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Health Care

Henry Ford Health's deal with Ascension will be a tough lift

By Dustin Walsh



The same year that Henry Ford Health announced the largest-ever health care investment in the metro Detroit area — a nearly \$3 billion new hospital tower in Detroit — it is becoming the largest health system in the region.

The Wednesday announcement that HFH would merge eight Ascension Michigan hospitals into its control effectively doubles the size of the health system.

Upon completion of the deal, HFH will have grown its acute care hospitals from five to 14, surpassing Corewell East's (formerly Beaumont) footprint in the region of eight hospitals. HFH also operates a hospital outside the region, in Jackson.

Henry Ford Health will also now employ 50,000 across the state at 550 locations, including its integrated insurer Health Alliance Plan, behind only Corewell Health, which was formed when Spectrum acquired Beaumont in 2022 and employs upwards of 60,000 in the state.

But questions remain about the integration. HFH is already working hard to redevelop the New Center neighborhood where its headquarters and legacy hospital reside. Not to mention the challenges of integrating a massive chunk of a national system, one that's culturally different as a Catholic health care organization.

Ascension and relief

The joint venture, which involves transferring the eight Ascension hospitals over to Henry Ford Health in a no-cash deal, clearly provides relief to the struggling St. Louis-based Ascension, which has been bleeding cash in recent years. Last fiscal year it reported a \$2.7 billion operating loss despite \$28 billion in revenue.

"The American health care system is experiencing unprecedented operational and financial challenges, and Ascension is no exception to these larger trends," Liz Foshage, executive vice president and CFO at Ascension, said in a September release. "The aftereffects of the COVID-19 pandemic, continued health care worker staffing shortages, ongoing supply chain challenges and persistent inflation were headwinds we faced throughout the last fiscal year."

HFH, while much better off than Ascension, also posted losses last year. The Detroit system reported a net loss of \$234 million in 2022 — though much of that can be attributed to losses tied to its investment portfolio. Even so, it's not raking in the cash, reporting an operating margin of just \$138,000 last year.

HFH will manage the new entity under CEO Robert Riney and a new board of directors. Yet it's unclear how the deal will stem Ascension's operational losses.

"This joint venture addresses financial difficulties for Ascension, but success depends on addressing underlying operational issues and improving efficiencies," said Alex Calderone, managing director of Birmingham advisory firm Calderone Advisory Group. "... this is a wait-and-see situation to determine (the deal's) effectiveness."

HFH declined to discuss the integration at this time.

Take care during tough times

It's notoriously difficult to integrate competing health systems as each one operates with different backend technology and, ultimately, cultures.

Beaumont had a noted rift between management and its providers under former CEO John Fox.

Following the acquisition by Spectrum, leading to Corewell, the system struggled to contend with poor financial performance and unhappy doctors. In the first half of 2022, Corewell East had lost \$100 million.



Corewell hired doctor-friendly executive Ben Schwartz to lead its integration and culture turnaround of the former Beaumont hospitals in July last year. Then the system parted ways with Schwartz barely a year after he started.

The system didn't comment on why he departed, but two sources told Crain's he simply couldn't fix the broken economics — Beaumont historically had the highest labor wages in the region — and get buy-in from the once-burnt, twice-shy providers at the system.

Bear witness or move on?

Adding more hurdles to the HFH/Ascension deal is two differing cultures. HFH is a secular system that defended its patients' rights to an abortion during the hotly-debated Roe v. Wade battle that played out across the country and in front of the U.S. Supreme Court last year.

HFH said it would continue providing abortion services unless the laws in the state changed. Ascension is a national Catholic system and must abide by religious order.

Catholic hospitals are required to follow the ethical and religious directives, approved by the U.S. Conference of Catholic Bishops, that state a hospital under their order may not provide abortion or sterilization services and may not promote or condone contraceptives.

It's unclear how that massive cultural divide will play out in HFH's takeover of the Ascension hospitals and its impact on integration.

HFH said it would abide by the Catholic order — for now.

"Both organizations are committed to working to maintain the Catholic identity of the Ascension Michigan facilities included in the partnership," the company said in a press release. "Conversations on the future state of the Catholic identity of these facilities are ongoing. All existing Henry Ford Health facilities would continue to operate as they have."

The American Medical Association maintains a "principle of medical ethics" that provides guidelines for mergers between secular and religious hospital systems.

In a 2018 update of the guidelines, the AMA's Council on Ethical and Judicial Affairs wrote in a report: "New partnerships can be opportunities to realign the local delivery system in

order to provide a continuum of health care to the community ... On the other hand, new partnerships can pose serious challenges to the viability of the identity of Catholic health care institutions and services, and their ability to implement these directives in a consistent way, especially when partnerships are formed with those who do not share Catholic moral principles."

It's also likely some of the Ascension workers enjoy employment with a health system that directly aligns with their values. That impact, during consistent labor shortages in the industry, could be problematic for HFH as well.

The reality is HFH is taking big swings to establish a dominant foothold in the region, juggling a \$3 billion construction project to define itself as a "destination hospital" and a major expansion to stake its claim as the metro Detroit provider of record.

The question remains if it will be able to make all the big swings into home runs.

By **Dustin Walsh**

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 Health Care, Mergers & Acquisitions, News, Henry Ford Hospital, Hospitals

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