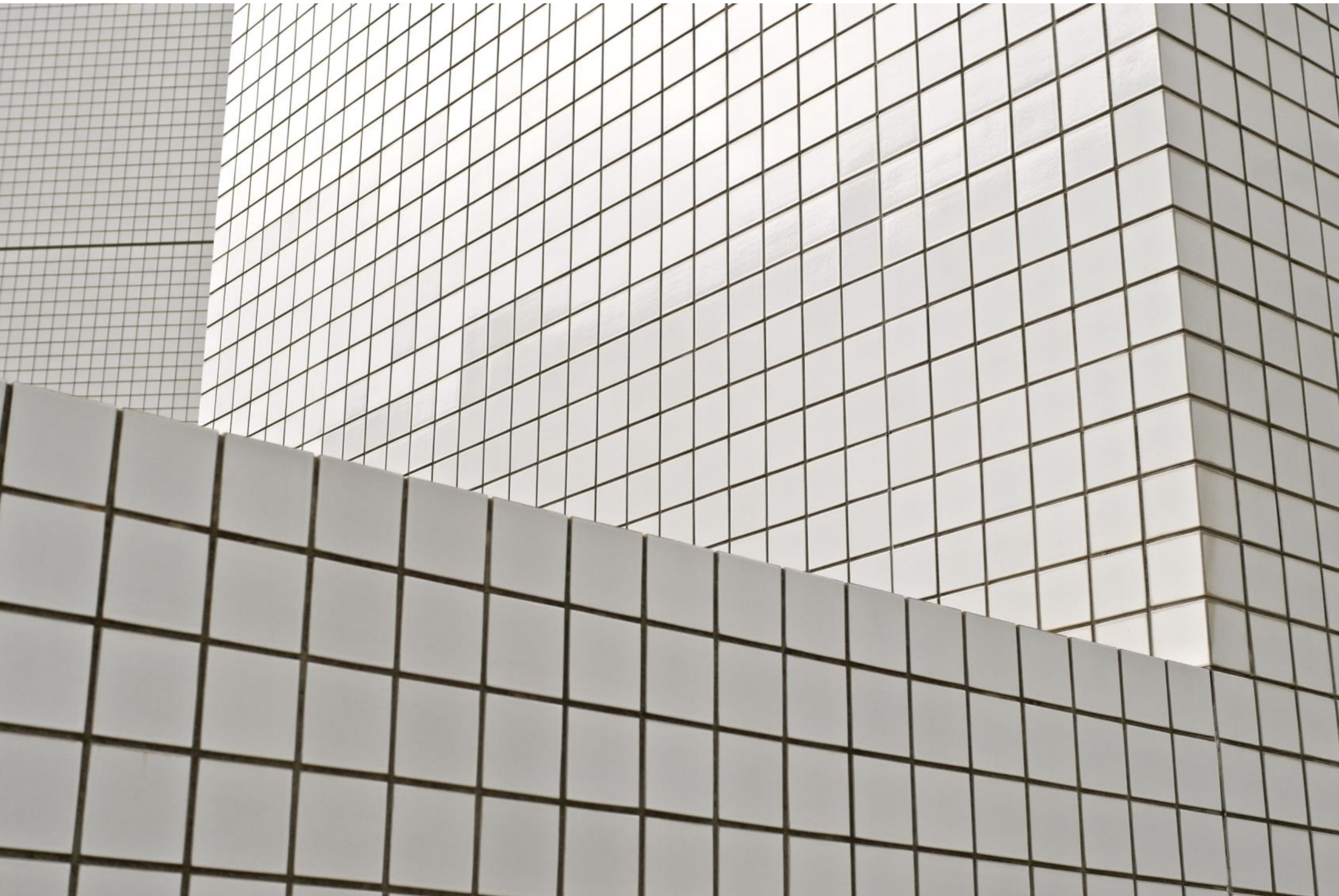
Trends in U.S. market access

Regional consolidation among U.S. IDNs

Multistate integrated delivery networks are seeking scale and control



The third wave of IDN consolidation

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Coming off three blockbuster deals in 2022, this was poised to be a breakout year for mergers of integrated delivery networks (IDNs). The April announcement by Kaiser Permanente and Geisinger Health to form Risant Health, while initially surprising, fits a recent pattern of cross-regional IDN consolidation among secular nonprofit systems, often with significant insurance operations. The partnership between California-based Kaiser and rural Pennsylvania's Geisinger is part of a third wave of IDN consolidation, with nonprofit IDNs quickly crystallizing into a few national players and partnerships, distinguished by degree of centralized controls and level of comfort with risk acceptance.

While for-profits (e.g. HCA and Tenet) and Catholic IDNs (Ascension, Providence) spent the years after the passage of the Affordable Care Act consolidating into national forces, regional nonprofit IDNs grew into dominant players within and around their home markets but failed to merge with cross-regional partners until last year.

The floodgates burst open in 2022, with the formation of Corewell Health in Michigan,[1] the expansion of Utah-based Intermountain Health into Colorado, and the merger of the largest IDNs in Charlotte, Chicago, and Milwaukee into Advocate Health. Demonstrating the importance of population health and risk management, each of these deals included significant IDN-owned health plans – Spectrum's Priority Health is the second-largest insurer in Michigan, Intermountain's Select Health Plan is the largest insurer in Utah, and via Aurora, Advocate is a minority owner in Quartz Health, the third-largest insurer in Wisconsin. In addition to the Kaiser/Geisinger deal, so far in 2023, merger plans have been announced between largest IDN in Iowa (UnityPoint) and New Mexico's largest IDN (and payer), Presbyterian Health Services, BJC Healthcare (St. Louis' largest IDN) and St. Luke's, one of Kansas City's major IDNs; and two eastern Wisconsin IDNs (Froedtert and ThedaCare).

As this Third Wave of mergers crests, regions will crystalize around a few IDN types with distinct strategies. As with any retail strategy, these emerging IDNs will have to differentiate themselves to consumers based on their ownership, risk-strategy, prestige, and geography. Like grocery stores, IDNs are building customer loyalty through value, marketing, and convenience.

This third wave of consolidation among non-overlapping regional nonprofit IDNs could be the culmination of a process started by passage of the Affordable Care Act a decade ago — namely, the development of narrow-network ecosystems that vie for members in an open marketplace through competitive premiums, improved outcomes, and customer service/loyalty. By competing for health plan members, these ecosystems would, in theory, have incentives to reduce costs by coordinating individual patient journeys while managing risk for a broad population in order to produce competitive premiums for insurance products. As providers nationally coalesce around these distinct ecosystems, markets are being reshaped into new competitive service regions with heightened rivalries.

Dominant nonprofit IDNs look outside home markets for growth

These Nonprofit IDN mergers have been driven by organizations that have few avenues for inpatient growth in their home markets. Geisinger is both the largest IDN and insurer in the northeastern corner of Pennsylvania – in Scranton/Wilkes-Barre, the region's largest market, Geisinger controls 60% of inpatient volume and insures 30% of the population.[2] Kaiser is the largest IDN and insurer in California as a whole, with concentrated pockets such as the Bay Area, where Kaiser controls a quarter of inpatient volume and insures nearly a third of the population, per Clarivate Market Access Data.[3] Geisinger has retreated from earlier hospital expansions into Harrisburg and Atlantic City to focus on northeastern Pennsylvania, and Kaiser's efforts to build a hospital in Victorville with rival Providence were stymied by the California Attorney General in January 2022.

The IDNs that formed Advocate were similarly hemmed in within their home markets. The Federal Trade Commission stopped Advocate Health Care (Chicago's largest IDN) from acquiring NorthShore University Health System in 2017, hindering the IDN's further expansion in the Windy City. The next year, Advocate merged with Aurora Health Care, the largest IDN in Milwaukee. Atrium Health (which controls 56% of inpatient volume in Charlotte), [4] has some geographical constraints because of its ownership by Mecklenburg County, North Carolina, and the FTC suppressed Atrium's efforts to expand further into Central Georgia.[5] Although for-profit and Catholic IDNs had been consolidating nationally for years, cross-regional mergers among nonprofit IDNs were usually limited to near-contiguous service areas, like Advocate Aurora on the West Shore of Lake Michigan or Atrium's leapfrog into Georgia.

The lack of cross-regional nonprofit IDNs was not for want of trying. Advocate Aurora seemed poised to grow across the Great Lakes region as merger discussions with Detroit's largest IDN, Beaumont Health, began in 2020, but that deal fell apart – not because of the FTC but because Beaumont medical staff nearly revolted.[6] Sanford, the largest IDN and insurer of the Dakotas, tried on separate occasions to merge with Fairview Health Services of Minnesota, UnityPoint of Iowa, and Intermountain Health of Utah, but Sanford's then-leadership often got in the way.[7, 8, 9] Sentara of Tidewater Virginia tried to acquire Cone in Greensboro, North Carolina, and Baylor Scott & White flirted with Memorial Hermann, which would've created a massive system from Houston to North Texas. None of these came to fruition, and not because of the FTC, which has largely been focused on preserving competition within markets instead of across them.

The lack of big nonprofit IDN mergers had often been attributed to internal politics and culture clash. While Catholic IDNs generally have a common ethos, and for-profits are open about their financial goals and demands, nonprofit IDNs have had trouble finding "like-minded" partners. Fairview is an instructive case in IDN identity crisis. After the initial merger with Sanford was called off in 2013, Fairview fully acquired PreferredOne health plan in 2016, acquired struggling HealthEast of St. Paul in 2017, and rebranded its Twin Cities operations as "M Health Fairview" in 2019, attempting to morph into a regionwide integrated payer/provider while emphasizing its longtime but oft-strained partnership with University of Minnesota Medical Center (which Fairview acquired in 1997). Fairview may have been hoping to emulate Pittsburgh's UPMC, but the IDN didn't have the competitive advantages that UPMC enjoyed when it started its own health plan – namely, dominant local market share and a nearly bankrupt rival. By 2021, Fairview sold its health plan to UnitedHealth (Minnesota now being open to for-profit insurers) and re-entered merger talks with

Sanford Health. Even without Sanford CEO Kelby Krabbenhoft in charge, Sanford's second attempt to acquire Fairview was called off in July 2023, largely for the same reasons the pairing failed a decade ago: Fairview owns University of Minnesota Medical Center, and Gopher State lawmakers objected to an out-of-state entity controlling the major teaching hospital.

But even the mergers that don't happen can show us which IDNs are seeking partners for expansion, and which IDNs could be "like-minded." The formation of Advocate, the expansion of Intermountain, and the creation of Risant could show us how IDN matches among Nonprofit IDNs are being made.

Kaiser and Geisinger build on innovation bonafides

Kaiser reportedly plans to invest $5 billion into Risant and fold in five or six more health systems over the next five years.[10] Geisinger will hold onto its prestigious brand name in Pennsylvania and help develop the strategy and operational model for Risant's expansion, which could draw from ProvenCare, Geisinger's wide-ranging suite of bundled services (including elective CABG and hip replacement) that emphasizes patient satisfaction, cost containment, transitions of care, and clinical integration. ProvenCare was developed as a "nice half-step between the traditional fee-for-service approach and capitation," according to then-chief innovation officer Ronald A. Paulus, M.D.[11] Geisinger itself moved away from the closed-loop model at the turn of the century, and opening up the organization allowed Geisinger the IDN to get higher rates from the competing regional Blues plans while allowing Geisinger the health plan to contract with outside IDNs and market broader PPO networks.[12] While Kaiser uses its health plan to direct patients back to the IDN, Geisinger became more provider-agnostic, bringing Penn State Health back into the network in 2019, and then UPMC's Capital Region in October 2022.

The pedigree of Risant suggests that the new IDN will employ an aggressive population health management strategy focused on preventive care and bundled payments, with health plan ownership a critical component. Rather than replicating Kaiser's signature closed-loop model from the Pacific Coast (where access to Kaiser hospitals and clinics is largely restricted to Kaiser Permanente health plan members, and likewise, members must get care at Kaiser Permanente providers), Risant will likely work with preferred insurers on value-based initiatives to ensure steady patient flow to owned hospitals and clinics while also marketing its own health plan. Clinical integration has been foundational for both Kaiser and Geisinger, so IDNs joining Risant may have to quickly adapt to more centralized controls to improve care coordination and reduce variations in care.

Risant allows Kaiser to expand across the U.S. without bringing along the HMO baggage. Kaiser tried to push the closed-loop model nationwide a few decades ago but pulled back from most of its expansion markets, including forays into North Carolina, Northeast Ohio, and North Texas. The Kaiser model may depend on having a critical mass of local integrated physicians alongside a strong union presence (such as the Federal Employees Health Benefits Plan or CalPERS) demanding lower-cost HMO benefit designs; a decades-long head start in establishing an ecosystem helps as well.[13] With Geisinger's experience in working with its own health plan as well as outside insurers, Risant could allow localized adaptations of the Kaiser experience.

Like Kaiser, Geisinger expanded into unfamiliar markets that it's since retreated from (Harrisburg-area Holy Spirit Health in 2014; AtlantiCare in South Jersey, 2015). One reason Geisinger Health Plan can bring both UPMC South Central Pa. and Penn State Health in-network is that Geisinger no longer directly competes with either in the Capital Region after selling Holy Spirit Hospital in Harrisburg to Penn State Health in October 2020. Shrinking Geisinger's IDN primary service area to Scranton/Wilkes-Barre and the northeastern quadrant of Pennsylvania allows Geisinger Health Plan to mostly stay above the UPMC versus Highmark fray that has captured the western three-quarters of the state.

Few regions in Pennsylvania (except for Philadelphia, for now) are untouched by the rivalry between UPMC and Highmark. One of the largest Blues plans in the nation, Highmark acquired nearly bankrupt West Penn Allegheny Health System in 2013 to make sure that UPMC had a viable counterbalance in Pittsburgh, and as UPMC has expanded eastward, Highmark has supported non-UPMC systems, from the $1 billion Highmark gave to Penn State Health in 2017 (right after UPMC acquired PinnacleHealth in the Capital Region) to the joint-venture $100 million hospital in north central Pennsylvania Highmark opened with Geisinger in January 2022. Highmark may be more wary about sharing a hospital with a potentially more formidable rival insurer in Kaiser.

Pre-existing conditions are also complicating Kaiser's strategy in Colorado, after Kaiser Permanente's acute-care local acute-care partner, SCL Health, was acquired by Salt Lake City-based Intermountain Health in April 2022. While not a closed-loop system, Intermountain is the dominant IDN in Utah by patient volume as well as the state's largest insurer through ownership of SelectHealth Plan, so the IDN enjoys significant leverage and high clinical integration. Even though the secular Intermountain took over and rebranded SCL, the local Colorado branch maintains its Catholic identity and restrictions. More importantly, in this context, SCL has for decades been Kaiser's primary acute-care partner in Colorado, making SCL adept at Kaiser's operating model but also reliant on patient volume from members.

Shortly after entering Colorado, Intermountain launched a clinically integrated network with the state's large academic medical IDN, UCHealth. The joint venture is the foundation of a new health plan debuting Medicare Advantage and individual exchange products in 2024. As Intermountain more directly competes for member lives on the Front Range, Kaiser may be more reluctant to send its own members to the rival hospitals.

If Risant bolsters Kaiser's existing markets…

Coincidentally, a clutch of Denver-area hospitals may soon be on the market, with CommonSpirit and AdventHealth splitting up their Centura Health joint-venture in August 2023. CommonSpirit is holding onto its former Centura hospitals in Colorado and Kansas (while adding five in Utah through a May 2023 deal with Steward Health Care), the five AdventHealth hospitals in Denver are potentially up for grabs. Florida-based AdventHealth faced a similar situation after the breakup of AMITA Health in Chicago in 2022 and opted to sell control of its local hospitals to UChicago Medicine in January 2023. If AdventHealth decides to do likewise in Denver, Risant could make for an interesting suitor should KP no longer want to direct inpatients to the competing Intermountain/UC Health ecosystem. Phoenix-based Banner Health owns several hospitals in North Colorado and Wyoming and could also see an expansion opportunity. Also, the Denver hospitals may not be for sale; outside the IDN's Sunshine State stronghold, AdventHealth maintains several hospitals in Kansas City, suburban Georgia, and other areas.

Northwest Oregon/Southwest Washington is another region where Kaiser Permanente directs members to a partner IDN for inpatient care, although Kaiser does own a couple of hospitals in Portland. Kaiser Permanente was previously aligned with Legacy Health in the region but has transitioned toward PeaceHealth's local hospitals. Instead of merely contracting with PeaceHealth, Kaiser could acquire the IDN through Risant, which would allow PeaceHealth to still see patients with non-Kaiser insurance. Furthermore, Kaiser Permanente acquired Seattle's Group Health Cooperative in 2017 and plans to build a $500 million hospital in the Yesler neighborhood, which PeaceHealth's hospitals in north Puget Sound could complement. Kaiser also partners with Emory Healthcare in Greater Atlanta, and its provider network along the Washington, D.C./Baltimore

Corridor includes University of Maryland Medical System and MedStar, but as for possible acquisition targets, those large academic medical center IDNs are not quite in the Geisinger mold.

If Risant seeks Geisinger clones…

These Kaiser Permanente partner IDNs are very different from Geisinger in geography and market share, and Risant may be targeting similarly dominant IDNs with health plan experience in serving largely rural areas rather than those in highly competitive urban markets, such as Renown Health of Northern Nevada or Carle Health of Central Illinois. Renown is the dominant IDN in Reno and has operated Hometown Health Plan since 1988. Carle's Health Alliance Medical Plan is one of the larger health plans in the state between Chicago and St. Louis, and the IDN just acquired three Peoria-area hospitals from Iowa-based UnityPoint in April 2023 —solidifying a regional rivalry with OSF Healthcare, based in Champaign/Urbana, Illinois.

A distinct geographic service area with a clear IDN competitor allows for an either/or option when marketing narrow network health plans to individuals and employers group. For example, while Commonwealth Health, Geisinger's primary competitor in Scranton/Wilkes-Barre, Pennsylvania, is on Geisinger Health Plan's broader PPO provider network, the lower-cost HMO plan excludes the rival. Instead of cobbling together a clinically integrated network of providers (as Intermountain is doing in Colorado with UCHealth), Risant may prefer IDNs that have a built-in advantage in geographies where healthcare ecosystems are cleanly delineated. Avera Health of South Dakota also fits the bill, with a large health plan and clear competitor in Sanford Health.

Similar rural-focused IDNs (and potential Risant targets) are already in the process of merging themselves – for example, Essentia Health and Marshfield Clinic Health System in the northern reaches of the Upper Midwest, Billings Clinic and Logan Health in Montana, and Gundersen Health and Bellin Health in Wisconsin. Iowa's UnityPoint Health and New Mexico's Presbyterian Healthcare Services announced merger plans in March 2023, and each serve largely rural states with pockets of mid-sized and small markets, similar to Geisinger. In another example of IDN entanglements, Gundersen, UnityPoint, and Advocate each have ownership stakes in Quartz Health, one of the largest insurers in Wisconsin.

St. Luke's University Health Network, one of only two IDNs in the growing Lehigh Valley, opened a hospital in Orwigburg, Pennsylvania with Geisinger in 2019. Geisinger and St. Luke's share a common rival in Lehigh Valley Health Network, which has expanded into Geisinger's territory with hospitals in Scranton/Wilkes-Barre. As part of the Risant deal, Kaiser Permanente has earmarked $100 million to expand Geisinger's "health plan and delivery services into contiguous communities in Pennsylvania."[14] This sort of expenditure may be enough to buy Highmark's stake in the shared hospital in Muncy, but not enough for St. Luke's. While the Lehigh Valley and Scranton/Wilkes-Barre mostly operate in distinct spheres, the absorption of St. Luke's (either directly by Geisinger or through Risant) could prompt LVHN to acquire the Commonwealth Health hospitals in Scranton/Wilkes-Barre.

Commonwealth Health is owned by for-profit Community Health Systems, whose pullback from earlier expansion has disrupted healthcare markets in Pennsylvania and across the nation. CHS sold its hospitals across southern Pennsylvania in 2017. Reading Hospital bought four of the CHS hospitals in the Philadelphia suburbs and became Tower Health; the IDN has suffered ever since ("Tower Health's days on hand dropped again, as finances deteriorate," Philadelphia Inquirer, May 26, 2023). PinnacleHealth acquired CHS' south central Pennsylvania hospitals just before itself being acquired by UPMC, giving the Pittsburgh-based giant a significant market share lead as it moved into the Capital Region. The move could be repeated in eastern Pennsylvania, should Lehigh Valley Health Network buy the Commonwealth hospitals just before itself being acquired by UPMC. As for-profits and Catholic IDNs exit entire markets since their 2010s heights, nonprofit IDNs have come to fill the vacuum.

Earlier waves of for-profit and Catholic expansion refocus

While nonprofit IDNs were fumbling for merger partners, for-profit and Catholic IDNs had already been consolidating at a national level, peaking after the Affordable Care Act was signed in 2010. After Tenet's $4.3 billion acquisition of Vanguard in 2013, Community Health Systems acquired Health Management Associates for $7.6 billion in 2014, creating a national hospital chain as large as fellow Nashville-based for-profit HCA. CHS has never recovered from the move,[15] and the continual sale of its hospitals (along with other for-profits like Tenet leaving urban markets) has helped fuel the growth of nonprofit IDNs across the country. In 2023 alone, CHS is selling all of its hospitals in Arkansas, North Carolina, and West Virginia (five total) and three Tampa Bay-area hospitals, benefiting respective buyers UAMS (University of Arkansas Medical Sciences) Health, Novant Health, Vandalia Health, and Tampa General—all Nonprofit IDNs.

While CHS continued a suburban-focused strategy post-Obamacare (while selling dozens of hospitals), HCA recognized that as the payer environment transitioned to value-based care, IDNs with small local market share could be cut from insurer provider networks, while market-pervasive IDNs are harder to jettison. Catholic and nonprofit IDNs worked with insurers on narrow-network products (or launched health plans of their own), but HCA largely stuck to a fee-for-service strategy of generating demand by adding beds or freestanding ERs, along with high-reimbursing specialties such as cardiovascular, orthopedics, to extract higher reimbursement from payers.

Ascension, Providence and other Catholic IDNs grew into some of the largest systems in the nation through absorption of smaller IDNs (e.g. Ascension's growth in the Midwest and Providence's partnership with Hoag in Southern California) as well as large mergers. Catholic Health East merged with Trinity in 2013, Providence merged with St. Joseph in 2016, Mercy and Bon Secours formed Bon Secours Mercy in 2018, and CommonSpirit Health was formed in 2019 through the combination of Dignity Health and Catholic Health Initiatives. While these Catholic IDNs are among the largest overall IDNs in the nation, the three largest (CommonSpirit, Ascension, and Trinity) combined have about the same annual inpatient volume as HCA. Ascension had been in merger talks with Providence St. Joseph, which could have been as big a blockbuster as CHS/HMA, but the two walked away from discussions in March 2018.

Instead of major mergers, Catholic IDNs have recently streamlined hospital operations by getting out of several notable joint-ventures. Providence and Hoag in Southern California broke their partnership in January 2022 over Catholic healthcare restrictions. Ascension and AdventHealth split AMITA in 2022, once the second largest IDN in Chicago, and CommonSpirit and AdventHealth broke up Centura Health in Colorado, one of the Front Range's major IDNs. Trinity Health bought out CommonSpirit's 50-percent stake in Iowa's MercyOne in September 2022. The latter two coincided with contiguous geographic expansion, with CommonSpirit acquiring five Steward Health Care hospitals in Salt Lake in May 2023 and MercyOne acquiring Genesis Health System of the Quad Cities in March 2023.

For-profits and Catholics are also streamlining regional branding. For example, HCA's hospitals in the Sunshine State now have the "HCA Florida" prefix, and the IDN's Dallas/Fort Worth operations are called HCA Medical City. Ascension has unified branding along state lines, such as Ascension Wisconsin and Ascension St. Thomas Health in Middle Tennessee.

IDN M&A

Deals announced or completed in 2022 and 2023

IDN	Action	Major markets
Centura Health	CommonSpirit and AdventHealth splitting joint venture IDN	Denver, CO and Salt Lake City, UT
Aspirus Health	Acquire St. Luke's Duluth	Duluth, MN and North Wisconsin
CommonSpirit	Selling Bay Area hospitals to UCSF Health	San Francisco, CA
BJC Healthcare	Acquire St. Luke's Kansas City	St. Louis, Kansas City
Kaiser Permanente/ Geisinger Health	Formed Risant Health	Pacific Coast, rural Pennsylvania
CommonSpirit	Acquired Steward Utah	Salt Lake, UT
Michigan Medicine	Acquired Sparrow Health	Detroit and Lansing, MI
Sanford Health	Acquire Fairview Health (Twin Cities)	Dakotas and Twin Cities, MN
Froedtert Health	Acquire ThedaCare	Milwaukee and Appleton, WI
Carle Health	Acquired three Peoria area hospitals from UnityPoint	Peoria, IL
UnityPoint	Merge with Presbyterian Health Services (NM)	Des Moines, IA and Albuquerque, NM
Franciscan Missionaries of Our Lady	Acquire Singing River Health System	Baton Rouge, LA and Gulfport/Biloxi, MS
Trinity Health / MercyOne	Acquired Genesis Health System, Quad Cities	Des Moines and Quad Cities, IA
LCMC Health	Acquired three Tulane hospitals from HCA	New Orleans, LA
UChicago Medicine	Acquired controlling stake in four former AMITA hospitals from AdventHealth	Chicago, IL and western suburbs
HCA Healthcare/ Medical City	Acquired three-hospital Wise Health System	North Texas
Advocate Health	Merged Advocate Aurora and Atrium	Chicago, IL, Milwaukee, WI Charlotte, NC, suburban Atlanta, GA
Gundersen Health	Merged with Bellin Health	La Crosse and Green Bay, WI

Domino effects

Just as in southern Pennsylvania, the wholesale abandonment of specific markets by for-profits and/or Catholic IDNs has given dominant nonprofit IDNs opportunities for growth. In the Piedmont region (Georgia and the Carolinas), HCA sold five acute-care hospitals in the northern half of Georgia (four to Piedmont Healthcare for $950 million, one to AdventHealth) in August 2021, but expanded in the southern part of the state with the May 2021 acquisition of Meadows Regional Medical Center in Vidalia. In February 2018, HCA established a beachhead in the southern Georgia with the acquisition of Savannah-based Memorial Health (the largest IDN in the market) while selling its stake in OU Health to the University of Oklahoma. HCA acquired Mission Health, the dominant IDN of western North Carolina, in February 2019. HCA's regional adjustment continues, as the IDN is currently trying to sell it three New Orleans hospitals to LCMC Health while planning to acquire Wise Health System in North Texas.

As Piedmont was acquiring the four HCA hospitals in Atlanta and Macon, the nonprofit IDN also added three-hospital University Health Care System of Augusta. Piedmont's rapid expansion came after another for-profit hospital chain, Tenet Healthcare, sold its five Greater Atlanta hospitals to WellStar in March 2016. Piedmont and WellStar had formed a joint-venture health plan to sell Medicare Advantage plans in 2013, but by 2016 the plan was shuttered. WellStar is now focused on the suburbs, shuttering its only hospital in Atlanta proper (which was acquired in the Tenet deal) in November 2022 and in the process of acquiring Augusta University Health System (not to be confused with Piedmont's similarly named Augusta acquisition).

Ascension made a similar readjustment in the Upper Midwest. After years of rapid growth in Wisconsin and Illinois (acquiring Ministry/Affinity in 2013, Wheaton Franciscan in 2016, Presence in 2018; and forming AMITA in 2015), Ascension began refocusing on the West Shore of Lake Michigan after the Providence merger was aborted. Ascension sold the former Ministry hospitals in north central Wisconsin, most to Aspirus Health but also a few to Marshfield Clinic, which was at the time only a major physician group before buying the acute-care facilities. The Ascension cast-offs established an Aspirus versus Marshfield dynamic that continues to this day. After Marshfield announced merger plans with Duluth-based Essentia Health in October 2022, Aspirus announced plans in July 2023 to acquire St. Luke's of Duluth. Similarly, the Downstate Presence hospitals Ascension didn't acquire were sold to another Catholic IDN, OSF Healthcare, intensifying the rivalry with Carle Health in Central Illinois.

Ascension refocused on the West Shore just as Advocate and Aurora merged their Chicago and Milwaukee operations. Advocate and Ascension are now the largest IDNs in the combined West Shore region, and rival IDNs on both sides of the border are consolidating. On the Wisconsin side, Milwaukee's Froedtert Health announced plans in April 2023 to merge with Appleton-based ThedaCare, positioning the merged academic medical IDN as the locally based alterative to Advocate and Ascension – indeed, the merger website includes he headline "Wisconsin Roots."[16] On the Illinois side, UChicago has become a bigger player through controlling stake in AdventHealth's former AMITA hospitals in January 2023, one year after NorthShore University HealthSystem acquired Edward-Elmhurst Health.

The biggest mergers of 2023 so far can be seen as responses to the moves from 2022. As Beaumont and Spectrum created Corewell Health, Michigan Medicine (University of Michigan) continued to acquire whole health systems in the Lower Peninsula, adding Lansing-based Sparrow Health System in April 2023. University of Michigan had already acquired a minority stake in Sparrow's Physicians Health Plan in 2019; Saginaw-based Covenant acquired a 10-percent stake in PHP in 2021 and could be next on the system's radar. Combined with the streamlining of Ascension's Michigan operations and Michigan State University Health partnering to build hospitals with McLaren Health Care and Henry Ford Health, the Lower Peninsula is becoming a single competitive service region with factional lines forming.

After Intermountain expanded into Colorado in April 2022, Centura acquired Steward's five Salt Lake area hospitals in May 2023–which HCA had tried to acquire last year but was stopped by the FTC.[17] With HCA Healthcare, CommonSpirit and Intermountain already operating in Denver, Salt Lake City, and Las Vegas, the Mountain West is melding into a single healthcare region.

The FTC versus COPA

The FTC is also getting in the way of HCA's plans to leave the New Orleans market after selling its three Tulane University-aligned hospitals to LCMC Health in January 2023. Formerly Louisiana Children's Medical Center, LCMC became the largest IDN in New Orleans with the acquisition, ahead of Ochsner Health, but the FTC challenged the deal in April 2023. The FTC claims that LCMC and HCA "defied federal law by consummating the $150 million acquisition without reporting its to U.S. antitrust authorities and waiting observing the mandatory waiting period."[18] LCMC claims that Louisiana's Certificate of Public Advantage (COPA) overrides the FTC's regulations.

The FTC has escalated its battle against state COPA laws, which go beyond the conventional Certificate of Public Need process and allow states to circumvent the federal regulatory process. Texas' COPA laws allowed Community Health Systems to sell hospitals in Abilene and San Angelo to be acquired by Hendrick Health and Shannon Health, respectively, in 2020, despite FTC objections.[19] The FTC was more forceful in its objections to New York State's COPA law shielding SUNY Upstate from acquiring Crouse Hospital, which would have given the state-owned SUNY two-thirds market share in Syracuse; SUNY dropped its plans for Crouse in February 2023.[20] With the FTC going to court over the LCMC acquisitions in New Orleans, the feds may be pushing back against state regulators.

While the HCA hospitals will make LCMC the largest IDN in New Orleans, Ochsner and Franciscan Missionaries of Our Lady Health System have been expanding into neighboring Mississippi. As in Colorado and Utah, IDNs are focused on new competitive service areas, with broad regions of several markets coalescing into a handful of systems.

IDN identity

As this Third Wave of mergers crests, regions will crystalize around a few IDN types with distinct strategies. As with any retail strategy, these emerging IDNs will have to differentiate themselves to consumers based on their ownership, risk-strategy, prestige, and geography. Like grocery stores, IDNs are building customer loyalty through value, marketing, and convenience.

Kaiser partnering with Geisinger and the merger of Advocate/Aurora/Atrium gives us clues as to what "like-minded" IDNs are as these Nonprofits continue to merge. Kaiser/Risant may be targeting dominant rural IDNs with strong health plan credentials, while Advocate is looking for regionally powerful IDNs that are risk-curious. While Risant and Intermountain may be quicker to implement centralized controls regarding care protocols, prescribing, and networks, Advocate may give legacy systems greater autonomy and patience. The organizations most serious about taking on risk will likely come from the ranks of nonprofit IDNs, especially those with health plan operations and regionwide prevalence.

Some nonprofit IDNs, however, such as WellStar in Atlanta, NorthShore in Chicago, and Main Line in Philadelphia, are focused on suburban areas, and instead of launching their own health plans may prefer working with insurers on Medicare Advantage products and other initiatives. Similarly, prestige IDNs like Mayo Clinic and Cleveland Clinic have so far only expanded outside their home markets to build niche systems catering to Medicare and other well-insured patients in Florida and (in Mayo's case) Arizona. In states like Michigan, Massachusetts and Pennsylvania, with large academic medical systems and more aggressive regulators, IDNs may be more resistant to joining national players for now. Academic medical centers are naturally tied to the geography of their home campus (and often state-owned), and many continue to buy up smaller suburban hospitals to balance the patient acuity/payer mix from their tertiary/quaternary anchor facilities.

Identifying IDN Type and market position is crucial to understanding how hospitals and providers across the nation are aligning. Even insurers that are trying to circumvent IDNs through physician employment (such as UnitedHealth's Optum or Cigna with its investment in VillageMD) will need to contract with hospitals. As nonprofit IDNs fortify their own ecosystems through health plan ownership, these traditional insurers may find themselves working more closely with for-profits and Catholic IDNs. Expect HCA, a few Catholic IDNs, and these emerging nonprofit IDNs to be among the most influential in the new era of American healthcare.

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