A Roadmap for Post-Merger Integration

Understanding the four stages of integration can help healthcare leaders as they work to achieve cost efficiencies following a merger.

As healthcare organizations prepare for a value-based care delivery system, mergers are one strategy for achieving needed scale and competencies. Managing the complexities of post-merger integration requires a systematic and disciplined process governed by a roadmap that brings together the right people in four key stages: design, organizing, planning, and execution.

**Design Stage.** In this stage, the organizations identify their shared vision, strategies, and goals. These form the foundation of all subsequent decisions, actions, and initiatives. This phase considers the legacy cultures, strengths, and commitments of the two organizations in formulating the purpose and direction of the newly merged organization.

**Organizing Stage.** This stage establishes the framework within which the newly merged organization will function. The framework should encompass the decision-making process, governance and leadership structure, reporting matrix, operating model, plan for internal and external communications, and financial plan.

**Planning Stage.** The planning stage is where near-term, medium-term, and longer-term objectives are established for key functional areas, including finance, operations, IT, clinical departments, quality, supply chain, human resources, and medical staff. Examples of initiatives that can achieve efficiencies and help meet strategic goals include:

- Ensuring that best practices from each organization become standard practices throughout the new organization
- Consolidating overhead and back-office functions into a shared-services environment
- Standardizing supply-contracting strategies and methodology
- Centralizing certain revenue cycle activities
- Identifying opportunities to standardize, consolidate, extend, and optimize IT applications, infrastructure, and support networks

**Execution Stage.** At this stage, all identified integration initiatives are evaluated based on the new organization’s vision, strategies, and goals. Implementation priorities, sequencing, and timing are established, along with a work plan. The key output of this stage is the execution, tracking, monitoring, and reporting, of initiatives that attain the goals of the merger.

**Roles and Responsibilities**

Effectively implementing this roadmap requires involving the right people at the right stages. A leadership committee composed of senior executives and board chairs from both organizations should oversee the entire process and bear primary responsibility for the design and organizing phases. Functional integration teams led by appropriate executives or directors from each organization should plan and execute initiatives in each key functional area. An integration committee composed of leads from each functional integration team should ensure organizational consistency in the potential synergies. Finally, a results management office plays the critical role of keeping all activities on track with expert facilitation and process-improvement methodologies and tools.

**Success Factors**

Several strategies are critical to keeping the complex process of post-merger integration on track to attain the desired benefits.

**Ensure that leadership drives the process.** Senior leaders should shape the effort and track progress. They should remove barriers such as existing organizational structures that may create silos, the constraints of current initiatives that might impede progress on integration, and any perceptions that a particular area should not be addressed.

**Use a top-down/bottom-up framework.** The stages of the roadmap, along with the identified roles and responsibilities, should result in a framework within which the leadership committee identifies enterprise-wide initiatives essential to attaining the desired goals of the merged organization, while each functional integration team identifies initiatives within its functional area.

**Manage the level of detail.** Given the complexity of healthcare organizations, the level of detail addressed at each stage should be carefully managed to avoid having teams get mired in details that stall progress. For example, an initial assessment of potential efficiencies should have a much lower level of detail than would be appropriate for an action plan.

**Avoid getting derailed by political sensitivities.** Inevitably, post-merger integration triggers political sensitivities. To keep those sensitivities from halting progress, they should be readily acknowledged and promptly addressed at the leadership level, while functional teams continue to move forward.

**Involve physicians.** Not only do physicians bring critical expertise to this effort, but their involvement in planning and execution helps foster support for the overall initiative.

**Setting Up Success**

Ultimately, this rigorous and systematic approach reduces the complexity of post-merger integration, provides a foundation for lasting working relationships as the new organization evolves, and develops organizational competency in change management as the entity continues to pursue new opportunities in health care.

Tim Shoger is a senior vice president at Kaufman, Hall & Associates, LLC, Skokie, Ill., and a member of HFMA’s Northeast Ohio Chapter (tshoger@kaufmanhall.com).