# OFF-SCRIPT:
The People-side Considerations of Healthcare Consolidations

Six Thought Leaders • Six Key Points

Top insights into the growing movement of healthcare consolidations: what it means for the people involved, and total organizational wellbeing.

1

When looking at the different ways consolidation can impact the delivery of care, there are four types of consolidation trends to consider. It is important to look at each type of consolidation separately, because the impact is very different for the people within the system.
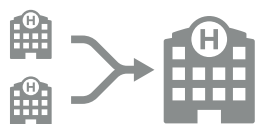
Systems merging to form larger systems, hospitals joining systems, & hospitals merging to form systems

Hospitals believe that merging will result in more market leverage, better clinical integration, and better positioning to negotiate prices with payers.

Individual hospitals or systems purchasing physician practices

Hospitals—and sometimes even insurance companies—purchase physician practices and then employ the physicians. Ultimately, with this type of consolidation, hospitals will position themselves as an "integrated delivery system" because they provide hospital care as well as ambulatory physician practices. The degree to which a delivery system fully integrates care, however, can vary widely.

Consolidation of industry segments

Consolidations can happen between non-hospital entities, such as among home health and long-term care organizations, between similar medical groups, between non-hospital organizations and hospitals, and between unlike entities such as home health and insurance or medical groups. Some system mergers and hospital mergers are for-profit; some are joint ventures or joint operating agreements—neither merger nor purchase.

Merging nonprofit & for-profit organizations

Those who lead nonprofit and for-profit system consolidations (or joint ventures) must consider the rules, laws, and regulations that govern operating and administrative practices. Setting the right goals and expectations is crucial to success.

2

It may take up to seven years for organizations to achieve full integration after a consolidation. Few anticipate the duration or complexity of the journey to integrate systems fully. That journey is what affects the workforce. Typically, employees value getting along with co-workers and managers. However, during consolidation, decision-making tends to shift from a local to centralized focus. As a result, employees need to know the bigger picture of where the organization is headed. To support employee engagement as it relates to integration, leaders need to effectively communicate the goals, reasons for, and the pathway for integration.

3

While many healthcare organizations have leaders experienced in consolidation, others may need to recruit from those systems that have moved toward integration. Leaders will need to take on the responsibility of navigating through the complexity of integration. Those organizations without prior experience with consolidation will want to turn to an expert on integration outside of their organization.

4

Proactive planning and communication as part of consolidation is important. Integration changes may include compensation and benefits, as well as organization names. Leaders must carefully communicate planned changes and rationale to internal audiences to minimize the negative effects on people. Planning the process of integration after the merger/acquisition is key to keeping employees engaged.

5

Consolidations are having an impact on the leaders in healthcare. Typically, leaders do not go into healthcare to pursue a corporate business career. They go into healthcare because, regardless of their education or training, they love the work of healing patients and contributing to healthy communities. They want to see the impact their work has on direct care. When the next step in their career means moving from being CEO of an individual hospital to a corporate role in an office building, some leaders start to say, "this isn't where I want to be." For such leaders, a role with a smaller, independent healthcare provider may be more appealing. However, the more big systems form through consolidations, the more those business leaders who evolve with the consolidated systems will be comfortable staying in those environments.

6

The worst thing a leader can do is tell people in the organization that nothing is going to change as a result of a consolidation. It is not just roles and people that will change, but also administrative systems. Before day one of a merger, consolidation leaders must develop a plan that includes, among other things, consistent compensation for evolving roles. As strategies and priorities shift, some leaders will leave. Other leaders will be asked to leave, and those guiding this process must do so with utmost respect. The plan must also include consistent communication with employees, followed by timely action consistent with the plan.

Thought Leaders

David Bjork, PhD
Senior Advisor
Total Compensation & Rewards

Toni Dolby
Managing Director & Senior Advisor
Total Compensation & Rewards

Bill Jessee, MD
Senior Medical Advisor
Physician Services

Mary Novak-Jandrey, RN
National Managing Director
Total Compensation & Rewards

Susan O'Hare, RN
Managing Director & Senior Advisor
Gallagher MSA Search

David Rowlee, PhD
Managing Director & Practice Leader
Engagement Surveys

View our Off-Script videos on healthcare consolidation and other installments
in the Off-Script series at **www.GallagherHRCC.com.**

Gallagher

Insurance | Risk Management | Consulting