

a VITAL WorkLife article

# Want a “Non-Toxic” Merger or Acquisition? Then Get Real about Time, Expectations, and Attitudes.

*Strategies for a Successful Merger and Acquisition*

By Liz Ferron, MSW, LICSW



## Coming up in the article:

- Reasons for long delays and failures in mergers and acquisitions
- Realistic view of mergers and acquisitions in healthcare
- Practical approach to successful mergers and acquisitions

When a healthcare organization acquires a medical practice or organizations merge, both parties usually have intense hopes and expectations—some of them completely unrealistic. And there can be some truly toxic results.

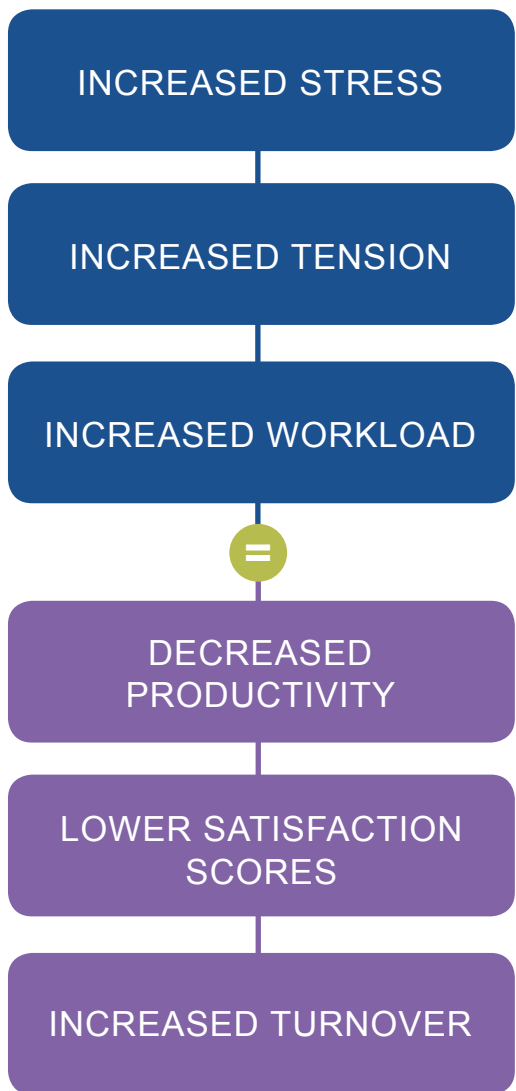
## The hopes go something like this:

The acquired practitioner or practice has been struggling to adjust to regulations, demands from insurers, new technology—and needs relief. If it joins this large organization, the acquirer will handle these problems. Acquired will need two or three months to adjust to acquirer’s regime, but then it will be good to go.

The acquirer is glad to have the new practitioner/practice on board. Acquirer is sure that acquired will hit the ground running. After two or three months to adjust to the new way of doing things, they’ll be good to go.

Or both organizations believe that the new relationship is going to be pure synergy. In two or three months....

Our experience shows it can take from 2 to 5 years for a Merger or Acquisition (M&A) to “take”—for both parties to feel comfortable with each other. Sometimes, of course, it never really happens.



## Why the Long Delays or Total Failures?

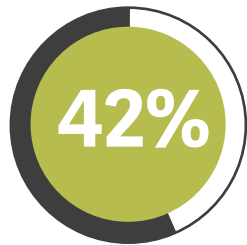
Because there are often uncomfortable issues needing to be faced.

When a practice or a group is acquired, there can be the kind of trouble Dr. G, one of our clients, experienced. After much struggle with the new demands of the medical marketplace and a lot of thought and consultation with his partners, he sold his practice to a large healthcare system.

It didn't go well. There was a new (flawed) EMR system to master. No thanks to increased charting demands, Dr. G's workday jumped from 9 to 12 hours and the organization's policies didn't allow for a medical scribe to help. Patients were scheduled 20 minutes apart. When Dr. G's long-time nurse—a close friend—quit, Dr. G. learned he couldn't hire a new nurse on his own and had to accept one who lacked key skills Dr. G needed.

Dr. G. and his colleagues had lost the power to make their own business decisions, and the strain took a heavy toll on their morale.

A provider with an experience like this scenario can easily decide the organization's leadership is "the enemy." Likewise, leadership can decide the physicians and advanced practitioners are unreasonable, wanting everything their way—the old way. Physicians can become "branded" with being stuck in the old ways of doing things and not wanting to embrace change or consider new, alternative ways. To compound the issue, the increased tension, workload and stress can often lead to decreased productivity, lower satisfaction scores and increased turnover of the physicians and advanced practitioners. In other words—a complete failure.



OF PHYSICIANS  
WERE EMPLOYED  
BY HOSPITALS IN  
2016 COMPARED  
TO 25% IN 2012



**5000** PRACTICES  
ACQUIRED  
BETWEEN JULY 2015 AND JULY 2016



**14000** PHYSICIANS  
EMPLOYED  
BY HOSPITALS IN THE SAME PERIOD OF TIME<sup>1</sup>

## A Realistic View of M&A in Healthcare

The truth is, in today's world, the practitioners and leadership have to find a way to work together. After all, many small practices can't make it on their own and the pace of acquisition of private practices by healthcare organizations isn't slowing down. A study by the Physicians Advocacy Institute (PAI) and Avalere found 42% of physicians were employed by hospitals in July 2016—the most recent date for which we have complete and comprehensive data—compared to just one in four physicians in July 2012. Between July 2015 and July 2016, about 5,000 practices were acquired. Over the same period, the number of physicians employed by hospitals increased by 14,000.<sup>1</sup>

When an M&A happens, there are inevitable shifts in work flow, organizational structure (who reports to whom), productivity demands, and more. Practitioners used to making their own decisions need to realize they are in a new world, they really have given up some freedom in order to be relieved of certain burdens and they need to cultivate flexibility.

But organizations have to be flexible, too. They need to understand physician engagement—physicians and advanced practitioners being happy and fulfilled in their work—is crucial to upholding organizational values, including bottom-line oriented ones like productivity, revenue and community engagement.

A study of a healthcare system by the Gallup organization in 2014 used standard methods of assessing physician engagement to compare the records and results of practitioners deemed fully engaged, engaged, not engaged and actively disengaged. The researchers found that physicians in the two engaged categories were 26 percent more productive than those in the disengaged categories—and that engaged productivity translated into an increase of \$460,000 in patient revenue per physician per year.

Assessing another system, Gallup found fully engaged and engaged physicians provided an average of 3 percent more outpatient referrals and 51 percent more inpatient referrals than those who were not engaged or who were actively disengaged. "By implementing strategies to connect with and engage community physicians, this provider could drive revenue and encourage corporate growth," Gallup writes.<sup>2</sup>

1. "No Slowdown in Consolidation Trend: Hospitals Acquire 5,000 Independent Practices in 1 Year." Fierce Healthcare, March 15, 2018

2. "Want to Increase Hospital Revenues? Engage Your Physicians." Gallup Business Journal, June 5, 2015

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#### ABOUT VITAL WORKLIFE

VITAL WorkLife, Inc. is a national behavioral health consulting company supporting all dimensions of well being. Our healthcare solutions are designed specifically to meet the unique needs of physicians and providers. Our team of licensed master's and doctorate level senior consultants, physician peer coaches, psychiatrists and other specialists have deep experience in issues surrounding physician performance, satisfaction and retention. Our ultimate goal is to proactively help physicians and organizations address issues before they escalate to the point of affecting performance and patient safety.

Sources:

1. "No Slowdown in Consolidation Trend: Hospitals Acquire 5,000 Independent Practices in 1 Year." Fierce Healthcare, March 15, 2018

2. "Want to Increase Hospital Revenues? Engage Your Physicians." Gallup Business Journal, June 5, 2015



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As our Physician Practice Lead, Liz Ferron manages Physician Wellness Resources services for VITAL WorkLife, as well as oversees all solutions of our healthcare clients. Liz provides training, consultation, counseling and coaching to healthcare

administrators and individual practitioners in many areas, including stress management, change management and conflict resolution.

Liz is a Licensed Independent Clinical Social Worker and received her MSW degree in clinical social work from the University of Minnesota. She has served three terms as President of the Minnesota Employee Assistance Program Administrators and Counselors (MEAPAC) and is a former adjunct faculty member at the College of St. Benedict.

## The Practical Approach for Success

Preserving and building engagement of physicians who've joined an organization means the leadership of the organization has to ask themselves some important questions. How much time do the physicians and advanced practitioners need to become aligned with the organization? Do they have enough time, mentoring and other support? Or is the organization counting on an unrealistic one- or two-month time frame for everything to be in place after the acquisition or merger?

Are there ways leadership can accommodate the needs of harried practitioners, or are they going to insist on going "by the book" no matter what? (For example, maybe they could keep the nurse they've worked with for years or be asked for input on operations decisions).

It comes down to leadership doing their best to see the transition through the eyes of the acquired practitioners. They are opting for a new opportunity, but they are also making a sacrifice and taking a risk by selling their business and bringing their trusting clients to a new organization. They are probably uncertain about how the "marriage" is going to work out: is their new position secure? What about workload, technical and time demands and all the other uncertainties? They're skilled professionals and they want to hit the ground running, and they're human beings too. All human beings need help and support navigating change.

A successful approach to an M&A means finding ways for leadership and practitioners to talk to each other. If they do, they'll realize they share the most basic goals:

- Making sure patients get healthier, are safe and satisfied.
- Helping the organization survive and thrive.
- Maintaining good relationships with the community.

Setting up those channels is the responsibility of the organization. But the biggest responsibility the organization has to the practitioners and organizations it has acquired is to be realistic in its expectations of the acquisition process and its affects to practitioners "downstream." This responsibility requires an investment in change management and transition management strategies.

In the medical space, everybody works hard and when frustrations crop up, it's easy to blame the "other side." Your success depends on getting away from blame and focusing on understanding.