

# Healthcare Mergers: Two Systems Build Cultural Alignment for Scale and Shared Enterprise



A Governance Institute Webinar  
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*Presented by:*

**Ken Marlow, J.D.**, Waller Lansden Dortch & Davis, LLP  
**Chris Anderson, CPA, FACHE**, Baptist Memorial Health Care  
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Health Care  
**Dick Cowart, J.D.**, Baker Donelson

# Today's Presenters



**Jason Little M.B.A., M.S.H.A., FACHE**  
President and CEO  
Baptist Memorial Health Care

Jason Little came to Baptist in 2002 after serving as an Operations Administrator at the Mayo Clinic in Scottsdale, Arizona. While with Baptist, he has served as the Executive Vice President and Chief Operating Officer and CEO and Administrator of Baptist Memorial Hospital-Memphis, Memorial Hospital-Golden Triangle, and Baptist Memorial Hospital-Collierville.



**Chris Anderson, CPA, FACHE**  
Vice President/Administrator,  
Mississippi Operations  
Baptist Memorial Health Care

As of May 1, 2017, Chris Anderson serves Baptist Memorial Health Care Corporation as the Market Leader for Operations in Mississippi, which includes responsibility for nine hospitals in central and northern Mississippi. Prior to this, he served as the President and CEO of Mississippi Baptist Health Systems.



# Today's Presenters



**Richard G. Cowart, J.D.**  
Shareholder  
Chair, Health Law and Public  
Policy Department  
Baker Donelson

Richard Cowart is a recognized authority in advising senior management regarding policy, regulatory, and business issues related to healthcare. He serves as strategic counsel to healthcare companies and counsels providers on business, policy, and governance issues, with an emphasis on business transactions.



**Ken Marlow, J.D.**  
Partner  
Chair, Healthcare Department  
Waller

Ken Marlow has guided clients through more than 50 acute care hospital transactions. He has helped form numerous joint ventures among hospitals, physicians, and other healthcare providers, and provides counsel in strategic acquisitions across the post-acute care spectrum. He also advises boards on corporate governance matters, and has served as counsel in ambulatory surgery centers, dialysis centers, and other outpatient facilities.



# Learning Objectives

After viewing this Webinar, participants will be able to:

- List issues to consider before approaching a potential partner and strategic questions for the board to ask
- Identify and assess key mission, cultural, and business drivers and weigh those against the risks and costs associated with a strategic combination
- Explain how and when the board should engage and work with legal counsel and consultants in the merger/affiliation process
- Describe key compliance and regulatory issues to look for in a non-profit hospital merger

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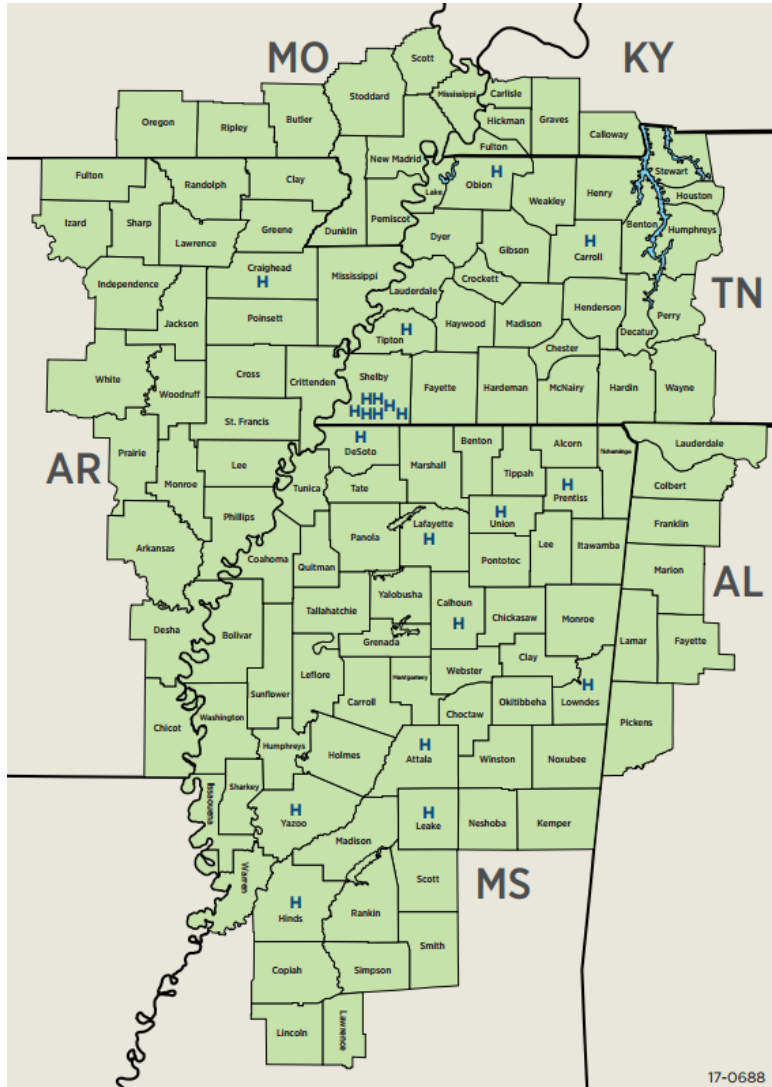
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# Baptist Memorial Overview

<b>Net Revenue</b>	<b>\$1,980,000,000</b>
<b>Employees</b>	<b>15,000</b>
<b>Active Physicians</b>	<b>1,700</b>
<b>Inpatient Admissions</b>	<b>83,813</b>
<b>Surgical Procedures</b>	<b>50,139</b>
<b>Emergency Room Visits</b>	<b>383,256</b>



# Service Area



Serving the MidSouth

**H** Baptist Hospital

 Area Served

17-0688



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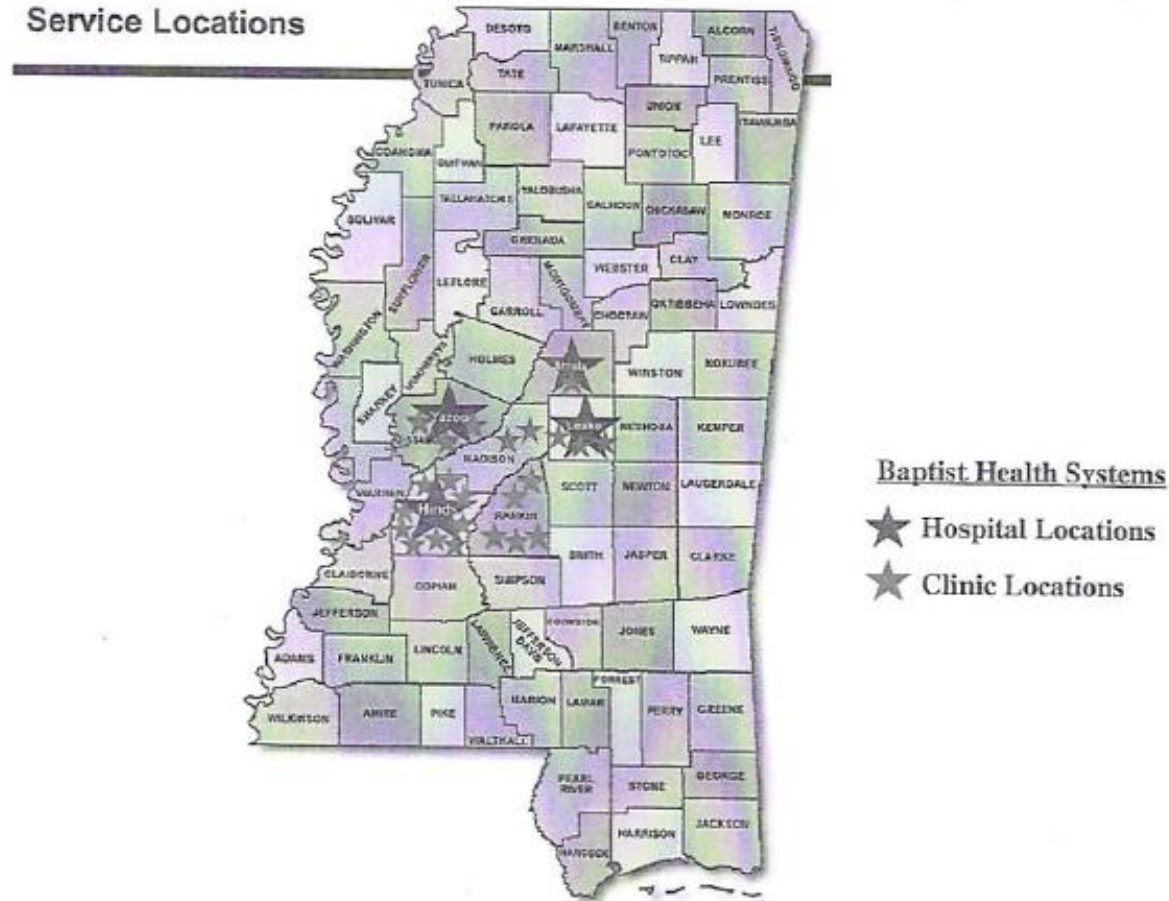
# Mississippi Baptist Overview

<b>Net Revenue</b>	<b>\$460,000,000</b>
<b>Employees</b>	<b>3,260</b>
<b>Active Physicians</b>	<b>543</b>
<b>Inpatient Admissions</b>	<b>23,335</b>
<b>Surgical Procedures</b>	<b>15,577</b>
<b>Emergency Room Visits</b>	<b>85,451</b>
<b>Clinic Visits</b>	<b>216,780</b>
<b>Home Health Visits</b>	<b>415,365</b>





# Baptist Health Systems Locations



# Combined Size, Scale, and Influence

	<b>BMH</b> (System)	<b>MBHS</b>	<b>Combined</b>
Revenue*	\$1.98B	\$461M	\$2.44B
Staffed Beds	1,138	486	1,624
Admissions	83,813	23,335	107,148
Surgeries	50,139	15,577	65,716
Deliveries	11,059	1,666	12,725
ED Visits	383,256	85,451	468,707
Employees	15,000	3,260	18,260

\* Total Operating Revenue



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# Catalysts for Pursuing Merger

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- Legacy relationship
- Cultural alignment
- Inflection points for BMHCC and MBHS
- Economies of skill and scale
- Strategic opportunities



# Key Considerations

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- Governance compatibility and structure
- Management chemistry
- Common mission (vs. acquisition)
- Governance commitments
- Financial commitments
- Employee commitments
- Name



# Unique Attributes of the Transaction

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- Unified mission
  - *In keeping with the three-fold ministry of Christ— healing, preaching, and teaching—BMHCC is committed to providing quality healthcare.*
- Religious affiliation
- EPIC
- Navigant analysis
- Geographic footprint



# Board Involvement

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- Fiduciary duties
- Board socialization
- Building goodwill
- Navigating difficult issues



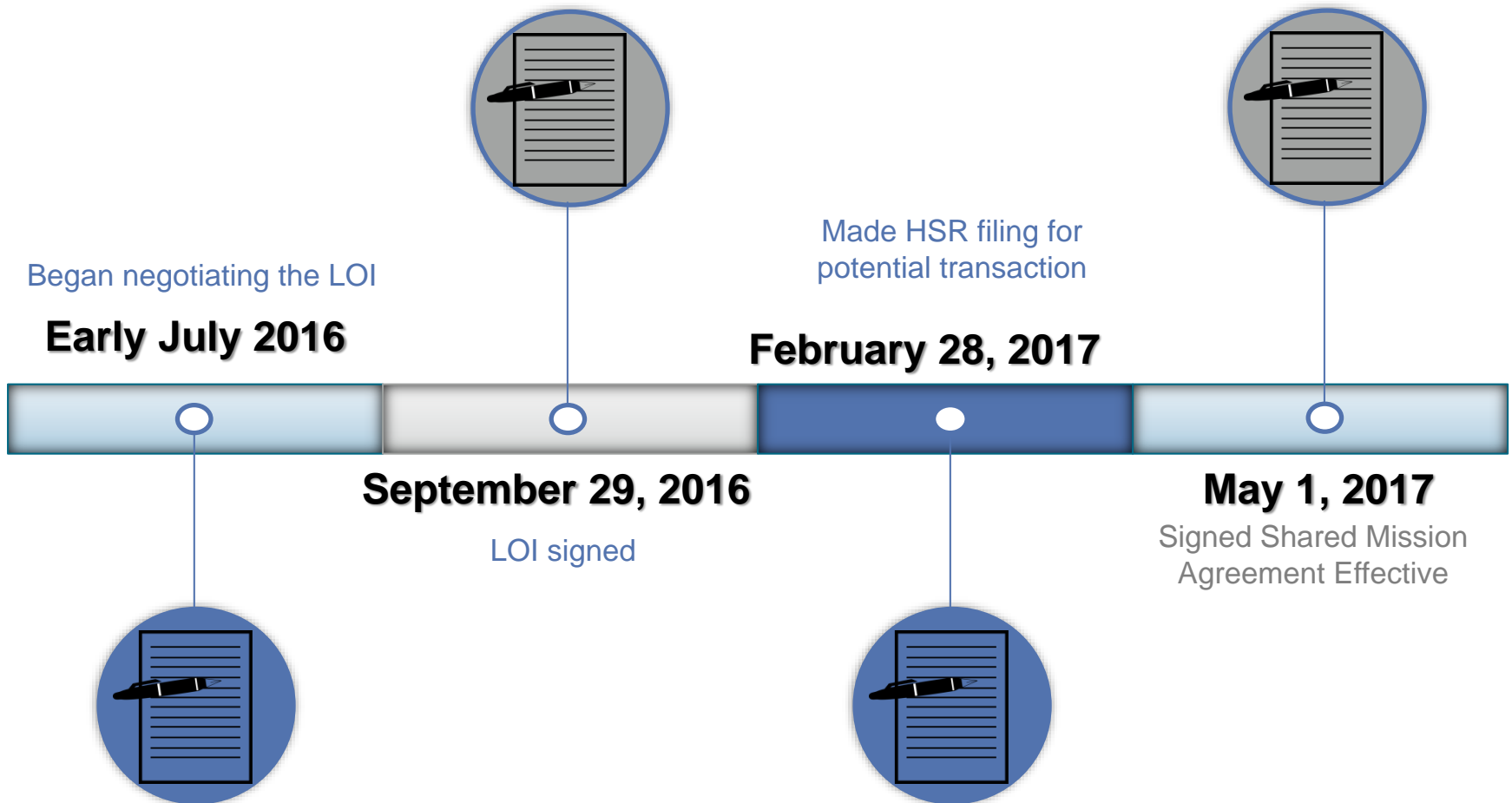
# Structure of the Process

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- Key meetings
- Reporting obligations
- Group accountability
- Timeline
- Key benchmarks



# Timeline of Transaction





# Outside Consultants

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- Economies and efficiencies
- Financing
- Legal



# Key Deal Issues

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- Governance Structure
- Administrative Development located in Jackson
  - Board structure of BMHCC
  - Board structure of MBHS
- Super Majority Actions
  - Decisions that require approval from legacy MBHS Directors
- Leadership of Mississippi Hospitals
- Capital Commitment to MBHS Hospitals
- Role of the Mississippi Baptist Health Foundation



# DEGREE OF INTEGRATION

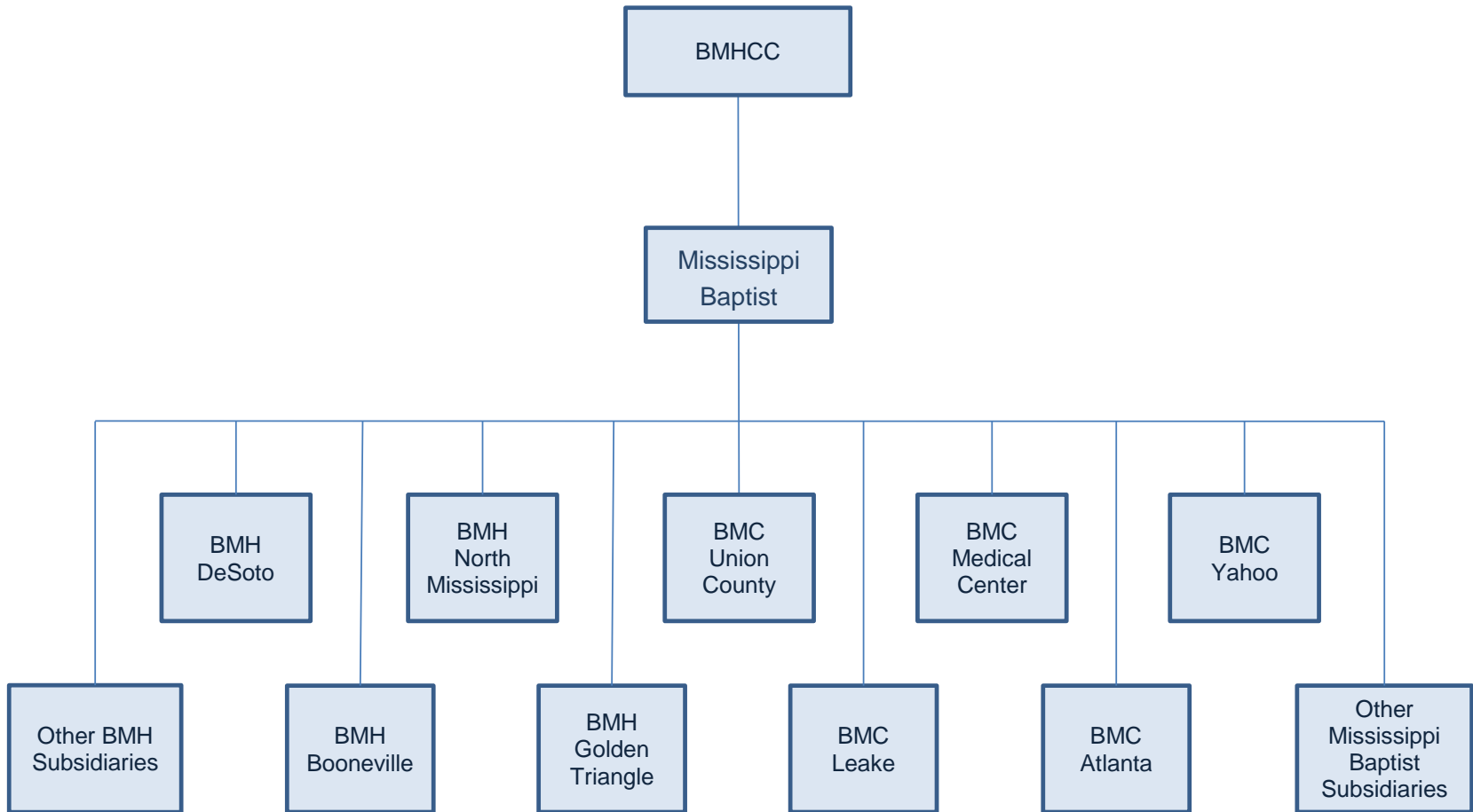


Affiliation    Management Services Agreement    Joint Venture Minority Interest Purchase    Joint Operating Agreement    Joint Venture Sale of Controlling Interest    Super Parent    Member Substitution    Merger    Sale/Acquisition

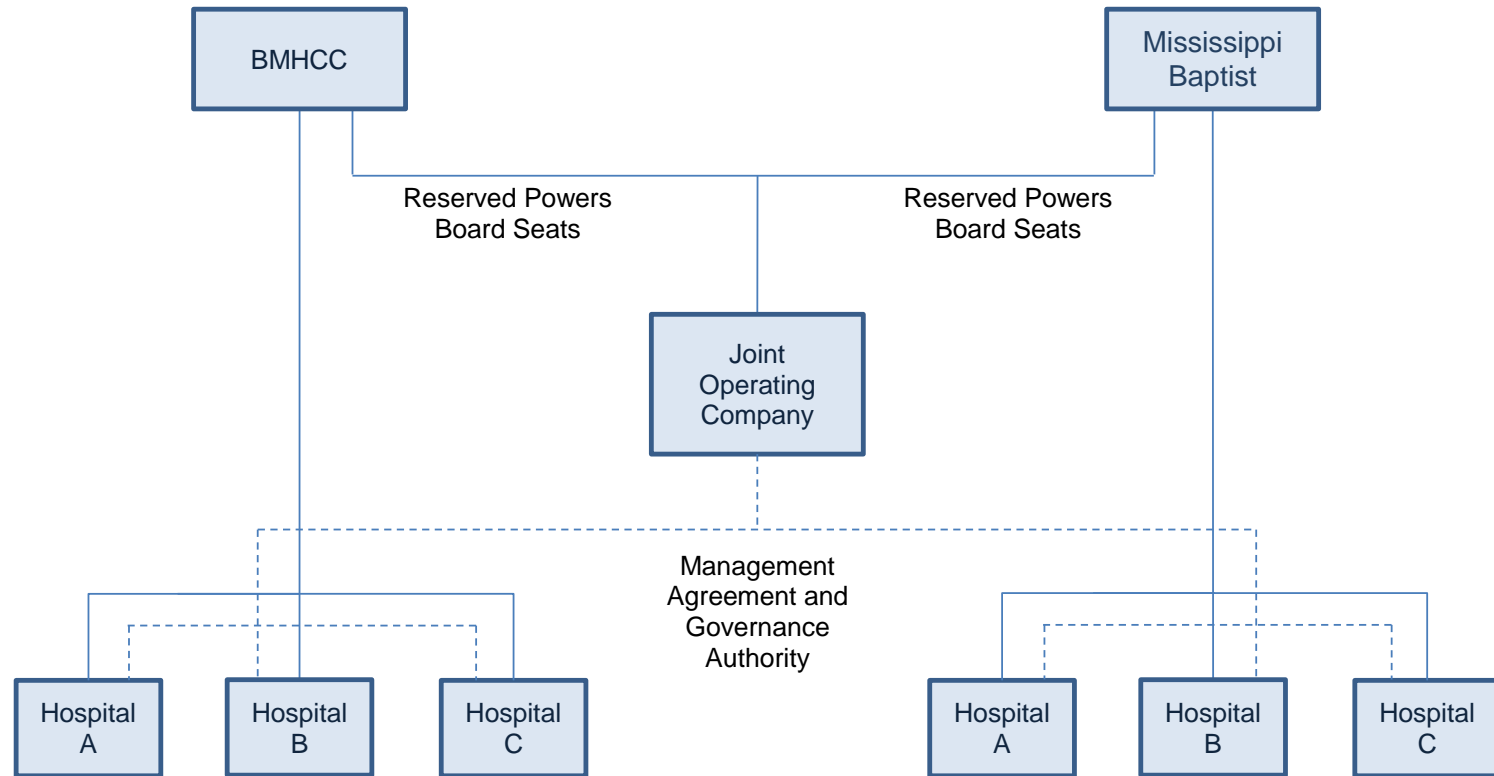
# CONTROL



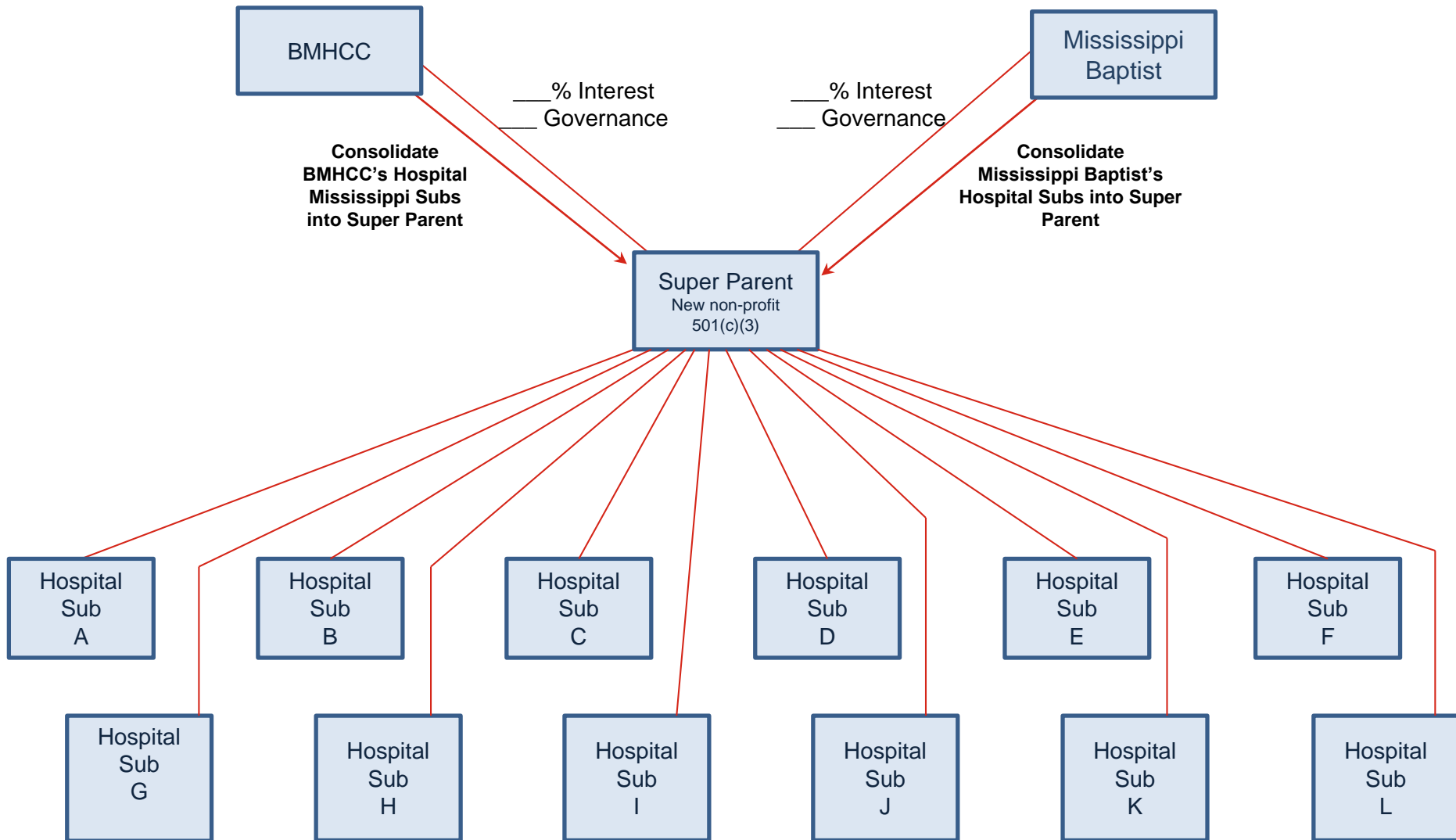
# Members Substitution Model



# Joint Operating Company Model



# New “Super Parent” Hospital Model



# Regulatory, Governmental, and Affiliation Approvals

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- FTC
- Change of ownership and licenses
- Attorney General approval
- Baptist Convention
- Material Contract Consents
- Non-governmental/regulatory consents



# Transition and Integration

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- Coordination of involved parties
- Employees
- Benefit plans
- EPIC installation
- IT systems
- Revenue cycle
- Accounting





# Transition Counsel Departments

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- Human Resources
- Marketing and Communications
- Baptist Onecare/IT
- Strategy
- Clinical, Quality, Research, Academics, and Nursing
- Pharmacy
- Finance and Accounting
- Managed Care
- Supply Chain
- Real Estate and Development
- Physician Enterprise/Medical Staffs
- Revenue Cycle
- Legal and Compliance



# Key Takeaways

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- Culture kills strategy (but strategy is nice also!)
- Shared values provide a solid foundation to address all issues
- Anxiety of change is softened when relationships are made
- Have a detailed plan for benefits—execute quickly
- Sherpas help in all mountain climbing expeditions



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# Questions?



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