

Ascension in talks to merge with Providence St. Joseph Health

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Ascension, the parent of Columbia St. Mary's Health System and Wheaton Franciscan Healthcare, is in talks on a merger that would create the country's largest health system, the Wall Street Journal reported Sunday.

Ascension is in talks to combine with Providence St. Joseph Health, another nonprofit system, in a merger that would create a combined health system with 191 hospitals in 27 states and annual revenue of \$44.8 billion, the Wall Street Journal reported.

It would be larger than HCA Healthcare Inc., a for-profit company that has 177 hospitals and approximately 119 surgery centers in 20 states and London. HCA had revenue of \$41.5 billion in 2016.

Ascension, based in St. Louis, Mo., reported revenue of \$22.6 billion in its fiscal year ended June 30. It also reported operating income of \$552.7 million and net income, which includes investment gains on its reserves and other income, of \$1.3 billion.

The health system is now the second-largest in Wisconsin. It merged with the parent of Ministry Health in 2013 and last year added Wheaton Franciscan Healthcare's operations in southeastern Wisconsin.

Ascension has 23 hospitals and about 19,600 employees in Wisconsin, according to its website. The bulk of its holdings are in southeastern Wisconsin, but Ascension hospitals and clinics are spread across the Fox River Valley and as far north as Eagle River.

The potential merger of Ascension and Providence St. Joseph Health is the third large potential deal announced in the past week.

Last week, Aurora Health Care, the largest health system in Wisconsin, and Advocate Health Care, the last health system in Illinois, announced an agreement to merge.



Columbia St. Mary's Hospital became Ascension Columbia St. Mary's Hospital under Ascension Wisconsin's plan to adopt a unified name and brand throughout the state. MICHAEL SEARS / MILWAUKEE JOURNAL SENTINEL

The Aurora-Advocate merger would create the 10th-largest nonprofit health system in the country. Advocate Aurora Health would have annual revenue of \$11 billion, employ nearly 70,000 people and operate 27 hospitals.

Catholic Health Initiatives and Dignity Health also announced a definitive agreement to merge last week.

"Our expectation is that hospital consolidation will continue for a variety of reasons, including size and scale, leverage with health insurers and preparation for population health management," Martin Arrick, an analyst with S&P Global Ratings, said Sunday evening.

Population health management is part of the emerging trend to move away

from paying hospitals and doctors for the services they provide, what is known as fee-for-service, and toward paying a set amount to manage the care of patients.

Since the start of 2014 through Nov. 30, there have been 337 health system or hospital mergers or acquisitions in the United States, according to Irving Levin Associates.

The size of many of the mergers - as the potential combination of Aurora and Advocate shows - has increased in recent years.

Combining the holdings of Ascension and Providence would stretch the system across much of the United States with limited overlap, the Wall Street Journal said.

Ascension is a true national system, Arrick said, while Providence primarily is on the West Coast.

He noted that the two health systems are just in talks at this point.

"There's not anything close to a definitive agreement that we are aware of," he said.

Ascension and Providence, which are both affiliated with the Catholic Church, also would need to win regulatory approval.

A merger's effects on Ascension's operations in Wisconsin probably would be limited.

Both Ascension and Providence are "systems of systems," Arrick said.

"You can safely assume that in the local market they are already doing what they can do to get efficiencies," he said.

Combining large, complex organizations also is a difficult task that takes years.

For example, Ascension Wisconsin is still working to integrate what essentially were four health systems: Columbia St. Mary's, Ministry Health, Affinity Health System, which was part of Ministry but largely operated as a separate system, and now Wheaton Franciscan Healthcare's operations in southeastern Wisconsin.