

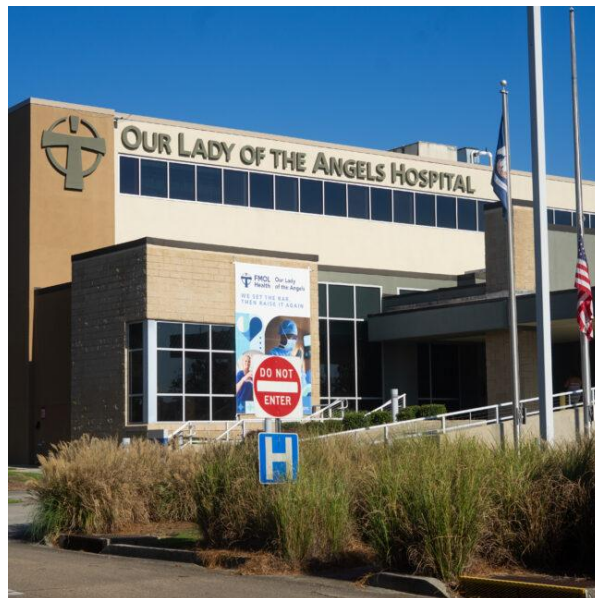
Hospitals pursue deals to ensure survival as Trump's Medicaid cuts loom

By fueling consolidation, the GOP's health care cuts are reshaping health care, for better or worse

By [Daniel Payne](#) – STAT News

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Payne spoke with hospital executives and M&A consultants for this story, part of STAT's Unraveled series, which explores the consequences of President Trump's unprecedented cuts to the health care safety net.



Our Lady of the Angels Hospital in Bogalusa, La. The model of rural hospitals is changing, with sweeping Medicare cuts on the horizon. Many hospitals the size of Our Lady of the Angels can no longer go it alone. *Rita Harper for STAT*

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BOGALUSA, La. — It was once Louisiana's “magic city,” its

breakneck expansion fueled by a booming lumber industry. Bogalusa, in the southeastern corner of Louisiana, was home to one of the largest sawmills in the world — and later, one of the largest paper mills.

Now, it's seen as a dying town. Some 40% of its population — which is shrinking — sits below the poverty line. Narrow roads are lined with small houses, and the smell of the remaining paper mill is ever-present. Work has shifted out of manufacturing and into health care.

That's in part because of the city's hospital, and its unusual defiance of the trajectory of the town in which it sits.

Its leaders say the hospital, Our Lady of the Angels, isn't going anywhere — in fact, they say it's on an upward trajectory, even in the face of sweeping Medicaid cuts.

But they couldn't do it alone.

"There are a lot of rural hospitals out there that aren't as blessed as us," said Brian Galofaro, the chief medical officer at the hospital. The blessing he's

Rural hospitals across the country are trying to replicate those benefits for themselves.

Just this summer, North Star Health Alliance in upstate New York, which filed for bankruptcy, publicly discussed plans to partner with Rochester Regional Health. WVU Health announced an agreement to acquire Pennsylvania's Independence Health System. Knox Community Hospital in Ohio announced its intent to join the Kettering Health system. Baptist Health took over Magnolia Regional Medical Center in Arkansas. And Novant Health brought North Carolina's Community Hospital of Stokes into its system.

As health system leaders scramble to prepare for a projected shortfall in federal funding, stemming from President Trump's unprecedented Medicaid cuts, merger and acquisition brokers told STAT they've seen an uptick in interest. Large systems are increasingly getting calls from smaller ones looking for a partner, leaders said. And the number of deal announcements has been ticking up since the passage of the Medicaid cuts in Trump's tax bill last year.

“For every deal that’s been announced, there are scores being talked about,” said Greg Maddrey, president of Chartis, a consulting group that works with hospitals. “There’s a lot going on under the surface.”

The financial pressures, both present and future, are forcing many smaller systems to consider seeking safety through a merger, he said: “The single hospitals and small systems have to look at it.”

The dynamic could not only change the landscape of providers and the balance of power in the U.S. health system — it could make care more expensive and harder to reach for patients nationwide, should the larger systems choose to offer some services in fewer locations. Then again, care could also become more expensive and even harder to reach if a hospital shut down entirely.

Our Lady of the Angels Hospital’s move into a larger system came from similar circumstances. Rollbacks in Louisiana’s state government health spending led to the merger with the private Catholic system FMOL Health in 2014.

The support and stability of the larger system have allowed the hospital to, over time, grow its services, which now include a labor and delivery unit, an intensive care unit, behavioral health inpatient beds, hospice services, and a family medicine residency program.

Mergers can also benefit larger systems, hospital leaders said: creating new drug discount opportunities through the 340B program, opening new avenues for residency programs and other kinds of government health funding, and strengthening their argument for being a community benefit worthy of tax-exempt status.

Not all health systems — or regions — are so lucky.

Some parts of the country that are particularly rural or are disproportionately covered by Medicaid can find themselves without a larger system ready or able to step in.

In Maine, for instance, the largest system in the northern part of the state is already facing significant financial headwinds, which makes the

prospect of adding a new facility with its own financial problems less than appealing.

“They wouldn’t even look at me — because they’ve absorbed all the small hospitals that are suffering,” Chrissi Maguire, CEO of MDI Health in Maine, said of larger systems in the area. “Larger systems can’t support these ongoing cuts — especially because of the payer mix in these smaller, rural communities.”

Her system has been independent for 130 years, she said, “and will remain independent.”

Some 40% of the population in Bogalusa lives below the poverty line.Rita Harper for STAT

A skeptical Washington

The days of policymakers supporting and even encouraging mergers may be over.

Instead, they’re increasingly warning that consolidation will remove competition and drive up costs. Hospitals raised prices more than 10% in the years following a merger, according to one study, and a bipartisan Senate review found price increases of 20% or more were “not uncommon.”

Sens. Josh Hawley (R-Mo.) and Elizabeth Warren (D-Mass.) introduced a bill this year to restrict some consolidation across health care.

Policymakers have in recent years supported more government action to regulate mergers among hospitals, including a bipartisan bill to increase Federal Trade Commission oversight of mergers and ban some anticompetitive practices outright.

The Trump administration has jumped in, too. The FTC created a health care task force to battle anticompetitive practices, and the White House’s Council of Economic Advisers released a report on policies hospitals use to shield themselves from market competition.

The moves are part of a larger populist movement in the GOP where fears about big government extend to skepticism over corporate giants,

especially pharmaceutical companies, health insurers, and hospital systems.

State lawmakers are also increasingly skeptical, Chartis' Maddrey said: "States are becoming much more aggressive in demanding: What are you going to commit to as a result of this?"

In instances where a merger with another system isn't available or practical, another option can be private equity investment, hospital executives have said.

That comes with its own concerns, especially with some research suggesting private equity ownership is associated with worse outcomes for patients — and, at times, bad outcomes for health systems.

That association was on full display in recent years with the collapse of hospital chain Steward Health Care. In a rare bipartisan statement on Steward from the leaders of the Senate's health panel, Sens. Bill Cassidy (R-La.) and Bernie Sanders (I-Vt.) said they were seeking "legislative solutions to prevent this situation from happening again."

Consolidation without mergers

Consolidation isn't limited to mergers and acquisitions. Some larger systems with rural footprints are considering how they might offer the same services at fewer locations to keep costs down and adapt to provider shortages — even though it may mean patients have to travel farther for care.

"We're trying to be proactive and ahead of the curve using demographic demand projections," said Trampas Hutches, the Mountain Region president at MaineHealth, the state's largest system.

Hutches said he's looking to route patients from across the region to fewer, more specialized centers for some kinds of care, such as orthopedics. Those changes increase quality, Hutches and other hospital leaders argue, because the centers offering specialty care will see more patients, making clinicians more experienced and capable in outlier situations. Leaders at another Maine system, MDI Health, made that

argument when closing their inpatient labor and delivery unit in July 2025.

At the same time, health systems nationwide are investing in ambulatory surgery centers — which cost less to operate than traditional inpatient hospitals — with the goal of moving more care to more cost-efficient settings. In the first quarter of 2026, 23 systems moved forward on plans for such facilities, according to [a Becker's review](#). (The move also comes as federal policymakers are working to equalize payments for procedures, regardless of where they're performed.)

A host of other approaches are being adopted: hospital-at-home care has been on the rise since the pandemic, as have telehealth offerings across nearly all kinds of care.

Together, health systems chasing savings means an evolution of health care.

Patients may be getting care in new places, from different providers.

“At some point you have to say, OK, we’ve got to change the model,” Hutches said. “So that’s what we’re doing.”

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