

Ask These 5 Questions Before a Merger

By Matthew Bates

As length of hospital stays continue to decline and more procedures move to outpatient settings, inpatient admissions are also declining. At the same time, healthcare mergers and acquisition continue to be completed, with 102 transactions occurring in 2016. While a merger may fill hospital beds today, these beds will be empty in the future as outpatient services continue to replace procedures done in an inpatient setting. Instead of looking at mergers as a bandage for declining admissions, use them to build tomorrow's healthcare organization. The right merger can accelerate growth and transform your care delivery model by providing lower-priced, high-quality care, when, where and how patients want it.

Mathew Bates, who collaborates with pre-acute and post-acute healthcare providers, tackles the most important questions organizations need to ask themselves as they evaluate whether a merger will lead to future growth.

1. **How does this partnership help our system offer primary care at the lowest possible cost and greatest convenience to patients?**

Think differently: New players in the healthcare market provide after-hours care, virtual appointments and home visits. Offering primary care from nine to five, Monday through Friday, at a medical building next door to the hospital is an outdated model.

Plan differently: A merger that helps to develop innovative care delivery models will allow you to compete with new industry players and position your organization for success. Plan to deliver care in new ways by providing after-hours appointments and expanding your primary care service area or your technology capabilities so you can deliver care virtually.

Act differently: Follow the lead of startups, like [Sherpaa](#), that are making it easier to access primary care. Sherpaa offers primary care visits online without requiring an appointment and allows patients to see the same physician for each visit — building a strong patient-provider relationship.

2. How does this merger help us leverage technology so that patients don't have to go to the hospital?

Think differently: As bundled payments and value-based payments become more popular, lowering the cost of care while improving the quality of care is becoming increasingly important.

Plan differently: Begin to plan how you will move care outside the four walls of the hospital. While performing surgery in an outpatient setting is a start, it isn't enough. Adopting technologies, like wearables, could allow one team to monitor patients across the entire care delivery ecosystem, in their homes instead of hospital beds. A technology investment like this may be too expensive for an independent hospital, but a merger would ease the financial burden of the investment by creating a patient volume to support it.

Act differently: With value-based contracts, systems are paid for patient outcomes, not the number of services provided. As a result, readmissions can be costly to hospitals. However, systems can maximize profits by keeping patients healthy and out of the hospital. Ascension at Home's telemonitoring program does just that. It monitors patients with serious health conditions from the comfort of their own home. This has led to a [readmission rate of eight percent](#) compared to the national average of 24 percent.

3. How does this merger help us offer the highest quality specialty care in an outpatient setting?

Think differently: Healthcare payers are now reimbursing for some procedures using [siteneutral payments](#), meaning health systems are paid the same rate regardless of where the care is performed. Outpatient centers are often less expensive compared to hospitals. In fact, a [Blue Cross Blue Shield Association study](#) found that angioplasties performed in outpatient settings saved patients an average of \$1,062. As a result, healthcare systems need to think about

how they can provide the right care in the right setting.

Plan differently: Identify key specialties your organization wants to grow and plan to develop that service in the outpatient setting while lowering the cost. As part of that plan, look for an organization that is strong in the areas in which you want to grow and merge with it rather than reinventing the care delivery model.

Act differently: By developing clinical pathways based on clinical evidence, [Millennium Physician Group](#) is able to perform more than 80 percent of pacemaker procedures in surgery center settings. In doing so, Millennium is providing the highest quality care in the appropriate delivery setting.

4. How does this merger help us compete for contracts we otherwise might not get?

Think differently: Large supply contracts provide more leverage for a healthcare system in negotiating contracts. Assess whether a larger volume of patients would help you compete for vendor contracts or negotiate with insurers, or expand your participation in Accountable Care Organizations (ACOs).

Plan differently: Identify the contracts your organization wants to compete for in the future, including ACOs, and look at how a merger could strategically position you to get them.

Act differently: Twenty-one percent [of employers plan to promote ACOs in 2018, and that number could double by 2020](#). To compete for these contracts, a healthcare organization must have the corresponding breadth and depth of services.

5. How does this merger help us improve and increase patient access to the system's services, overall?

Think differently: As startups and incumbents compete for healthcare consumers, incumbents must develop strategies to provide the kind of care their community needs, make care more accessible and provide the best possible outcomes.

Plan differently: Design a plan that will use the merger to help differentiate yourself in the market. By identifying a true need in your market and merging with a health system that already provides that service, you can increase care access and attract new patients.

Act differently: With technology from [Hale Health](#), healthcare systems can increase patient access by providing urgent care on-demand. When a patient needs care, they submit an assessment and get connected to a physician from that health system for a video visit. This means patients can access services at a time and place that's most convenient for them.

Use a merger to drive innovative care delivery models to improve patient health, increase care access and lower the cost of care. As healthcare continues to move outside the four walls of the hospital, identifying the right partner for a merger is a key strategy for sustained growth.



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