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REPRINT October 2013

HFMA's CFO Forum

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Post-Merger Integration: Tactics from BJC HealthCare

By Laura Ramos Hegwer

BJC HealthCare leaders share some of the lessons they have learned on making integration work after "the deal is done."

Given the recent flurry of merger and acquisition (M&A) activity among health systems, many healthcare executives are wondering how to effectively integrate their newly expanded systems. Some have already made major strides: Leaders at St. Louis, Mo.-based BJC HealthCare have been focused on integration during the past two decades, as the 13-hospital system has moved from a federation to a more centralized, organizational structure.

Like most large systems, BJC is a product of integration. In 1993, Barnes-Jewish, Inc., an urban academic medical center, merged with Christian Health Services to create BJC Health System, now BJC HealthCare. Since then, BJC has grown to include community and specialty hospitals as well as a children's hospital. It has also established a medical group and service units focused on home care, behavioral health, and corporate health.

Today, BJC executives are driving several strategic integration initiatives emphasizing better financial management, physician alignment, and quality improvement across the system.

Seven Integration Strategies

Here are some tactics that BJC has used to achieve integration post-merger:

Take advantage of a shared capital budget. BJC is one of the largest not-for-profit healthcare organizations in the country with 2012 net revenues of $3.8 billion. Every two years, BJC leaders allocate 2 percent to 4 percent of net revenue on strategic initiatives.

"This is where get the biggest bang for having a centralized capital process," says Richard Liekweg, president, Barnes Jewish Hospital, and group president, BJC HealthCare.

Having a shared capital budget allows the system to leverage funds for projects that impact multiple sites, such as a new medical office building that supports two system hospitals. It also allows leaders to strategically allocate additional funds to a particular hospital for resource-intensive projects, such as the expansion of critical care beds.

Embark on multi-year modeling for the health system. Every other year, BJC conducts five-year financial planning with a 10-year outlook to forecast capital needs and identify challenges on a longer-term horizon for the entire system. "This gives us an effective framework for engaging with our board's finance and planning committee," Liekweg says.

Focus on a limited number of systemwide initiatives. A good example is standardization of the revenue cycle: BJC purchased a new revenue cycle system and has been deploying the software one hospital at a time. It has also implemented a centralized business office and standard operating procedures to make the revenue cycle more efficient and lean.

Embrace an ecumenical approach to physician alignment. While BJC Medical Group includes approximately 300 employed physicians and other providers—a number that system leaders plan to grow in the coming years—BJC recognizes that not all

Post-Merger Assessment: Health System Quality & Patient Safety Integration Needs

Integration/Alignment Needs / Continuum	1 2 3 TRADITIONAL	4 5 6 TRANSITIONAL	7 8 9 EVOLVED	Our Score
Focus	• Episode	• Disease category	• Prevention, population	5
Approach	• Structures	• Structures and processes	• Outcomes	5
Measurement	• Assumed • Not measured	• Highly compliance-based	• Outcomes • Across continuum	4
Tools	• Peer review • High variability among clinicians	• Early importation of industrial models • Evidence-based practice and clinical pathways	• Full transition to process redesign • "Best practices" widely utilized; low variability	4
Culture	• Culture of "blame", punitive • Hierarchical	• More team-based design and practice	• Collaborative • Non-punitive	4
Transparency	• Little to none	• Beginning to publicly report outcomes	• Widespread	2
Accountability	• Select administrators	• Select clinicians and administrators	• Everyone	3

This framework assesses quality and patient safety integration needs, given current future requirements for closer integration among entities in the new health system. Seven key dimensions are categorized into three broad alignment continuum categories. In the example given the health system is moving from traditional to transitional approaches, processes, and systems whereas competitors (not shown) have evolved to more advanced quality management models.

Source: Health Strategies & Solutions, 2013. Used with permission.

Post-Merger Assessment: Health System Quality & Physician Alignment/Intergration Needs

Integration/Alignment Needs / Continuum	1 2 3 TRADITIONAL	4 5 6 TRANSITIONAL	7 8 9 EVOLVED	Our Score
Clinical alignment	• High levels of autonomy and variability • Volume-based	• Emphasis on continuity of services • Focus on minimizing variability	• Accountable for the continuum of care and standardization of care	2
Economic payment/ alignment	• Little risk sharing • On-call contracts	• Integrated P4P • Service-specific joint ventures	• High level of risk-sharing and shared contracting strategies • Fully value-based	2
Physician leadership/ governance	• Department/program leaders are elected volunteers • Medical directorship	• Some clinical co-management of services	• Physician executives in highest roles in the organization	3
Operational integration	• PHO/MSO structures provide support • Some IT connectivity	• Clinically-focused EMR • Shared service arrangements	• Fully integrated EMR (financial and clinical)	3
Care coordination/ accountability	• Punitive approach • Episodic FFS medicine	• Expectations are clearly set and compliance is incentivized	• Implied and jointly held expectations from system and peers/global risk	2
Primary care alignment	• <20% PCPs on staff • Few (<20%) PCPs employed	• 20-35% PCPs on staff • 20-40% of PCPs employed	• >35% PCPs on staff • >40% of PCPs employed	1

This framework assesses an organization's physician alignment and integration needs, given current future requirements for closer integration. The six key dimensions are categorized into three broad alignment continuum categories. In the example, this new health system is relatively traditional in its approaches, processes, and systems whereas several competitors in the market (not shown) have moved to transitional or evolved alignment models.

Source: Health Strategies & Solutions, 2013. Used with permission.

physicians seek employment. For these providers, the health system offers other ways to align, such as contractual agreements that maintain a practice's independence.

BJC also allows independent practices to connect to its electronic health record via a health information exchange. And approximately 150 independent providers participate in BJC's accountable care organization (ACO), the first in St. Louis.

Develop clinical leaders across the system. In partnership with Washington University School of Medicine, BJC has created a leadership curriculum for physicians as well as nurses and pharmacists in its system hospitals. "These leaders function as teams in the hospital environment, and we want them to develop the same competencies," Liekweg says.

Find champions to lead change. BJC recruited a supply chain expert from the aerospace industry to drive substantive changes in how the system orders supplies and equipment. BJC's chief supply chain executive has helped the team accelerate standardized purchasing in a number of areas. Acceptance of change has been facilitated through the executive's partnership with a physician champion to ensure that purchasing decisions consider quality and safety issues as well as cost.

Centralize your clinical initiatives. BJC's Center for Clinical Excellence (CCE) is the main hub for improving quality and safety outcomes across the system. During the past five years, the CCE led a systemwide effort that cut the number of potentially harmful events in half. Pressure ulcer incidence declined by 63 percent, adverse drug events were cut by 41 percent, and falls with serious injury decreased by 25 percent across the system. Through the CCE, BJC is also working to reduce readmissions.

A Balance

By capitalizing on the shared strengths of multiple organizations, leaders at BJC believe they are well positioned for delivering value. While post-merger integration is one way to get there, it is not the system's only strategy (see sidebar).

In the meantime, BJC leaders recognize that integration requires balance. "We will be challenged as a health system to be as efficient as possible, and that will require some deliberate conversations on what makes sense to centralize and what makes sense to keep decentralized," Liekweg says. "I expect there will be more of these discussions as the environment continues to change."

"Developing trust at every level is important—and you have to do that in person."

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This article is based on interviews as well as a presentation at the 2013 Congress of the American College of Healthcare Executives in Chicago.

Affiliation: Another Approach to Deliver Value

Leaders at BJC recognize that mergers are not the only way to deliver value in health care. In 2012, BJC joined with Cox Health of Springfield, Mo., Memorial Health System of Springfield, Ill., and Saint Luke's Health System of Kansas City, Mo., to create the BJC Collaborative. Organized as a not-for-profit limited liability corporation, the BJC Collaborative aims to leverage economies of scale to reduce costs and improve quality. Since its creation, two other systems have joined the collaborative: Blessing Health System in Quincy, Ill., and Southern Illinois Healthcare in Carbondale, Ill.

Each member of the collaborative remains independent while sharing services, costs, and best practices around population health management, clinical and service quality, capital asset management, financial services, and IT.

"There is an expectation that job one is to find efficiencies," says Sandra Van Trease, president, ACO, and group president, BJC HealthCare. As of August 2013, the collaborative has already achieved significant savings through bundled capital purchases, combined service contracts, and other supply chain initiatives.

Leaders in the collaborative are also planning to pool resources to create a shared data warehouse with analytics that will provide greater applications for outcomes research and population health management across the region.

One of the early challenges of collaborating with systems in separate geographies has been distance, Van Trease says.

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