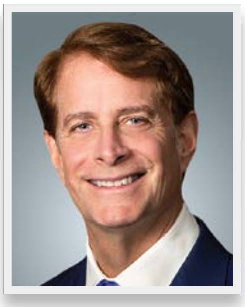
Lessons Learned from Mergers and Acquisitions

By Robert C. Garrett, FACHE, Hackensack Meridian Health

As the year winds down, the number of mergers and acquisitions among healthcare organizations is closely tracking 2018, a banner year, with deals being driven by financial, market, competitive, and regulatory forces. Major hospital systems, as well as some disruptors, are making plans to merge, especially as the push to more value-based care models continues to intensify.



Robert C. Garrett, FACHE
CEO, Hackensack Meridian Health

What distinguishes the successful mergers? How do healthcare CEOs ensure that as we grow, we truly merge high-quality and affordable healthcare, exceptional patient experiences, and optimal outcomes—the Quadruple Aim? Furthermore, how do we create an environment that fosters comprehensive integration of our teams?

Here are the lessons I have learned—with the help of trusted mentors and insightful board members—in leading the creation of New Jersey's largest and most comprehensive health network.

Partnerships Must Always Be Strategic

You cannot just grow for the sake of growing. At Hackensack Meridian Health, we pursued our growth with a variety of exceptional partners to accomplish our goal of achieving the Quadruple Aim while always keeping the interests of the communities we serve at the forefront.

The creation of our network three years ago is a great example of this. The union brought together Hackensack University Health Network's exceptional hospitals and academic-based clinical programs based in North Jersey with Meridian Health's proven continuum of care that includes acute care and a vast network of community-based care in the central and southern parts of the state.

To date, we have 17 hospitals and more than 500 patient care locations, which continues to expand as we focus on making our high-quality care more convenient, affordable, and consumer-friendly.

Our merger with JFK Health in central New Jersey last year is a strong example of merging to fill geographic gaps in care and to provide enhanced neuroscience services and an additional rehabilitation hospital.

Then, in January, we made history when we merged with New Jersey's highly respected behavioral health provider, Carrier Clinic, to expand access, better coordinate care, and innovate treatment. I am particularly proud of this merger; because of it, we are on target to open the state's first behavioral health urgent care center and a new comprehensive addiction treatment center by the end of the year.

This addition is helping us to live our mission to transform healthcare in New Jersey and beyond. Consider the tremendous need: One in five adults experiences a mental illness; the U.S. loses nearly $200 billion annually in lost productivity and suicide is the third leading cause of death in people ages 10 to 24. All networks should be on the same page with the need to enhance and expand behavioral healthcare because lives are at stake.

Avoid a One-Size-Fits-All Approach

We are not always looking for a merger or acquisition. We believe in taking a much broader approach in our partnerships. They come in many forms: a strategic clinical affiliation, a full acquisition, and many points in between, including joint ventures and the creation of joint operating companies. We partner with like-minded organizations committed to delivering value, high quality, and exceptional patient experience.

Here are some examples:

- We formed a historic partnership with Memorial Sloan Kettering Cancer Center to create a uniform standard of care and to expand outpatient options by building a joint venture facility in central New Jersey that will open next year.
- Our investments include Pillo, a home health robot that automatically dispenses medication, and PurpleSun, which utilizes ultraviolet light technology to reduce the risk of hospital-acquired infections.
- Our commitment to innovation resulted in a partnership with the New Jersey Institute of Technology. We are bringing together experts in science, healthcare, and technology to improve care delivery. Winning proposals are funded through our $25 million investment fund.
- In our drive to humanize healthcare, we partnered with Seton Hall University to open New Jersey's first private medical school in decades. Our award-winning curriculum includes a three-year path to residency; a community immersion program that pairs students with families in underserved areas so they understand the social determinants of health; and interdisciplinary learning so that our future graduates excel at team-based care, which improves outcomes. In our second year, we had nearly 5,000 applicants for 90 slots.

It is important to note that with each and every opportunity, we assign a numerical ranking and review it with our board to determine if it is a strong match, an average one, or one that's not a good fit.

Key Board Takeaways

Boards at healthcare organizations undergoing mergers and acquisitions should take the following steps to ensure successful partnerships:

- Be sure the strategic objective of the merger is clear. It must achieve the Quadruple Aim and always answer this question in the affirmative: Does this benefit the community we are privileged to serve?
- Insist on transparent communication with leadership that involves closely evaluating and ranking opportunities to fully vet optimal mergers or other types of partnerships.
- Be mindful of due diligence, not only in terms of financial considerations, but also in marrying two cultures and markets.
- Encourage and work with leadership to start the integration process before the actual merger—within regulatory requirements.
- Do not forget the importance of a thorough review of IT capabilities, capacities, etc. This step often is overlooked in the vetting process and can lead to unexpected financial implications or worse.

Invest in the Integration Process

I have learned from many executives who have been involved in acquiring or merging health networks that they underestimated the importance of cultural and market differences much to their detriment. Integration is one of the most important factors in a successful partnership.

From the creation of our organization three years ago, we established an integration division led by a chief integration officer—an exceptional leader with years of experience. We have a playbook that includes a steering committee co-chaired by a leader from our network and a leader from the partner organization. For example, with our JFK merger, we had 16 integration teams including finance, clinical, legal, etc., that would report to the steering committee. We begin some of the integration—while upholding regulatory requirements—before our official announcement.

Integrating technology is fairly straightforward. However, an important word on IT: A joint report released last year by West Monroe Partners and Mergermarket found that 26 percent of companies said that outdated IT infrastructure was the biggest oversight during due diligence in their last healthcare acquisition.

That said, we know it is more challenging to integrate people. We have been extremely mindful of this. We ensure team members have a clear sense of why the merger took place and how it benefits patients, the organization, and their professional aspirations. We continue to learn and build on our successes.

Integrating culture can be challenging, but it is extremely important. We did this by creating a common mission, vision, and core beliefs we call the Four C's: compassionate, collaborative, creative, and courageous. All team members understand our mission and our values.

When I look at how far we have come in just three years at Hackensack Meridian Health, I am proud that we are building a great culture where people live our mission and share the same beliefs and values. This factor is essential to our success.

The Governance Institute thanks Robert C. Garrett, FACHE, CEO of Hackensack Meridian Health, for contributing this article. He can be reached at rcg@hackensackmeridian.org.