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How Health Systems Are Getting More Discriminating About Growth

By Frank Stevens and Steve Wasson

The annual J.P. Morgan Healthcare Conference has long served as a bellwether for where the sector is headed, offering a concentrated look at the strategies, priorities, and pressures shaping the nation's largest health systems. At this year's conference, leaders from nearly every organization emphasized ambulatory growth relative to other types of care settings, ambulatory surgery center (ASC) expansion, and deliberate site-of-care shifts as central to their strategies for growth, access, and affordability.

Across presentations for the conference's not-for-profit track, what stood out was not simply the direction of travel, but the degree of commitment. Ambulatory and ASC strategies are no longer framed as incremental improvements or pilot programs. They are positioned as primary engines of growth, explicitly tied to margin resilience, consumer access, and long-term affordability. Leaders said this shift is being pursued with greater discipline than in the past, supported by targeted capital allocation and, in some cases, via selective partnerships.

This is the second of three articles in which Strata explores key conference themes, combined with insights from Strata data and our ongoing conversations with healthcare executives nationwide.

From expansion to selectivity

If there was one unmistakable throughline at this year's conference, it was selectivity. The largest health systems (and those that can afford to do so) are becoming far more discriminating about where they invest, where they grow, and where they pull back. Growth strategies are increasingly shaped by four interconnected priorities:

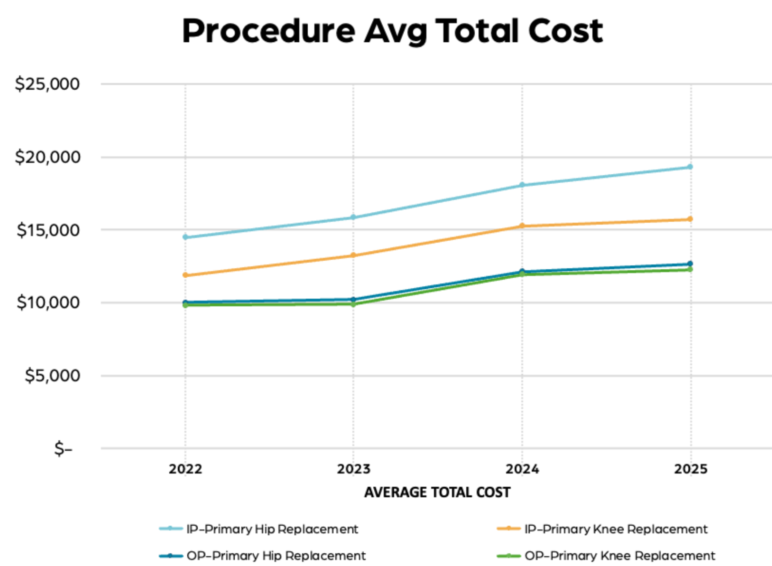
- Ambulatory and ASC expansion as the core growth lever
- Optimizing services provided and the locations in which they are provided
- Heightened discipline around capital allocation
- Fewer, but more intentional, partnerships

Together, these priorities signal a sector moving from expansion to optimization, using site of care as a strategic lever.

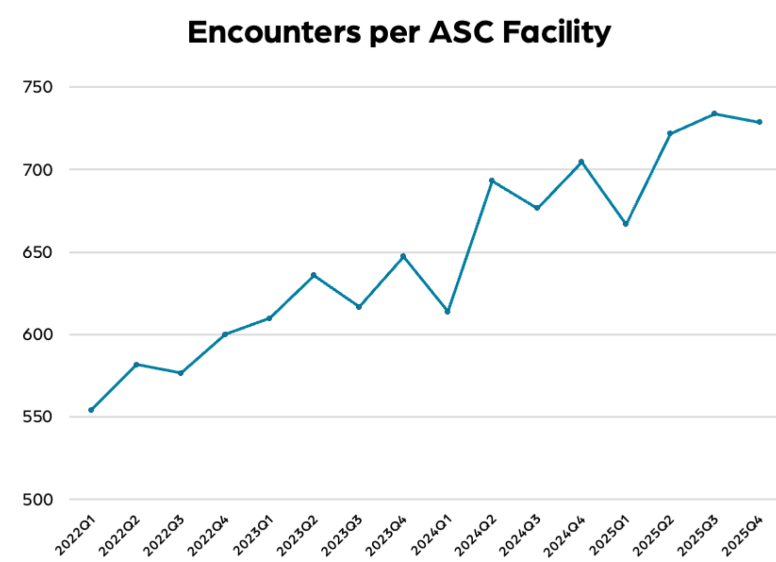
Of course, ambulatory expansion itself is not new. Health systems have invested in outpatient care, ASCs, and other non-hospital settings for more than a decade. What felt different this year was the way leaders talked about those investments. The language shifted away from growth for growth's sake and toward ensuring strategic alignment of healthcare services. Executives described a deliberate restructuring of delivery models in which the most complex, resource-intensive care is concentrated within inpatient facilities, while lower-acuity care is systematically migrated to lower-cost, more convenient settings. This is not a change in direction so much as it is an acceleration and refinement of strategies that many systems have been building toward for years.

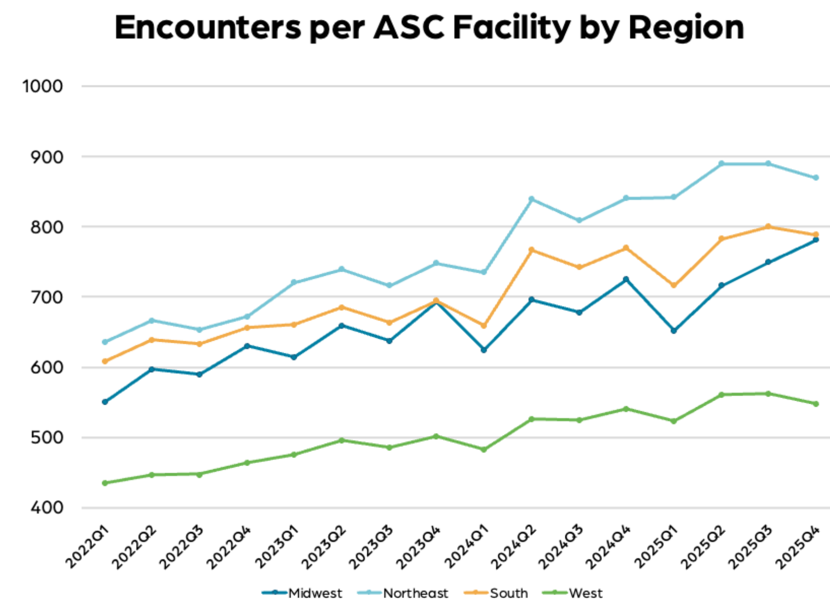
Ambulatory and ASCs become the growth engine

This emphasis aligns with trends seen across healthcare, as volume and revenue continue to migrate away from inpatient settings toward outpatient and ASC environments. The cost structure differences remain significant, with ambulatory settings carrying significantly lower fixed costs than acute facilities. For example, the average fixed cost for a primary hip replacement procedure in an outpatient setting is approximately 48% lower than the same procedure in an inpatient setting, while the average fixed cost for a primary knee replacement procedure is approximately 38% lower, according to Strata's proprietary data. The average total costs for such procedures have steadily increased across all care settings in recent years. The average total cost for an inpatient primary hip replacement was $19,316 in 2025, up from $14,475 in 2022. The average total cost for the same procedure in an outpatient setting was $12,633 in 2025, up from $10,020 in 2022.



Proposed site-neutral payment policies further reinforce the need to shift care to outpatient settings, as they would equalize Medicare reimbursements for the same medical procedures regardless of where they are performed. To illustrate the difference, a Strata analysis shows that the average total cost margin for a primary hip replacement through Medicare was a loss of $725 for inpatient versus a positive $909 for outpatient in 2025.





Margin contribution is increasingly tied to ambulatory growth, particularly in procedural and specialty service lines. At the J.P. Morgan conference, leaders were explicit that ambulatory platforms are more than feeders to hospitals; in many markets, they are now the front door to the system.

This logic extends beyond access and convenience to the core operating model of health systems. Leaders indicated that inpatient facilities should be reserved for the most complex care, while lower-acuity services should move to settings better aligned with their resource needs. Strata data reinforce this view. Analysis shows that the number of ASC patient encounters per facility increased by 20% from 2022 to 2025. Regional variation was notable, with the Northeast experiencing the fastest growth at 29%, compared to increases of 17% in the South and West and 16% in the Midwest.

Procedure-level shifts tell a similar story. Looking at orthopedic procedures across all settings, the share of those procedures performed in ASCs grew from 21% to 28% between 2022 and 2025. The share of orthopedic procedures performed in hospital outpatient departments, inpatient settings, and office clinics all declined over the same period. For gastroenterology procedures, ASC share increased from 55% to 65% from 2022 to 2025, accompanied by steady decreases across hospital outpatient, inpatient, and office-based settings.

How leading systems are executing the shift

Several organizations illustrated this approach. Leaders from one major health system described an ongoing portfolio transformation that reduces its acute care footprint while expanding ambulatory access and horizontal platforms. This strategy is paired with a deliberate effort to concentrate higher-acuity care within remaining hospitals. Horizontals were framed as managed growth businesses, not

ancillary assets, with dedicated leadership, capital allocation, and performance expectations.

Ascension's acquisition of AMSURG, an ASC development and management company, is a centerpiece of the health system's ambulatory strategy. The deal, announced in mid-2025, adds more than 250 ASCs across 34 states to Ascension's network, providing national ASC scale while creating a platform for broader ambulatory adjacencies.[i]

Leaders from Sutter Health highlighted ambulatory density as a core strategic advantage, particularly in high-cost markets. The health system is actively expanding its footprint, with well over $1 billion for more than 20 ASCs projects underway last year, and more planned for 2026.[ii]

Hartford HealthCare leaders framed the organization as a consumer-centric ecosystem that is moving care out of hospitals and into communities, with a strategy that emphasizes access, affordability, and quality. Its "house with 1,000 doors" model spans urgent care, ASCs, emergency centers, virtual platforms, and partnerships, such as its primary care partnership with Amazon One Medical and urgent care partnership with GoHealth.[iii]

Capital discipline and partnerships go hand in hand

Health system leaders repeatedly referred to renewed focus on capital discipline, describing investing and rationalizing at the same time, deploying capital where returns are clear while exiting or divesting assets that fail to create value. Strata's regular conversations with healthcare executives across a range of organizations reflect this selectivity, with capital increasingly flowing toward ambulatory, outpatient, and technology investments, while acute spending is more tightly focused on maintenance, modernization, and targeted high-acuity capabilities.

Partnerships are seen as a critical enabler of this strategy. Organizations spoke about leaning into partnerships that accelerate scale or capability, while exiting those that fail to create value. Examples ranged from Hartford HealthCare's collaborations with GoHealth,[iv] Amazon One Medical,[v] and K-Health[vi] to Hackensack Meridian Health's relationships with Memorial Sloan Kettering,[vii] One Medical,[viii] Google,[ix] and CLEAR,[x] among others. Intentionality was a common theme. Partnerships are increasingly used to extend reach, speed market entry, or access capabilities that would be inefficient to build alone. There also was recognition that organizations can spread themselves "too wide" over too many partnerships, causing some organizations to narrow the number of partnerships they are engaged in to focus on those that bring the highest value.

What this signals for the year ahead

Beyond the J.P. Morgan conference, Strata's conversations with healthcare leaders suggest a growing divide between large, diversified systems and smaller community hospitals. Many of the strategies highlighted at the J.P. Morgan conference require optionality — the ability to rebalance portfolios, exit markets, and shift volume and acuity across sites of care. Smaller hospitals often lack this flexibility. They carry a disproportionate share of fixed costs, face tighter capital constraints, and have fewer levers to pull as care continues to migrate out of inpatient settings. As large systems become more discriminating, the strategic gap between those with portfolio flexibility and those without may continue to widen.

Across organizations of all sizes, however, growth is about designing portfolios that align capital, access, and margin.

[i] Ascension: "Ascension Enters Into an Agreement to Acquire AMSURG." News Release, June 17, 2025.
[ii] Newitt, P.: "Inside Sutter Health's Bold ASC Strategy." *Becker's ASC Review*, March 13, 2025.
[iii] Bruce, G.: "'We Have to Disrupt Ourselves': Hartford HealthCare's Virtual Strategy." *Becker's Health IT*, March 20, 2025.
[iv] Hartfprd HealthCare: "GoHealth Urgent Care and Hartford HealthCare Partner to Deliver More Accessible, Patient-First Urgent Care in Connecticut." News release, Jan. 16, 2017.
[v] Amazone One Medical: "Hartford HealthCare and One Medical Announce Collaboration Focused on Seamless Coordinated Care." News release, Feb. 23, 2022.
[vi] Businesswire: "Hartford HealthCare and K Health Partner to Re-imagine Primary Care Delivery." Feb. 21, 2025.
[vii] Memorial Sloan Kettering: Coming Together to Do More: Memorial Sloan Kettering and Hackensack Meridian Health Are Committed to Making an Impact. Webpage accessed February 2026.
[viii] Hackensack Meridian Health: "Hackensack Meridian Health and One Medical Announce Partnership Focused on Expanding Access to Care and Seamless Coordination Between Primary and Specialty Care." News release, Nov. 14, 2023.
[ix] Diaz, N.: "Hackensack Meridian to Deploy Google-Powered AI Agents." *Becker's Health IT*, Oct. 16, 2025.
[x] Hackensack Meridian Health: "Hackensack Meridian Health and CLEAR Partner to Bring Secure, Seamless Digital Identity to the Patient Experience." News release, Aug. 18, 2025.