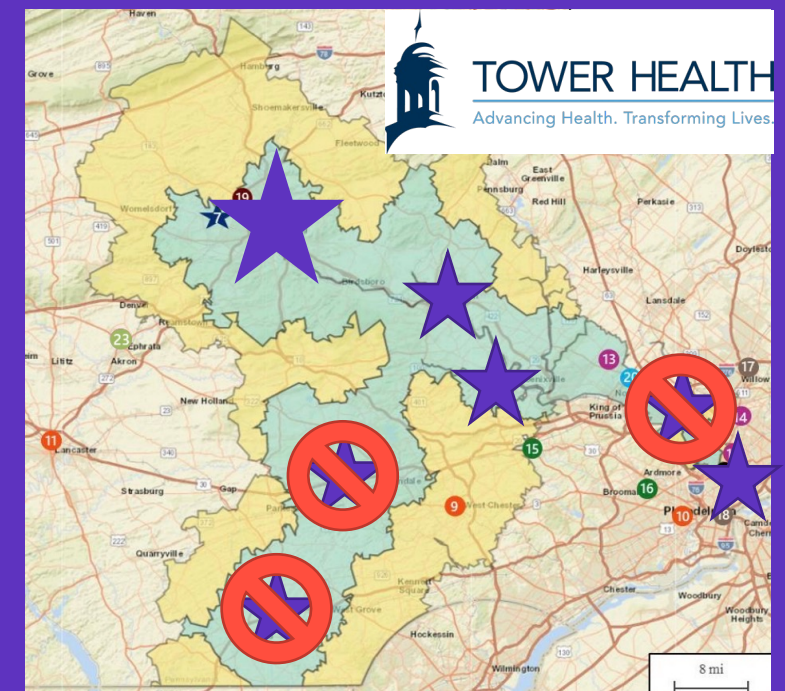
WellStar closes Atlanta Medical Center, 11/22



NorthShore acquires Edward-Elmhurst, 1/22



Tower Health sells, closes hospitals, 2022



Cautionary tale



# For-profit chains leave unfavorable markets

Selling hospitals in bunches disrupts established IDNs

## For-profit retreat is growth opportunity for expanding nonprofit IDNs:

- **Community Health Systems**: Sold off more than 70 hospitals since 2017, strongly impacting markets in Central Florida, West Texas, West and Middle Tennessee, Midlands and Upstate South Carolina, Southside Virginia, and the Philly Burbs
  - **SSM Health** acquired hospitals southeast of OKC from CHS in April 2021 and July 2022
- **HCA** sold hospitals in the Atlanta and Macon markets in 2021, and in October 2022 announced plans to sell its New Orleans hospitals to **LCMC Health**
- **Prospect Medical Holdings** tried to sell its Eastern Seaboard hospitals in 2022
  - **ChristianaCare** (Delaware) walked away from a deal to acquire four-hospital Crozer from Prospect, squelching CC's major expansion into the Philly Burbs; August 2022
  - **Yale New Haven** (Southern Connecticut) is buying three hospitals from Prospect, expanding into the Hartford market; announced February 2022
- **LifePoint** spun off 18 hospitals and 61 LTACs into **ScionHealth**, December 2021 (related to LifePoint's acquisition of Kindred Healthcare LTAC)
  - **Centura** (Colorado) expanded into High Plains Colorado and Kansas with two hospitals from LifePoint; February 2022

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## For-Profit IDN shifts:

- For-profit IDNs are **leaving markets** where they don't have the leverage to demand higher reimbursement, usually because their local systems are expendable to widespread employer provider networks
- For-profit IDNs **remain in regions** where they have significant market share, or in states with less hospital and provider regulation and high prevalence of government-sponsored Medicare and Medicaid patients (i.e. Florida and Texas)
- For-profit IDNs generally **resist value-based care** and are more laissez faire over physician control and coordination

## How these trends converge on one region:

1. **The FTC** or other factors establish *de facto* local market share cap when state authorities are on board and insurers can prove increased costs
2. **Dominant Nonprofit Regional IDNs** meeting these local market caps are attempting to merge with like-minded systems in non-overlapping geographies—even in other parts of the nation
3. **Runner-up IDNs** acquire independent hospitals and fortify identity while Dominant IDNs are locally dormant
  - **Catholic IDNs** leave mixed ownership models, streamlining operations and preserving Catholic doctrine in providing healthcare
  - **Academic Medical IDNs** acquire community hospitals to balance payer and patient acuity mixes and offer convenient access
  - **Geographic Niche IDNs** merge with other suburban/rural IDNs in nearby territories
  - **For-profit hospital chains** leave unfavorable markets, often selling hospitals in bunches to regional nonprofit IDNs eager to expand
4. Consolidation of IDNs within and across regions demands **competitive differentiation**, focused on branding, loyalty, convenience, and value

## Chicago

**FTC Advocate / NorthShore Decision**

**Advocate Aurora / Atrium to merge**

**Northwestern adds hospitals**

**Ascension unwinds AMITA**

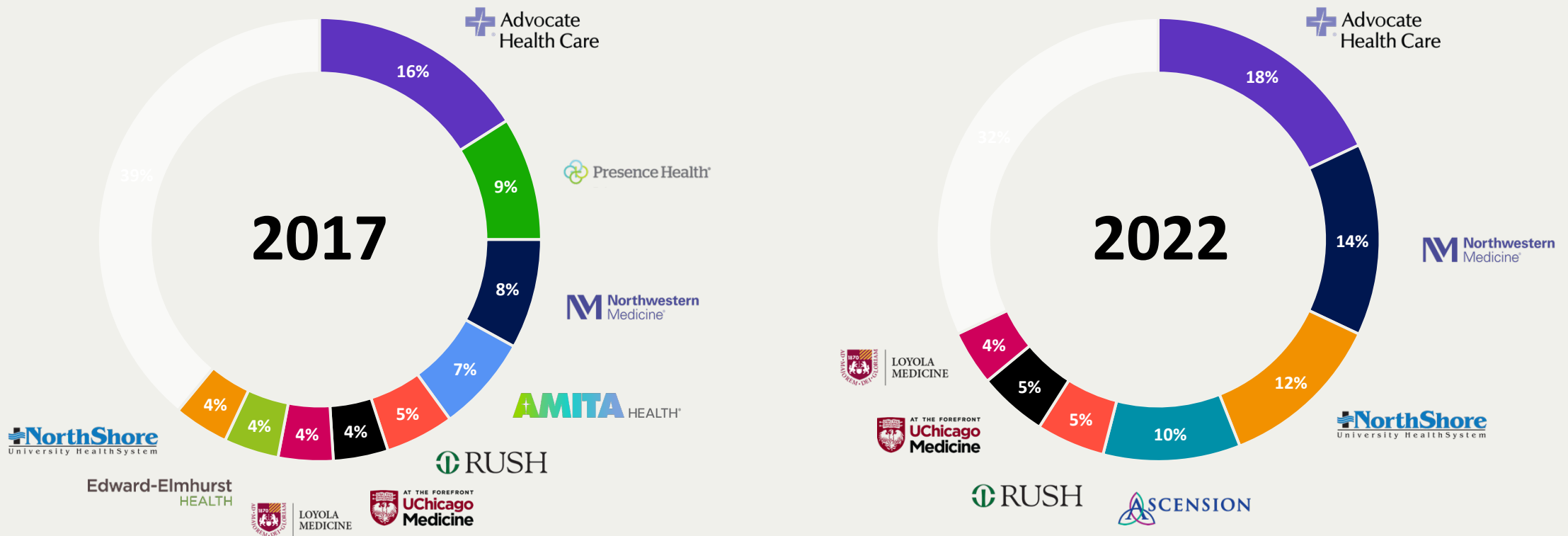
**UChicago to acquire 4 AMITAs**

**NorthShore acquires Edward-Elmhurst**

**Tenet, Pipeline sell**

# Case study: Chicago

## IDN Market share





# Understanding IDN strategy

Loyalty, convenience, value, and containment

## How do IDNs fit in their markets:

- What is the local *de facto* **market share cap**? Is there room for the largest IDNs to grow?
- Is local competition **aggressive** (rival IDNs are building hospitals across the street from each other) or **passive** (major IDNs stick to non-overlapping neighborhoods within market)
  - Aggressive competition encourages duplication of services and narrow provider networks
  - Passive competition may indicate a traditional insurer has leverage in the market, and rival IDNs don't want to be cut out of the provider network
- Many **Regional Nonprofit IDNs** have spent the past decade preparing for the shift to population health organizations, building brand loyalty and market ubiquity while working with traditional insurers on risk-based reimbursement
  - The largest of these IDNs are merging across state lines and developing their own health insurance operations, and may be more willing to partner with manufacturers and third-party vendors to improve cost efficiencies and population health outcomes
- Specialty pharmacies, clinically integrated networks, and innovation centers are **points of contact with IDNs** for targeting patient populations

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## Ecosystem containment

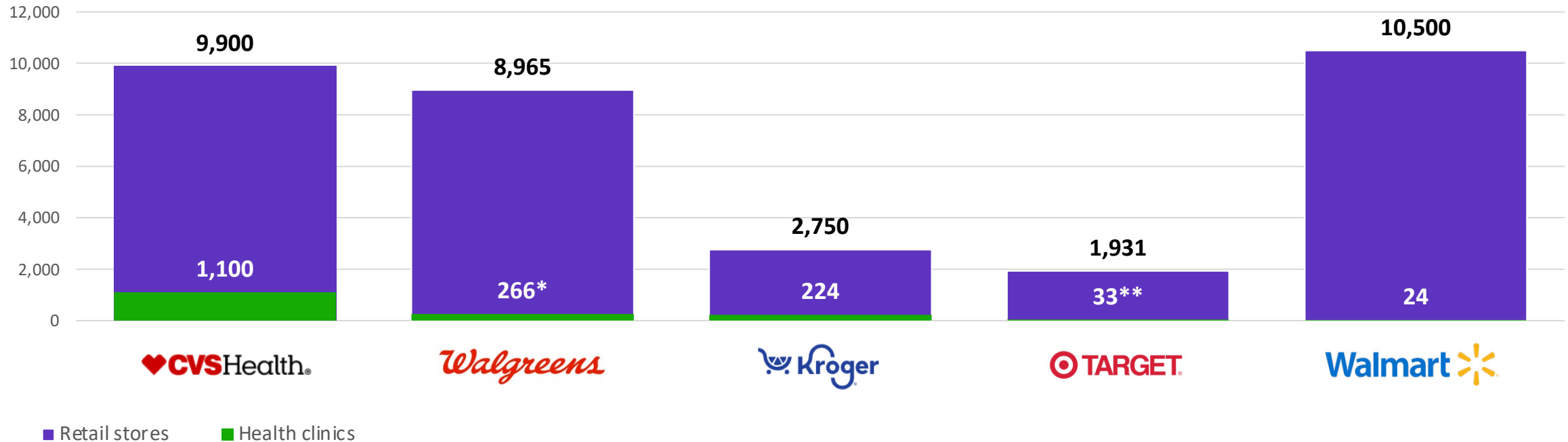
- **Type and market position** of an IDN can drive strategies for population health, clinical integration, risk-based contracting, and centralized protocols
- **Primary care physicians** and convenient care can direct patient flow, which is why IDNs and payers are both involved in the space

2

**Nontraditional providers  
counter IDN dominance to  
disrupt patient flow and control**

# CVS Health has the greatest proportion of stores with health clinics

Its Aetna subsidiary gives it the additional power of a payer



While Walmart has the greatest potential for retail clinics through its sheer number of stores, CVS Health—along with its Aetna subsidiary—are at the forefront of retail healthcare, followed by Walgreens. Walgreens partners with local health systems for its clinics and has a partnership with VillageMD to offer primary-care services.

# New players making a push into healthcare

## DOLLAR GENERAL

- 17,915 stores in 46 states
- Push for healthcare in rural communities
- Potential to offer eye care, telemedicine, online Rx ordering

## BEST BUY

- GreatCall, offering tools and emergency response services for seniors at home
- Current Health, a remote patient-monitoring technology company

## CrossFit

- Waitlist for CrossFit Precision Care virtual primary care
- \$100 monthly subscription
- Program offers physician and health coach for customized nutrition, fitness, and health plans

## LG

- Built-in health platform, offering telehealth visits on demand
- Partnership with Independa allows users to connect with healthcare providers from home



Keep an eye on relative outsiders for their forays into healthcare. Dollar General has discussed the potential for virtual care and pharmacy, while new retail players have entertained health monitoring and other services.

# Tech giants dabble in wellness and wearables

## Gathering storehouses of data



- Offerings:
  - Nest Hub (includes sleep tracking)
  - Fitbit wearables
  - Care Studio EHR and artificial intelligence
- Significant reorganization to Google Health in August 2021



- Offerings:
  - Apple Health app
  - Medical ID
  - Apple Health Records
- The Wall Street Journal reported in June 2021 that Apple has tried to develop an integrated primary care medical group since 2016.
- Project “Casper” operates Apple employees’ AC Wellness clinics and has struggled to move out of preliminary stages because of low engagement.



- Alexa; allows clinicians to check on patients
- Halo wearables
- Amazon Care (third-party medical groups, phasing out Dec. 31, 2022)
- Amazon Clinic virtual care
- Health centers (AZ, CA, KY, MI, TX)
- Amazon Pharmacy
- Founding member of a coalition for home-based clinical care
- Haven, founded with Berkshire Hathaway and JPMorgan Chase in 2018 to get lower costs for employers, disbanded in 2021



While Apple and Google are more focused on personalized wearables and direct-to-consumer products, Amazon has tentacles into actual healthcare delivery.

# Billion-Dollar Medical Groups show differing IDN engagements

One Medical works with IDNs while VillageMD works with payers

## Amazon to buy One Medical for \$3.9B

- Concierge Care: \$199 annual fee in addition to insurance premiums
- Employers typically cover fee for employees, and 75% of employers cover dependents' membership fees
- Within enterprise clients, activation rate (percent of employer's eligible lives enrolled as members) of more than 40%
- 182 medical offices in 25 markets in the United States
- 767K total members (including 39K "At-Risk" members) at 1Q 2022
- Partners with IDNs that don't want the risk and cost of developing their own primary-care networks
- Partnerships with IDNs on a PMPM basis account for 36% of Net revenue (\$623.3M in 2021)
- Announced July 2022, Amazon to acquire for \$18/share in all-cash transaction

## VillageMD to buy Summit Health-CityMD for \$8.9B

- The combined group will be one of the largest independent provider groups in the nation, with nearly 700 locations in 26 states
- VillageMD in 22 markets and serves 1.6M patients
- Summit Health-CityMD (which merged in 2019) has 2,800 providers and 370 locations in northeast U.S. and Oregon
- Will create "a multipayer platform to delivery quality affordable care."
- Walgreens Boots Alliance is majority owner of VillageMD, and will provide \$3.5B in acquisition support
- Cigna's Evernorth health services subsidiary will be minority owner of VillageMD after transaction
- Definitive agreement signed Nov. 2022, expected 1Q 2023 closing date



One Medical targets large employers as members and major IDNs as partners, such as Advocate Aurora and Providence, while Walgreens invests in convenience and working with payers

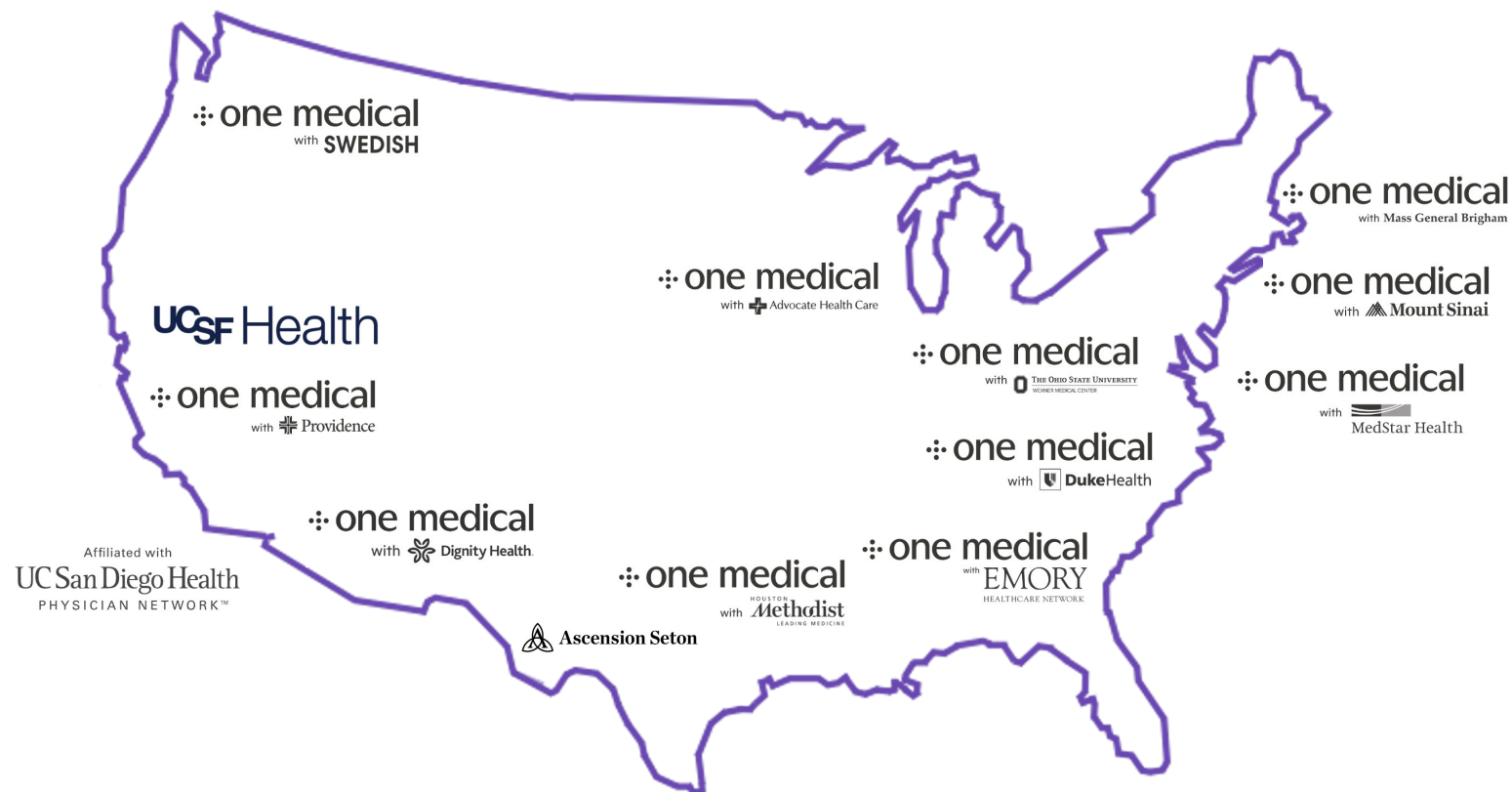


# One Medical +IDNs

PCPs for major players

## Primary care directs patient stream

- One Medical provides primary-care physicians to a wide array of large nonprofit IDNs, such as:
  - Academic medical centers that have been more focused on specialty care
  - Large regional nonprofits seeking to outsource PCPs but remain integrated
  - National Catholic IDNs Ascension, Providence, and CommonSpirit
- New markets in 2022:
  - Dallas/Fort Worth (Baylor Scott & White)
  - Hartford (Hartford HealthCare)
  - Miami (University of Miami Health)
  - Milwaukee (likely Aurora)



3

# A plethora of primary-care startups have accelerated operations

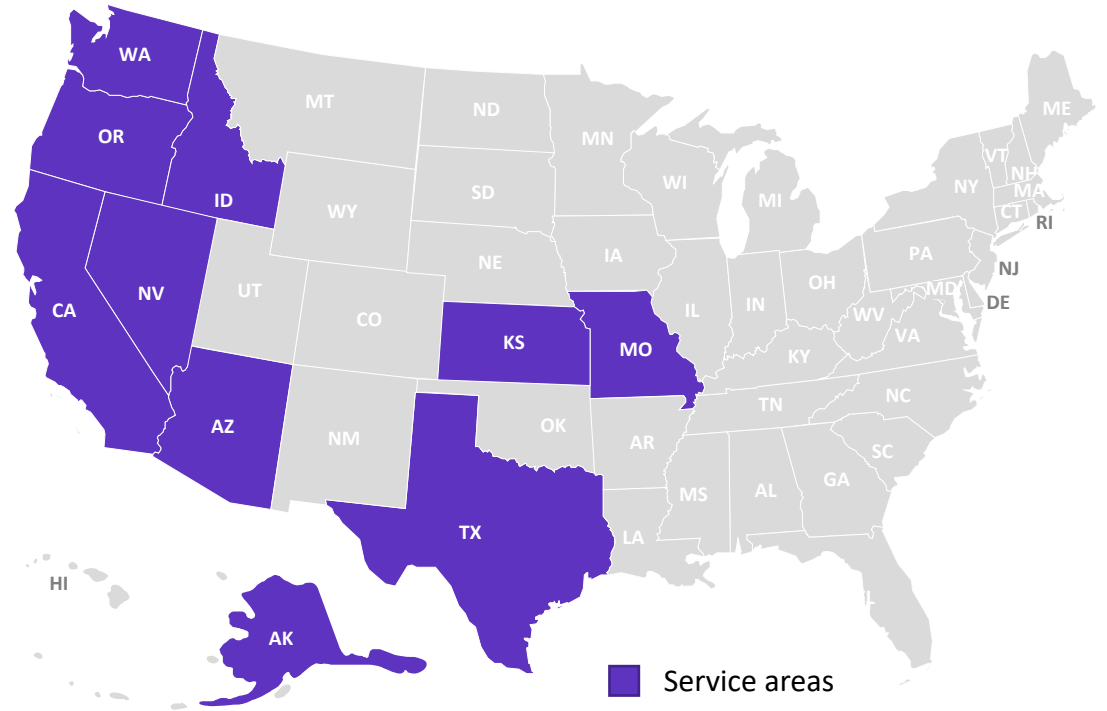
Typically offering virtual primary care, companies bet on improved care at reduced cost

# Vera Whole Health is prominent in this space

Partnerships include the healthcare arm of JPMorgan Chase & Co.



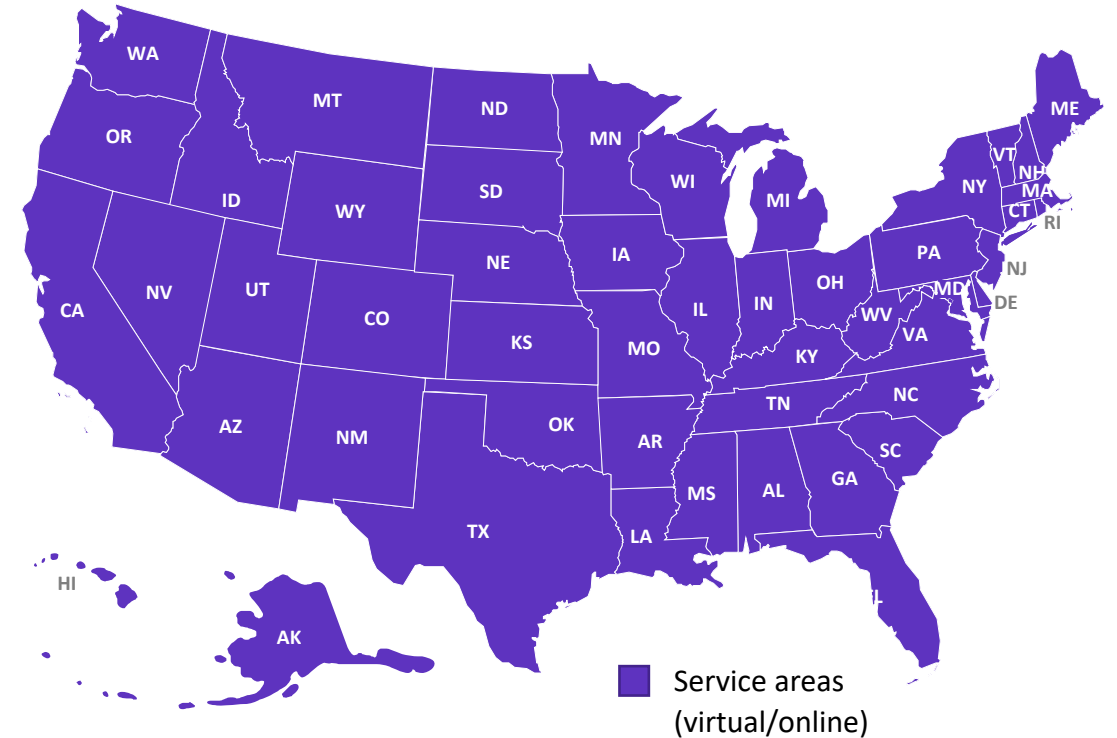
- Based in Seattle, Vera Whole Health offers “advanced primary care,” which includes social, psychological, and physical well-being, along with population health management
- Morgan Health, the healthcare arm of JPMorgan Chase & Co., has invested \$50 million in Vera Whole Health's coordinated care model as it works toward a globally capitated reimbursement model
- Vera Whole Health acquired healthcare data company Castlight Health, effective February 2022



# Maven Clinic focuses on women's health



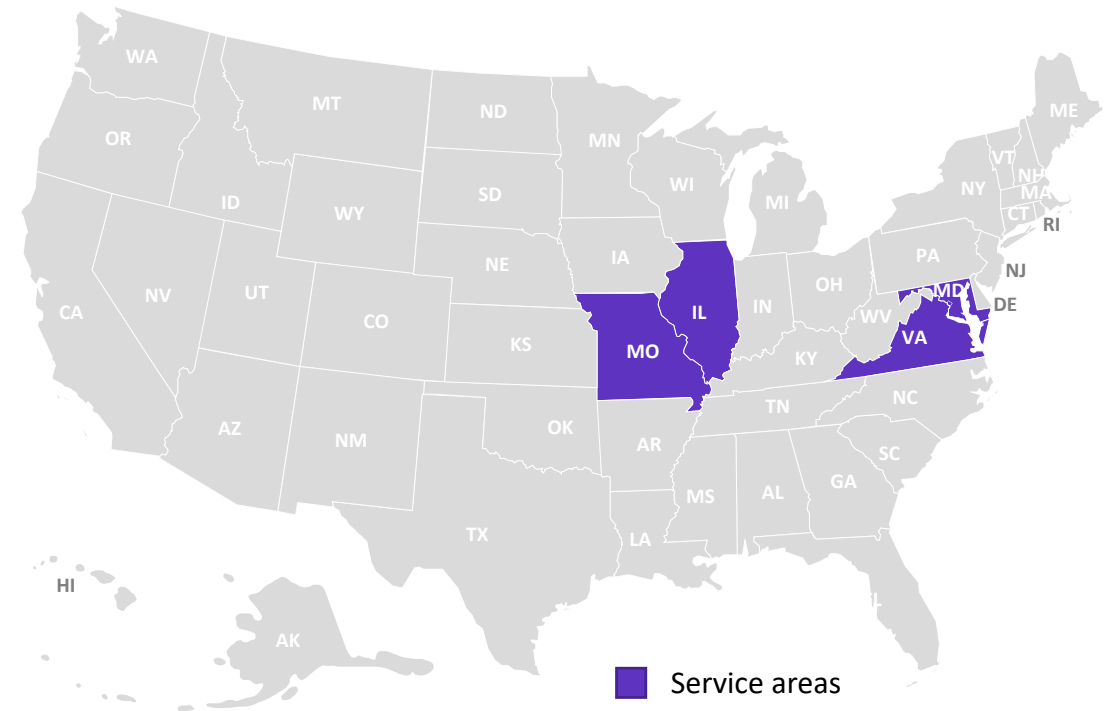
- Telemedicine platform for fertility, pregnancy, adoption, parenting, and pediatrics
- More than 175 countries, more than 30 specialties, and 30 provider languages
- Clients include both employers and health plans
- Sample clients: Snap Inc., Booz Allen Hamilton, UTA, Fortive, Southern Glazer's Wine and Spirits, White & Case, Bumble, Boston Scientific, Protective, and BuzzFeed



# Advantia Health focuses on women's health



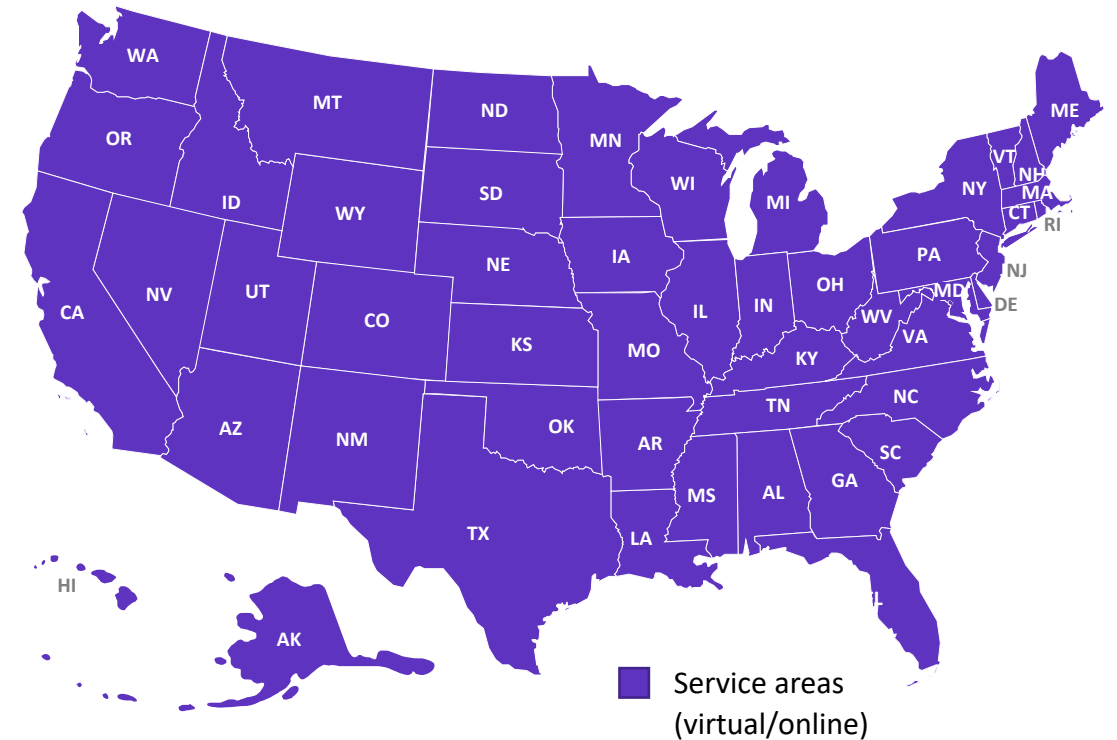
- Integration of obstetrics, gynecology, primary care, mental healthcare, and virtual care
- 40+ locations (Maryland, Virginia, the District of Columbia, Illinois, and Missouri)



# Hinge Health offers the Digital Musculoskeletal Clinic



- Wearable sensors and computer vision technology assist with reducing pain, surgeries, and opioid use
- Clinical care team includes physicians, physical therapists, and health coaches
- Partnered with more than 600 employers and health plans
- Clients include Auto Zone, Avon, KraftHeinz, Land O'Lakes, L.L. Bean, Morton, Philips, Post, S&P Global Salesforce, US Foods, and Verizon



# Numerous other primary-care players make for a fragmented segment

## Carbon Health

- >100 locations in 16 states
- Primary, urgent, mental health, and virtual care
- Partners with providers

## Hydrogen+Health

- Joint venture of Anthem, Blackstone, and K Health
- Primary and urgent care, mental health, and pediatrics

## ChenMed

- >80 centers in 12 states
- Focus on seniors
- Small patient panels and 24/7 physician access

## OAK STREET HEALTH

- 150 health centers in nearly 20 states
- Serves seniors, especially dual-eligibles

## crossover

- 48 health centers in 11 states
- Primary care, mental health, optometry, health coaching, physical medicine, acupuncture

# 4

## Payviders and insurtechs enhance primary-care coverage at a lower cost

New players directly engage patients at the first point of access, counteracting the influence of IDNs over patient flow



# Major insurers launch owned practices, clinic partnerships

Most prolific are UnitedHealth's OptumCare and Aetna, with its CVS MinuteClinics



- CVS MinuteClinics (owned)
- More than 40,000 physicians, pharmacists, nurses, and nurse practitioners



- Miami-based CareMax, 50 new medical centers (partnership)
- Beacon Health, behavioral health organization
- MyNEXUS, home-based nursing, 20 states
- CareMore, Aspire



- Sanitas Medical Centers and primary-care offices in south and west Florida
- GuideWell Emergency Doctors
- PopHealthCare (in-home medical care by mobile providers)
- EmCara (24/7 home-based primary care)



- Conviva physician groups, Texas and south Florida (owned)
- Cano Health for Medicare Advantage members (partnership)
- 214 senior-focused primary-care clinics, plans to open 100 by 2025



- OptumCare, including WellMed, MedExpress, Surgical Care Affiliates, and specialty practices in oncology and cardiology
- More than 53,000 physicians and 1,450 clinics in 16 states



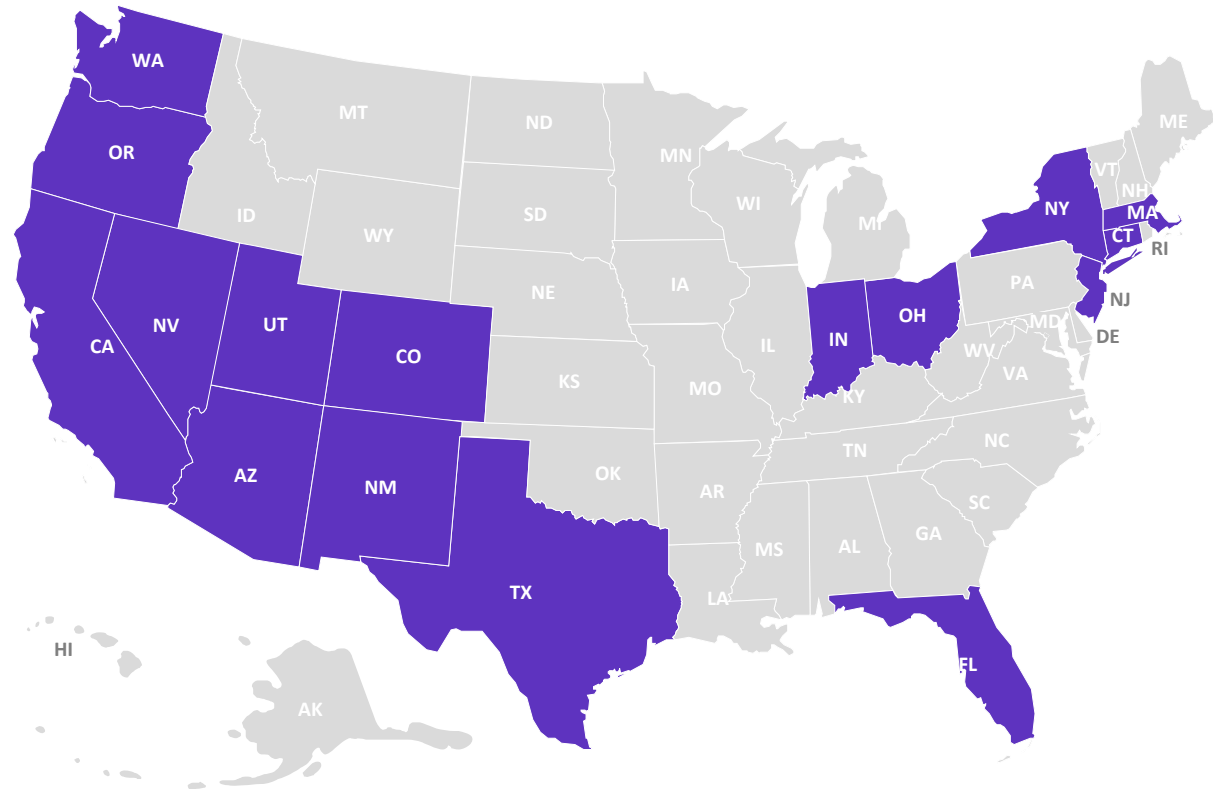
- Cigna Medical Group, Arizona
- Seven Leon Medical Centers, Miami (owned)
- Three LivingWell senior-focused health centers



Large, traditional insurers are disrupting the typical patient flow of primary care, especially with the Medicare population, helping to drive lower-cost care away from IDNs.

# OptumCare is in 43 states, but these 16 are where its networks are operational

- Expansion is continuing as the company gains physician practices and links them – through Optum’s proprietary systems - to Optum’s owned (SCA) surgery centers and (MedExpress) urgent care clinics in the top 75 markets UHG has targeted.
- The ultimate goal is a functional Optum-branded “national ACO” that can service as much as 75 percent of covered lives in the United States. Its first mature state market is California, where re-branding as “OptumCare” has been implemented.



**“What we don’t own in a market, we will align with, form partnerships, whatever we have to do.”**

Sheryl Skolnick  
Optum EVP

# Bright Health and Oscar Health have substantial enrollment

Both carriers offer extensive virtual care



- Single, exclusive partnerships with the leading health system in each market where it operates
- Virtual and in-person care through extensive network of risk-bearing primary-care clinics
- Top markets: Florida, California, North Carolina
- Investments by Cigna Ventures
- Leaving the exchange marketplace and reducing MA coverage to California and Florida for 2023

## National enrollment as of January 2022

Total	Commercial	Medicare Advantage
731,085	614,899	116,186



- Strategic partnership with Cigna for small businesses
- Members of Virtual Urgent Care and Virtual Primary Care can book unlimited visits free of cost
- Top markets: Florida, California, Texas
- Will exit Arkansas and Colorado as it focuses on profitability
- Scaling back Medicare Advantage in 2023 to focus on exchange

## National enrollment as of January 2022

Total	Commercial	Medicare Advantage
603,602	599,320	4,282

# Second tier of new entrants cater to Medicare Advantage

## Clover

- Use of machine learning to assist patients' primary-care physicians: possible gaps in care, clinical recommendations, and supportive services
- \$0 or low premiums, low copays, and low prescription drug costs, and caps on out-of-pocket expenses
- The company helps members apply for programs to help offset premiums, prescriptions, and utility bills
- Primarily in New Jersey
- Reducing ACO REACH participation

### National enrollment as of January 2022

Total	Commercial	Medicare Advantage
80,693	0	80,693

## DevotedHealth

- Virtual and in-home care provider Devoted Medical
- Mostly in Florida and Texas

### National enrollment as of January 2022

Total	Commercial	Medicare Advantage
66,539	0	66,539

5

# ASCs and physician services outsourcing companies

# ASCs capitalize on lucrative outpatient procedures

They work in tandem with physicians and/or health systems



- 429 ASCs in more than 30 states,
- Subsidiaries United Surgical Partners International and SurgCenter Development



- More than 250 ASCs in 34 states through partnerships with physicians and health systems
- AMSURG subsidiary



- More than 250 ASCs in more than 35 states
- SCA Health (formerly Surgical Care Affiliates) subsidiary
- Part of insurer behemoth UnitedHealth Group



- More than 180 surgical facilities and ancillary services such as laboratory, physician practices, and anesthesia services



- More than 180 hospitals and approximately 120 ASCs in 20 states and the United Kingdom
- HCA is among the top players in markets where it serves



In 2021, the Centers for Medicare & Medicaid Services planned to allow more services to be performed on an outpatient basis. However, in late 2021, due to pushback from hospitals, the plan was halted and the status quo remains for now.



# Physician services outsourcing companies offer hospital service-line management

Services include emergency medicine, hospital medicine, critical care, women's services, anesthesia, and more



Service lines	Subsidiaries	Service lines	Subsidiaries	Service lines	Subsidiaries
<ul style="list-style-type: none"><li>• 25,000 clinicians</li><li>• 1,800 clinical departments in 45 states and DC</li><li>• Anesthesiology, critical care, emergency medicine, hospital medicine, radiology, surgical services, and women's and children's services</li></ul>	<ul style="list-style-type: none"><li>• Anesthesia Associates of New London (Connecticut)</li><li>• Emergency Medical Associates (New Jersey, New York)</li><li>• Imaging Advantage (California)</li><li>• Infinity Healthcare (Milwaukee)</li><li>• Medical Anesthesia Consultants (MAC) Medical Group (CA)</li><li>• Northside Emergency Associates (Atlanta)</li><li>• Questcare (Dallas, TX)</li><li>• Radisphere</li><li>• Women's Telehealth</li></ul>	<ul style="list-style-type: none"><li>• Emergency medicine, critical care, hospital medicine, anesthesia, and transitional care</li></ul>	<ul style="list-style-type: none"><li>• Sound Critical Care</li><li>• Sound Physicians Advisory Services</li><li>• MedExcel USA (NYC market)</li><li>• iNDIGO Health Partners (MI)</li><li>• SOC Telemed</li><li>• Eagle</li></ul>	<ul style="list-style-type: none"><li>• 15,000 clinicians</li><li>• Ambulatory care, anesthesiology, behavioral health, critical care, emergency medicine, hospital medicine, ob/gyn hospitalist, orthopedic and general surgery, post-acute care</li></ul>	<ul style="list-style-type: none"><li>• Anesthetix</li><li>• Florida Gulf to Bay Anes (Tampa)</li><li>• Grossmont EM (La Mesa, CA)</li><li>• Integrity Hospitalists Group (Lebanon, TN)</li><li>• Premier Physician Services (Milwaukee, WI)</li><li>• Spectrum Healthcare Resources (Saint Louis, MO)</li><li>• Summit Partners/Anesthetix (Palm Beach Gardens, FL)</li><li>• Tri-City Emergency Medical Group (Oceanside, CA)</li></ul>

✕ ✕ Larger PSO companies operate through subsidiary groups and may not be evident externally. ✕ ✕ Outsourcing reduces complexity for IDNs but could result in fragmented care.

# 6

## Employers get skin in the game through centers of excellence and national provider networks

IDNs are countering emerging health insurer influence in care delivery by bypassing health plans and going directly to employers

# Walmart is forerunner in domestic medical tourism

Designated centers of excellence offer select services to employees

Healthcare entity	Location	Services
Carolina Neurosurgery & Spine Associates	Charlotte, North Carolina	spine surgery
Cleveland Clinic	Cleveland, Ohio	spine surgery, hip and knee replacements
Emory	Atlanta, Georgia	spine surgery, hip and knee replacements
Geisinger Medical Center	Danville, Pennsylvania	spine surgery, hip and knee replacements, heart surgery, and weight loss surgery
Johns Hopkins Hospital	Baltimore, Maryland	hip and knee replacements
Kaiser Permanente	Irvine, California	hip and knee replacements
Mayo Clinic	Minnesota; Florida; Arizona	transplants, spine surgery, hip and knee replacements, and cancer care
Memorial Hermann	Houston, Texas	spine surgery
Mercy Springfield	Springfield, Missouri	spine surgery and hip and knee replacements
Northeast Baptist	San Antonio, Texas	hip and knee replacements and weight loss surgery
Northwest Medical Center	Springdale, Arkansas	weight loss surgery
Ochsner	New Orleans, Louisiana	spine surgery, hip and knee replacements and weight loss surgery
Scripps Mercy	San Diego, California	hip and knee replacements and weight loss surgery
University Hospital	Cleveland, Ohio	hip and knee replacements and weight loss surgery
Virginia Mason Medical Center	Seattle, Washington	heart surgery, spine surgery, and hip and knee replacements

# Vizient centers of excellence focus on spine, hips, knees, bariatric, and cardiovascular procedures



## Member health systems accept bundled payments, agree to reduce test duplication and readmissions

- BJC Healthcare (St. Louis, Missouri)
- Emory Healthcare (Atlanta, Georgia)
- Johns Hopkins Medicine (Baltimore, Maryland)
- MemorialCare Health System (Fountain Valley, California)
- Northwestern Medicine (Chicago, Illinois)
- Providence (Alaska, Montana, Oregon, California, Washington)

## Vizient announces direct-to-employers solutions for hospitals serving self-insured health plans

# Centivo is a health plan for self-funded employers anchored around value-based care providers



## Platform offered through Aetna and UnitedHealthcare

- Metro New York, southern California, central Florida, northern North Carolina, Nebraska, Iowa, Michigan and Wisconsin
- Offered to self-funded companies:
  - Those in Blackstone's healthcare management division
  - Business Health Care Group members in eastern Wisconsin
- Claims to save self-funded employers at least 15 percent compared with traditional insurance carriers

# J.P. Morgan Chase & Co. forms Morgan Health

Seeks to improve quality, efficiency, and equity of employer-sponsored healthcare

morganhealth

## Focuses first on JPMorgan Chase employees and families

Three areas:

- \$250 million capital allocation to promising healthcare solutions
  - \$50M investment in Vera Whole Health (August 2021)
  - \$5M to Embold Health, a physician-led data analytics company (March 2022)
  - \$30M investment in Centivo (July 2022)
- Strategic initiatives with leading healthcare organizations
  - Central Ohio Primary Care
- Promoting health equity in the communities it serves
  - Kaiser Permanente (California)

Following its failed joint venture in healthcare with Amazon and Berkshire Hathaway, J.P. Morgan Chase is trying a new approach on its own through Morgan Health. The initiative seeks partnership and investment and will promote health equity in local communities.



**“We need to try to make the U.S. healthcare system work better ... There are ways we can make significant improvements and we intend to take a disciplined approach to solving some of these issues in a meaningful way.”**

**Jamie Dimon**

Chairman and CEO  
JPMorgan Chase & Co.

# IDN and Provider Trends Recap:

## Adjusting to next era of U.S. Healthcare



### Healthcare ecosystems

- Markets are being divided into competing healthcare ecosystems
- IDNs and Payers are the primary drivers of forming these ecosystems, but local market forces shape them
- These ecosystems are on a spectrum from near-complete IDN control (Integrated Payer/Providers) to Payer-owned clinics working with preferred hospitals and providers

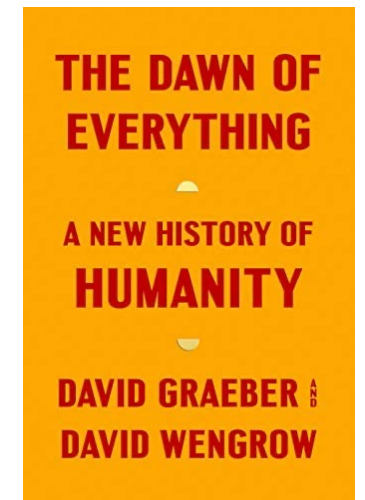
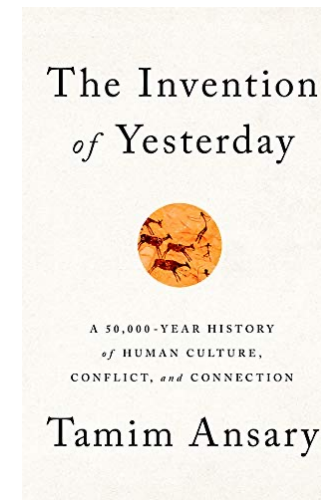


### Patient flow and pop health

- Patient flow works at two levels:
  - Patient journey: directing individual patient with referrals, restricted networks, cost incentives
  - Population: targeting patients with chronic conditions or precursors and directing them to preferred therapies and routines
- The Next Era of Healthcare will be driven by these Population Health Ecosystems



### Further reading



# Q&A Discussion



## About Clarivate™

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