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HEALTHCARE MANAGEMENT ADVISORS

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After the Deal Is Over: What Hospital Integration Looks Like

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The devil is in the details.

A year after the merger of Independent Hospital (IHX) and Regional Health System (RHS), the work of integrating these facilities is still underway.

Some aspects of integration, such as reviewing group purchasing contracts, food services agreements, opportunities to consolidate back-office functions and more, have been relatively easy to complete. These tasks are the “low-hanging fruit” of hospital consolidation: fairly straightforward and simple to execute, with little emotional resistance from staff on the changes needed to achieve alignment.

The impact of consolidation on referrals also may be felt soon after the deal is complete. In the case of IHX and RHS, the affiliation of IHX with a larger system led to increased referrals for tertiary services, from cardiac care to cancer care, orthopedics, and neurology.

Other aspects, such as electronic health record (EHR) integration—a “first order of business” initiative—are more complicated. For example, it can take six to nine months just to plan for the move to a common EHR, which can strengthen information sharing and help achieve economies of scale, and another several months to navigate this transition.

In our experience, clinical integration takes longer than any organization anticipates. Here, leaders must engage two different medical staffs in adopting best practices across the system and transitioning to the same systems. They also must clearly communicate the vision for the merged organization and ensure clinicians at every level understand and embrace their role in supporting its success. This is why understanding a partner’s culture, including clinical culture, is very important.

How can healthcare organizations establish the foundation for a tightly integrated organization post-merger? The experience of IHX and RHS points to the following.

Let go of the status quo. When organizations take too long to transition the newly acquired hospital to new ways of doing things, it takes the hospital much longer to become truly integrated into the new system. This delays the new system's ability to realize the benefits of the merger. At IHX, leaders worked with RHS to ease the move to an integrated system by communicating the types of changes to expect, the timeframe for implementation, and what is required of staff at each point in this journey.

Think carefully about the leadership needed to guide post-merger integration. While integration can be more challenging when the majority of the acquired organization's senior leadership team remains on board, some executive presence from the original team can help smooth the cultural adjustment that the merger will entail. In the case of IHX, the CEO retired following the merger, while some members of the senior leadership team remained on board in various roles during the year after the merger. Physician champions, too, helped facilitate engagement of the hospital's medical staff and clinicians.

Understand that some of the organizations' goals for the merger will take time to achieve. It is unlikely that all of the plans for the newly merged organization will be executed in the first year after the deal is finalized. At RHS, senior leaders grouped expected actions not just into a timeline for completion, but also in tiers of difficulty, with clinical integration considered the hardest to achieve and alignment of back-office functions and corporate services contracts considered less difficult to execute. Doing so ensured the team maintained a realistic view of where the organization was headed, the pace at which change would occur, and the results the team could expect to achieve in the first year post-merger and beyond.