THE AGREEMENT IS SIGNED. NOW WHAT?

Lessons from the Field for Effective Post-Affiliation Integration

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Introduction

As competitive, financial, and operational pressures continue to intensify for healthcare provider organizations, the risks of “going it alone” increase. The scale, capital investments, and leading-edge expertise required to successfully transition to population health models – while aggressively reducing costs – are significant even for larger integrated healthcare systems.

Not surprisingly, mergers, acquisitions, partnerships, and new versions of affiliations are commonplace. Wanting to choose the best alignment model and long-term partner, provider organizations often spend thousands of hours and even more dollars with lawyers, investment bankers, and consultants to evaluate options before finalizing a transaction or affiliation agreement.

But how much is invested after the ink is dry to ensure that the strategic vision and goals of the new combined entity are fully realized?

This PYA Leadership Briefing looks at lessons we have learned from our work with healthcare provider organizations striving to successfully realize the promise of new affiliations.

Culture drives long-term performance and sustainability of results.

The management adage that “culture eats strategy for lunch” actually falls far short of fully describing just how powerful cultural norms and behaviors contribute to the success, or struggles, of newly combined entities. A misaligned culture can derail not only strategic initiatives, but also the implementation of tactical tools and practices at the frontline. In addition to understanding the organizational cultural differences between the two merged entities, assessing and proactively managing the underlying culture of the medical staff, as it relates to care management, quality, and patient experience, is crucial for effectively aligning and transforming the organization as a whole. Assessment tools provide insights into organizational dynamics that can either buoy or hinder efforts to accelerate buy-in to changes in strategy and practice.

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Establish a project management office (PMO) to drive results.

Combining the financial and operational elements of separate organizations is a massive undertaking. An integration plan without project management and performance measurement is likely to never achieve the desired outcome. To that end, the project management team accomplishes those two primary tasks in three ways: thinking and speaking objectively, enabling and facilitating accountability, and providing additional capacity. The PMO is the engine that drives the integration toward and through completion. It enables senior leaders to manage cultural and personnel transformation while ensuring the operational "nuts and bolts" are structurally sustainable.

Identify a senior leader from each organization who is personally committed to the success of the new entity.

Expecting all aspects of the integration plan to go smoothly is naïve and can actually hinder long-term success in that it underestimates what it will take to work through conflicts. Simply expecting staff to enthusiastically jump on board and change "because we said so" sets the stage for early disappointments and barriers to further progress.

When conflict occurs, having an "integration executive" assigned to help the team navigate change can be extremely helpful. The characteristics of these executives from both the acquired and acquiring organization should include:

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- A deep understanding of his/her own organization, including a healthy appreciation for its strengths and weaknesses.
- An ability to establish a relationship of trust and respect with his/her counterpart.
- A track record of proven results and the ability to negotiate with individuals and/or groups who may have strong, differing ideas on any given issue.
- A sincere appreciation for the advantages of working together to achieve results that would be impossible if undertaken separately.

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Get physician leaders involved up-front.

Especially for improvement opportunities in care management, clinical efficiencies, and the supply chain, both elected and informal medical staff leaders must be engaged early to make real, sustainable progress. While the chief medical officer can, and should, play a significant role in leading improvement efforts, expecting one individual to single-handedly influence the necessary change in behaviors of every practicing physician across all departments is unrealistic. Helping physicians at the frontline of care understand the value for them and their practices – even when they are employed by the health system – leads to stronger buy-in of key strategies.

Many leading health systems and hospitals have restructured the traditional Utilization Review Committee of the medical staff to be more focused on prospective care management. Dr. Eric Steele, DO, Chief Medical Officer of Summa Health in Akron, Ohio, described this transformation as creating the "strategic table" where physician leaders can constructively assess, debate, and solve challenges in quality and cost.

Expect initial plans to change, and build in flexibility to survive and advance.

Most are familiar with the phrase, "Even the best laid plans of mice and men go awry," and healthcare leaders are no exception to this casualty. The strategy and planning efforts for integrating, and subsequently aligning, two organizations are important; they create the framework the team will eventually need to execute and place the plan into action. The plan is important – the willingness and ability to make modifications to the plan is of equal importance. Despite perceived certainty regarding the soundness of a strategy, market, and other environmental conditions, change occurs without regard to leaders' interests or integration plans. New knowledge and facts that may not have been present during the planning phase may suddenly become apparent, and critical to the success of the integration objectives.

For these reasons, contingencies must be built into the plan. When new information presents itself, the willingness to prudently evaluate the potential impact, and alter the plan as necessary, allows organizations to adapt to new conditions and better position themselves.

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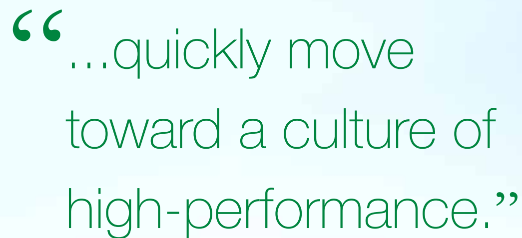
Appreciate effort; reward results.

The integration of two organizations – especially in a highly complex industry like healthcare – is difficult work. Individuals who may be working hard and devoting long hours on top of their “day job” to make integration successful should be celebrated.

Turnover is not unusual in the first year of a merger as leaders who adapt to the change and deliver superior results rise above those who may struggle to accept the new model inside the merged organization. Rewarding those who deliver and embrace the strategic and operational advantages of the new organization helps all levels of staff more quickly move toward a culture of high-performance.



Assess data requirements early.

To effectively manage integration and monitor performance, data is necessary. Often, healthcare organizations are “drowning in data but starving for information.” To provide the knowledge needed to assess performance and to monitor progress toward stated targets, it is vital to catalogue and assess all available data sources at an early stage in the integration. Depending on the targeted areas and the scope of the integration, the type and amount of data needed will vary.

Remember the “acquired” partner will have good ideas, too.

Wisdom is not the exclusive purview of the “buyer.” Wise leadership teams look for best practices and exceptional leadership talent throughout their partner organization, as another way to accelerate continuous improvement.

That said, smart organizations also are clear that adoption of standards and best practices is not optional. Leaders and staff in the acquired entity must understand the boundaries for implementing new policies and procedures to achieve shared goals and to meet higher performance standards.

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Build operational and strategic objectives into the analysis.

Organizations combine operations when the analysis demonstrates that opportunities outweigh the potential negative side effects. This is clearly a strategic effort, aimed at achieving a number of desired outcomes. However, during the process of executing the integration plan, it is easy to get lost in the operational performance of the organizations. There are instances when a decision must be made to support a larger organizational strategy that may not provide a boost to the bottom line. As the integration unfolds, there will be opportunities pursued, or invested in, that strengthen the overall strategy. It is important to weigh these considerations equally.

Conclusion

The ultimate impact of this consolidation within the healthcare industry is not yet apparent. It is all but assured that the general evolution of the healthcare industry, coupled with the changes within the regulatory environment, will force hospital and health system boards to consider a critically important question: will affiliating with another organization enable us to better achieve our mission – to meet the needs of the communities we serve?

These affiliations often consume a large amount of resources, but in many cases fail to generate the desired financial return on investment. To that end, it's important to understand there is no precise formulary for a successful integration; it cannot be approached in a "one-size-fits-all" fashion.

Perhaps the most important success factor is understanding this reality – implementing a plan that recognizes the unique cultures of the affiliating organizations, and adapting the methodologies employed to the stakeholders, leadership, physicians, and communities served. The remaining technical and organizational components can be honed and implemented within this context.

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