Healthcare reform is providing a catalyst for healthcare consolidation, driving up the number of attempted and finalized hospital mergers and acquisitions in recent years. Eighty-six hospital merger and acquisition transactions closed in 2011, representing the largest number of transactions in ten years.¹ The number of hospital mergers and acquisitions was up slightly in 2012, but with a dramatic 77.2 percent decrease in the dollar value of the 2012 transactions versus 2011 transactions.² The fact that the number of M&A transactions was so high, despite the drop in dollar volume, indicates a strong case of market breadth with buyers going after more strategic deals and not the blockbusters, explains Stephen M. Monroe, partner at Levin Associates.² Experts point to several factors that will lead this trend in increased healthcare merger and acquisition consolidation to continue.

WHERE DOES THE WORKFORCE FIT?

The five largest acquisition deals of 2011 alone involved healthcare providers that employed over 400,000 employees collectively. With hundreds of thousands of healthcare workers impacted by mergers and acquisitions each year, it’s critical that workforce management for both the short-term and the long-term is included in integration planning. A HealthLeaders Media report suggests putting “people issues first” – that is, making sure that people understand what’s expected of them and how their

Healthcare reform is changing how hospitals and health systems conduct their business. The move towards pay for performance is shifting the focus from delivering care to improving health. Instead of being reimbursed for procedures, pay is based on outcomes. As the industry changes, healthcare leaders are finding new ways to achieve efficiencies that elevate both care and productivity through mergers and acquisitions.
Advocate Health Care has found success by naming councils as the business owners for their workforce management solutions rather than a single individual, and then ensuring that those councils are linked so that everyone is working in tandem. The Nurse Staffing and Finance (NSF) Council, which includes representatives from all sites, is the staffing and scheduling solution business owner and Finance is the time and attendance business owner. A Nursing/Finance Subgroup, which includes representatives from both groups, has been established to address matters of common concern.

According to Jacob Krive, Information Technology Project Manager at Advocate Health Care, “We’ve developed a shared governance structure to address the needs and concerns of all impacted areas. In addition, we’ve worked hard to forge a relationship based on mutual trust and respect with both nursing and finance. With that strong foundation in place, we can work together to utilize our workforce management solutions and processes to impact productivity, reduce labor costs and increase operational efficiency.”

Success Strategies

Following a merger or acquisition, healthcare organizations should consider the following recommendations for success:

CONSOLIDATE SYSTEMS
Managing and maintaining two or more workforce management systems duplicates time, effort and costs. With a single workforce management solution for the entire organization, you can streamline benefits processing, eliminate the need to process multiple payrolls and take a more proactive approach to staffing based on patient need throughout the organization. With a single system and vendor supporting the entire organization, overall fees are also reduced while consistency of processes and availability of accurate data is greatly improved.

DETERMINE A SHARED GOVERNANCE MODEL
Workforce management strategies impact every employee throughout the organization. Add to that the complexity of accommodating the pay and scheduling policies of multiple organizations, and it’s easy to see why it’s important to have a go-forward plan that represents the interests of the many parties affected.

The workforce is the lifeblood of a healthcare organization. When two organizations come together through a merger or acquisition, it’s important to view the workforce a whole to determine how FTEs can be shared between facilities wherever feasible. When employees float between facilities, it’s possible to reduce overtime, agency and other premium labor costs.

To fully reap the benefits, that culture of shared resources must be supported by software solutions that can track and manage the combined workforce. For example, staffing needs across the entire organization need to be visible to ensure that resources are being optimized, and pay policies such as overtime rules need to be applied accurately and in accordance with state and federal labor laws.

work provides value – as one of the seven strategies for navigating successful mergers and acquisitions. The workforce is also a health system’s most costly and valuable resource, with labor typically accounting for up to 60 percent of operating costs.

Achieving economies of scale is often a driving force for acquisitions and mergers, and it makes sense to implement programs that improve productivity and reduce labor costs as soon as possible following the completion of the transaction. The workforce will respond more positively to the merger or acquisition if the processes that touch them are carefully thought through and expertly managed. In addition, a focus on retaining the key talent is imperative and increases the success of the merger.
Choosing the Workforce Management Solutions to Carry Forward

As part of the merger/acquisition integration planning, organizations need to determine which vendors and solutions will be part of their go-forward strategy. Following a merger or acquisition, the organization’s human resource management needs can change dramatically, and the best solution may not be the one that’s installed in the largest facility. Recognizing this, the team at NorthShore University Health System took time to evaluate their workforce management strategy and determine the best vendor partner to help them meet their dynamic needs. Sharon Seeder, Assistant Vice President, Information Systems at NorthShore explains, “The economic climate has prompted NorthShore University Health System, like most healthcare organizations, to pay increased attention to productivity and expense control while also simplifying everyday processes. With our organization’s expansion through mergers, it became even more imperative that we address these challenges effectively. When we chose our workforce management vendor, we wanted to realize tangible gains, like improved efficiency and reduced overtime and work with a company that had a healthcare-specific focus and commitment to providing solutions that address the most pressing industry challenges.”

Consider the following criteria when developing the go-forward strategy:

INTEGRATION
Tracking and managing a workforce that is divided between multiple facilities can be complicated, and forward-thinking healthcare organizations are moving to an integrated workforce management strategy. With the critical transformations coming in healthcare, it is imperative that an integrated data source that can comprehensively track labor costs is available.

The importance of enterprise-wide business intelligence will continue to increase in the future and is achievable with a single workforce management system accessible across many healthcare venues. Most importantly, an integrated workforce management solution provides a critical link between the patient outcomes and financial measures, helping to align clinical and financial goals. That leads to reduced labor costs, increased employee satisfaction and improved patient care.

The team at Eastern Connecticut Health Network (ECHN) has taken an integrated approach to workforce management. According to Deb Gogliettino, SVP Human Resources, “When we purchased API Healthcare’s solutions, we saw the opportunity to work with one vendor to handle all of our workforce needs, from payroll to staffing.”

HEALTHCARE EXPERTISE
Healthcare is unlike any other industry, and that is especially true when it comes to managing the workforce. Solutions that work for other industries simply are not enough to meet the complex needs of healthcare workforce management. When you work with a vendor that has a focus on the healthcare industry, you benefit from clinically-enabled solutions and vendor support focused on your needs.

For Evergreen Healthcare, finding a vendor that had the healthcare expertise to meet their dynamic needs was a critical part of the vendor selection process. Chrissy Yamada, Chief Financial Officer explains, “We require a workforce management solution that can accommodate all of our various specialized groups and their nuances. We chose API Healthcare because of their unbeatable expertise in the industry. No other scheduling or time and attendance solution is able to provide the flexibility we need.”
PARTNERSHIP
Healthcare is an increasingly competitive and complex industry with razor-thin operating margins. The investments you make need to meet your current needs and move your organization forward. That’s why it’s important to work with a workforce management vendor that will partner with your organization for both short- and long-term success.

Linda Reed, Vice President and Chief Information Officer, Atlantic Health System, sums it up by saying, “We look for vendors that provide innovative products and strong customer service. API Healthcare scores high marks in both of these areas. We’ve partnered with API Healthcare for over 15 years, and we’re excited to continue that valuable relationship.”

VISION
Workforce management goes far beyond tracking timecards or creating schedules. Instead, the workforce management strategy and how well it is executed can make or break a healthcare organization. Healthcare is a dynamic industry poised at the brink of unprecedented change. In large part, the success of those changes will be dependent on how engaged healthcare workers are, how effectively the workforce is managed and deployed, and how well the workforce is empowered to achieve both clinical and financial goals. The vendor you choose to support your workforce management strategy should have a strong solution offering now and a solid vision for how they will be able to help you manage the healthcare workforce of the future.

For Sharp Healthcare, vision and service are critical. “Having interacted with many vendors in the healthcare industry, API Healthcare stands out as a great organization with a strong focus on service while delivering a high quality product. We chose API Healthcare over other vendors to support our workforce management strategy specifically because of their vision and commitment to service,” says William Spooner, Senior Vice President and Chief Information Officer.

A CLEAR DIRECTION
Workforce management strategies have a significant impact on the ultimate success or failure of a merger or acquisition. The more quickly the workforce can be integrated into a cohesive, optimized resource for the entire organization, the sooner the economies of scale will be realized. When the end goal is managing and deploying the workforce in a way that improves both clinical and financial outcomes, it’s important to align with the workforce management solutions and vendor partner that can best support your healthcare organization’s mission and goals.

“We require a workforce management solution that can accommodate all of our various specialized groups and their nuances. We chose API Healthcare because of their unbeatable expertise in the industry. No other scheduling or time and attendance solution is able to provide the flexibility we need.”

Chrissy Yamada
Chief Financial Officer
Evergreen Healthcare
Tapping into Payroll Expertise
Lessons Learned for Successful Mergers & Acquisitions

Discussions with a payroll professional at a large health system that has experienced acquisitions, mergers and divestitures of many types and sizes led to the development of this tip list to show how Payroll can contribute to the organization’s merger and acquisition success. Here are some payroll strategies that you can utilize before, during and after the transaction so the acquisition and merger processes goes as smoothly as possible.

Lesson Number One:
Include a Representative from the Payroll Department on the Due Diligence Team.

Having someone from your payroll department review the timecards and pay policies of the facility that you plan to acquire can help uncover liabilities that would otherwise remain unknown. In addition, when Payroll is involved early in the acquisition process, they have more time to plan for how the pay policies will be integrated after the acquisition is finalized. That can reduce the amount of time your organization needs to pay employee leaseback fees or how long you will need to pay another company to process payroll for the newly acquired employees.
Lesson Number Two:
Make Sure Pay Policies Comply with State and Federal Wage and Hour Laws.

When you acquire a new facility, you also assume liability for any wage and hour violations they may have. It’s a good practice to have pay policies reviewed by an attorney that has a clear understanding of both the state and federal wage and hour laws that impact your organization. Put the pay policies of any organization you’re thinking about acquiring through that same legal review so you can make the necessary updates as quickly as possible. For example, if you acquire an organization that is not including bonuses and premium pay (such as on-call or charge nurse premiums) in the employee’s regular rate – a legal requirement in many states – you should create a plan to immediately adjust those policies to be compliant.

Lesson Number Three:
Work to Standardize Pay Policies Whenever Possible.

It’s no secret that healthcare pay policies can be complicated, and every facility is unique. Whenever possible during the acquisition negotiation process, work to standardize the pay policies of the new facility to match your existing pay policies. When that’s not possible, tap into the flexibility of your time and attendance solution to build a new pay rule that will accommodate the new policy.
Lesson Number Four:
Plan to Bring the New Facilities onto your Time and Attendance System.

It’s important to recognize that integrating a new facility and new employees into existing workforce systems goes beyond getting the employees into the system and building any needed new pay rules. You also want to make sure that each facility follows the timecard review processes that you have established. For example, some organizations do not allow unit secretaries to edit timecards. Instead, they strive to empower employees to be accountable for their own time so that department supervisors can easily complete the timecard review process in a paper-free environment. Consider making those kinds of practices part of the culture of any organizations you acquire.

Lesson Number Five:
Understand How Demands on Payroll Resources Will Impact Integration Timelines.

In the dynamic world of mergers and acquisitions, it’s not unusual to have concurrent acquisition projects. When Payroll resources are being tapped for multiple projects, it’s important to understand what must be done first and what can be delayed. By understanding which parts of each project are mission critical and which can wait, the integration planning can make the process as streamlined and cost-effective as possible.
J.P. Fingado
President and Chief Executive Officer

J.P. Fingado is President and Chief Executive Officer of API Healthcare and has over 20 years of senior-level healthcare information technology experience. Previously, J.P. served as Vice President and General Manager of Cerner Corporation. During his time at Cerner, he held several executive-level positions where he was accountable for sales, operations, and research and development. Prior to joining Cerner, J.P. was President and Chief Operating Officer of Dynamic Healthcare Technologies, a publicly held clinical software provider. He received a Bachelor of Arts in Economics from Bates College in Lewiston, Maine.

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