

NAMSS HOSPITAL MERGER- ACQUISITION TOOLKIT

Guidance on the decisions, responsibilities, and protocol MSPs should take to help ensure a hospital merger meets federal/state regulations and accreditation standards, and structures itself to provide the best care possible to the community

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Disclaimer

This document is a compilation of information from organizations, including state governments and accreditation agencies to assist Medical Services Professionals (MSPs) when a hospital announces it is merging with another hospital.

This information was collected by National Association Medical Staff Services (NAMSS) members and NAMSS staff and compiled by NAMSS and its strategic partners to provide a rapid-access Hospital Merger-Acquisition Toolkit for MSPs and hospitals.

This Toolkit is not intended as guidance from NAMSS. It does not replace or serve as a substitute for regulations, accreditation standards, or policy. This Toolkit is solely an informational product offered by NAMSS to MSPs and to hospitals.

NAMSS will update this document on an on-going basis to ensure all new and innovative approaches are reflected to provide states with strategies to continue addressing hospital closures. MSPs may submit updates to info@namss.org, ATTN: Hospital Merger-Acquisition Toolkit.

Toolkit Purpose

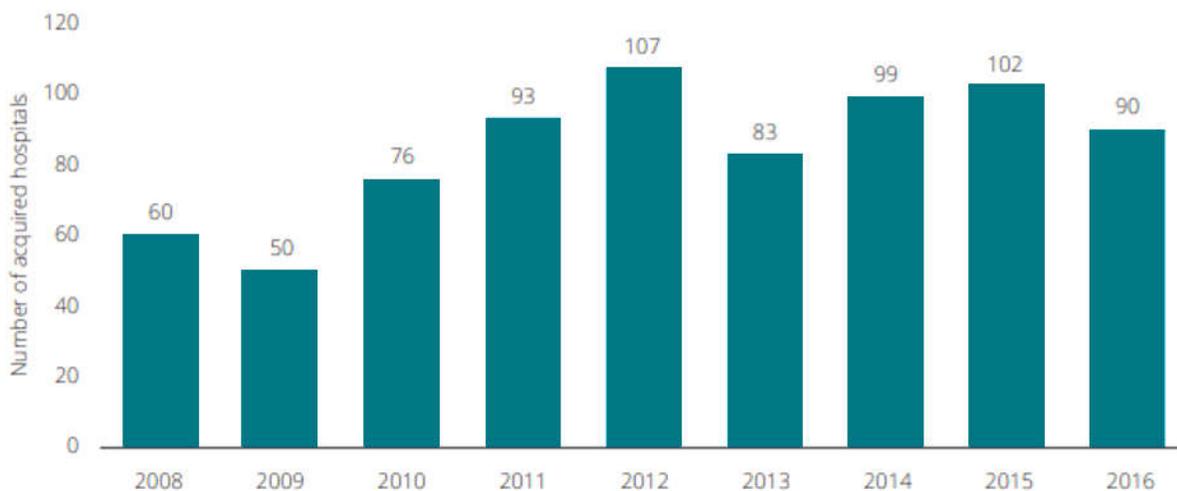
The NAMSS Hospital Merger-Acquisition Toolkit is a resource for Medical Services Professionals (MSPs) involved in developing and launching a merged or acquired hospital. The Toolkit provides guidance on the decisions, responsibilities, and protocol MSPs should take to help ensure a hospital merger(s)/acquisition meets federal/state regulations and accreditation standards, and structures itself to provide the best care possible to the community. MSPs play a critical role in a hospital's merger/acquisition process. Their early involvement can help ensure a hospital's merger/acquisition practitioner-credentialing process follows best practice and enables MSPs to work at the top of their scope.

Introduction to the Hospital Merger-Acquisition Toolkit

U.S. hospital-mergers and acquisitions (M&A) continue to trend upward (Figure 1),¹ as stand-alone hospital expenses challenge sustainability and hospital systems seek to expand their networks and geographical reach. According to a 2015 American Hospital Association's survey, nearly 60 percent of the approximately 5,000 U.S. hospitals are part of a health system. Both buyers and sellers can benefit from M&A, which can result in operational improvements, strategic growth, consolidated competitors, and increased financial value to that system.

A 2017 Deloitte assessment of hospital M&A, stated that between 2008 and 2014, over 750 hospital acquisitions or mergers took place in the United States. The Deloitte report credits this trend to pursuing economies of scale, decreasing unit costs by consolidating operations, and improving productivity and outcomes through increased volumes. M&A enables larger, consolidated health-systems, resulting from an acquisition or merger, to focus more on investments in technology, quality improvement, ancillary services, as well as shared services across a broader base, post-transaction.²

Figure 1. Hospital M&A transactions have continued to increase²



Source: Irving Levin Associates, *Health Care M&A News*, 2008-2016

¹ Irving Levin Associates, *Health Care M&A News*.

² Deloitte. Hospital M&A: When done well, M&A can achieve valuable outcomes. [us-lshc-hospital-ma-report-v2.pdf](#)

As hospital M&A rates continue to trend upward, MSPs play an important role in providing insight and guidance on merging and establishing medical staff departments by doing the following:

- Understanding the hospital system’s vision for pursuing the transaction.
- Setting and communicating goals for merging departments.
- Remaining accountable to leaders.
- Identifying, understanding, and navigating cultural differences between the hospitals.
- Communicating decisions to colleagues and hospital leaders.
- Following medical staff best practices for integrating the acquired or merged organization an established system.
- Communicating decisions to colleagues and hospital leaders. Implement project-management best practices that include goals with timeline-based project plans.³

The elements above will enable MSPs within the parent hospital system to help hospital leadership identify and eliminate duplications resulting from a merger or acquisition. MSPs should work with the hospital administrator overseeing the transaction to set goals and project timelines for medical staff-related projects and communicate these goals and timelines to hospital leadership.

Many MSPs have experienced hospital M&As and can attest to the unforeseen and anticipated challenges, mistakes, and successes of these transactions. MSPs’ communications and interactions with those overseeing a hospital M&A on the goals and needs of merging medical staffs is critical to the success of the transaction.

Culture and Communications Teams

To help an M&A transaction meet goals to improve quality of care, MSPs should work with hospital leadership to identify a “Quality Leader” to help keep these goals at the forefront of any directional decisions. Without directional leadership, silos can form and medical staffs from both hospitals may not collaborate or combine efforts to establish and implement best practices and intellectual property.⁴

Hospital medical staff culture is unique to each hospital and sudden changes, such as an M&A can be disruptive. It is important for MSP leaders to recognize that each hospital is unique. Respectful communication between both hospitals’ medical staffs is critical to a successful M&A. Developing a plan to navigate identified culture differences can help merged systems meet their

³ Ibid.

⁴ Deloitte. Hospital M & A: When done well, M&A can achieve valuable outcomes. [us-lshc-hospital-ma-report-v2.pdf](#).

strategic goals and achieve successful metrics that benefit everyone.⁵ The timeframe to address hospital cultures should be realistic and focus on patient safety and quality care.

Communications and coordination among and within the teams developing a M&A hospital's infrastructure is key to meeting benchmarks to merge hospitals. MSPs interact with, and are a part of, several of these teams and need to understand how each team works and affects the hospital's medical staff. Building relationships within the following teams is critical to ensuring MSPs have a voice in merging the hospitals' medical staff services department structure:

- Legal (Medical-Staff Bylaws, Hospital Policies and Procedures, Medical-Malpractice Insurance Requirements, Peer-Review Requirements, etc.)
- Administration (Budget, Medical Staff Reporting Structure, Medical-Staff Officer Appointments)
- Quality and Patient Safety (Leap Frog indicators, HCAHPS, Stroke, etc.)
- Information Technology Services (Electronic Medical Record, Credentialing Software, IT equipment, Medical Staff IT Support)
- Human Resources (Practitioner Employment, Contracted Medical Personnel)
- Health Plans Contracts (Delegated Credentialing)
- Revenue-Cycle Team
- Regulatory and Accreditation (CMS, State Law, the Joint Commission/ACHC/DNV)
- Medical Staff Leadership (Cultural integration and alignment is fundamental to any successful attempt to bring physicians into an organization in a coordinated and functional way).⁶
- Onboarding and Recruitment
- Provider Enrollment (Change of Address, Payer, Contracts, Notification of Effective Date).

Due Diligence of Hospital M&A

Evaluating potential or actual compliance risks is necessary during a hospital transaction. M&As can be especially complicated because of the highly regulated hospital industry. Acquiring hospitals can inherit serious regulatory liabilities. Similarly, hospitals seeking to join a larger system may not fully know the risks they take during a transaction.

The acquiring hospital MSP may need to pre-audit credentialing files; credentialing database evaluation; medical staff-department structure, policies, and processes; review medical staff bylaws, rules, and regulations; and malpractice claims currently in place, which involve current practitioners with clinical privileges.

⁵ Ibid.

⁶ Burroughs, John. "Resign the Medical Staff Model." 2015.

Governing Board

Hospital M&As must determine if the M&A hospital's board members will maintain their membership, will a new board selected, or incorporate the board into the health system board. The Hospital M&A contract terms make this determination, and the newly M&A hospital board will approve all the following documents and decisions:

- Medical Staff Bylaws (Governance, medical staff categories, qualifications, history and physical, etc.)
- Selection of Medical Executive Committee Members
- Credentials Policy (Medical Staff)
- Organizational Manual (Medical Executive Committee, Credentials Committee, Patient Safety & Quality Committee, etc.)
- Advance Practice Clinician Policy
- Rules and Regulations
- Specialty Clinical Privileges (Determine if privileges will be revised to be included into Hospital M&A as applicable).
- Set Meeting Dates and Times
- Provide Document of Necessary Items to Be Approved
- Determine Hospital & Disease Specific Accreditation Status

Federal and State Hospital Regulations

The Centers for Medicare and Medicaid Services (CMS) and the State Department of Health should be notified of the M&A contract as soon as possible. Other legal documents may need to be filed with the appropriate county and may be required to approve the M&A. It is critical that MSPs understand and speak to CMS regulations and interoperative guidelines, as well as state hospital regulations, when a hospital develops its compliance infrastructure as a new M&A hospital. All MSPs of an M&A need to understand the scopes of practice for the medical board, nursing board and other advanced-practice clinicians as may differ among states.

- Centers for Medicare & Medicaid
- State Hospital Regulations
- State Medical Board
- State Nursing Board

Hospital Accreditation, Disease, and Other Hospital Certifications

M&A hospitals may have the same hospital accreditation or maybe different. The hospitals may decide to keep both accreditations until one of them expires and transfers to the other accrediting organization. It will be important to review the following hospital-accreditation manual chapters below.

- Review Accreditation Requirements for Newly Merged Hospital
 - Does the same organization accredit both hospitals?
 - Newly merged hospitals will need to undergo a new survey due to new organizational structure.
- Medical Staff Chapter
- Leadership Chapter
- Emergency Chapter

The Joint Commission, for example, has several Hospital Certifications by Setting:⁷

- Evolving with Care
- Cardiac Certification
- Orthopedic Certification
- Stroke Certification
- Disease-Specific Care
- Integrated Care
- Maternal Level Of Care Verification
- Medication Compounding
- Perinatal Care
- Palliative Care
- Patient Blood Management
- Primary Care Medical Home

Medical Staff Services

M&A hospital medical staff services departments can be one of the most challenging and successful opportunities for MSPs. Those in these scenarios may have different perspectives on the M&A depending on if the side of the M&A the MSP is affiliated. MSPs on both sides will need to understand change and the underlying positives and negatives. Communication, as mentioned above, will be key to promote the vision, the future of the department and any changes. M&As will become more efficient with some of the possible changes below.

- Paper to Electronic
- Medical Staff Bylaws, Medical Staff Policies, Rules and Regulations Standardization
- Health System Uniform Clinical Privileges

⁷ The Joint Commission Website, September 26, 2021. <https://www.jointcommission.org/>

- Focused Professional Practice Evaluation, Ongoing Professional Practice Evaluation, Peer Review, and Quality Indicators Review
- Credentials Verification Organization (CVO)
- One Medical Staff (all participating hospitals would need to follow requirements to make this change)
- Formal Education and Training for MSPs
- Staffing evaluation and working with Human Resources on medical staff job descriptions and qualifications
- Reduction of Retraining of MSPs to other job descriptions within Medical Staff Services and CVO.

Newly M&A Hospital: Impact on MSPs and Medical Staff

Challenges, successes, and failures are all part of an M&A. It is important for MSPs to communicate with their leadership throughout the M&A. An MSP experiencing an M&A may need to update his/her resume and begin to look for other opportunities as an MSP. This is a good exercise to do every six months. The MSP may want to review his/her existing job description and determine if it is current.

MSPs should also start notating all job responsibilities, duties, and any extra education/training acquired. Because the MSP role continues to evolve, MSPs should continuously update resumes and work experience to reflect changing roles. An updated resume will be a good communication tool and resource for any interviews MSPs may need to have with the newly formed hospital system.

MSPs will help the newly formed M&A hospital's medical staff for communicate, support, and promote the new medical staff's vision. Some of medical staff changes that may occur include:

- Redesigned process flows to make practitioners more efficient, reliable, and cost effective
- Creating service initiatives to drive patient and stakeholder loyalty and drive margin
- Operationalizing service lines and clinical institutes
- Operationalizing important IT initiatives to improve care, minimize disruption, and reduce costs
- Health system clinical privilege redesign with consistent criteria
- Changes to operating, business and marketing plans
- Compensation plan
- Quality plan with approval of specific metrics or targets
- Performance dashboard or scorecard consistent with the organization's strategic plan
- Recruitment and oversight performance measure of relevant medical directors.⁸

⁸ Burroughs, John. "Resign the Medical Staff Model." 2015.

Documents

The newly M&A hospital's governing board shall draft and approve all hospital documents. These documents will guide MSPs on the medical staff services department's governance and organization, qualifications, and responsibilities, credentialing policies, fair-hearing procedures, and rules and regulations. These documents may include:

- Medical Staff Bylaws
- Credentials Policy – Medical Staff
- Credentials Policy – Advance Practice Professionals
- Fair Hearing Policies and Procedures
- Organizational Manual
- Rules & Regulations
- Application for Medical Staff and Advance Practice Professionals.

Additional Medical-Staff Documents may include:

- Focused Professional Practice Evaluation (FPPE)
- Ongoing Professional Practice Evaluation (OPPE)
- Peer Review Policies
- Professionalism Policy
- Emergency Call Policy
- Conflict of Interest Policy
- Senior Physician Requirements/Aging Physician Policy
- Response to References Policy
- Sharing of Peer Review Policy (Large Hospital System)

Developing Health System-Wide Clinical Privileges

Real-life cases demonstrate the need for consistent and comprehensive quality credentialing, privileging, and peer-review processes, especially across hospital systems. A centralized and standardized system for practitioner verification can help ensure consistency for all credentialing decisions. A system-wide credentialing committee can help ensure that all only vetted applications undergo final board review. Inconsistencies in assessing practitioners within

hospital systems can cause time- and resource-consuming delays, as well as potential legal issues.⁹

Healthcare restructuring resulting from an M&A, require consistency across newly formed or merged systems to ensure that all practitioners within the system are competent and qualified. These structural shifts need to align clinical service lines and collect and the growing emphasis on value-based care models require systems to focus more on measurement and reporting. MSP assessments of practitioner behavior and patient experience will continue to be important in determining clinical privileges.

A system's standardization and consistency in awarding clinical privileges can reduce turnaround time and duplicative efforts during the initial appointment process. Practitioners prefer to complete one application for numerous hospitals in the same system than one for each hospital, which improves practitioner satisfaction with the credentialing process.

Peer Review

M&As can help improve systematic processes for sharing peer review, which can prevent a practitioner from moving within the hospital system under the radar, and making the same mistakes. Hospital systems should develop a structured process for sharing and protecting information, in accordance with state peer review privileges laws. Medical staff bylaws should include provisions that enable all hospitals within a system to adhere to a one hospital's corrective action or medical staff appointment/privileging decision.¹⁰

Decision on Credentialing Software

During an M&A, the hospitals need to select a credentialing software for official use. If a credentials verification organization (CVO) already exist within the system, the M&A hospital will have their credentialing data transferred to the system credentialing software. MSPs will need to help develop a timeline to execute this integration and the CVO's start date for the resulting M&A hospital. Setting up security, training MSPs, and implementing the system all need to take place, ideally under the guidance of a manager. Medical Staff services departments and CVOs usually include personnel with IT expertise.

⁹ Schumacher, Avery and Kleinman, Stephen R. "Sharing Credentialing, Privileging, and Peer Review Information with Systems." Bricker & Eckler LLP, Columbus, OH. April 29, 2019.
[https://www.namss.org/Portals/0/StateAssociations/Ohio/Sharing%20of%20PRI%20Article_AHLA%20MS-CPR%20\(CLEAN\)%20\(1\)%20\(2\).pdf?ver=2020-12-23-124512-463](https://www.namss.org/Portals/0/StateAssociations/Ohio/Sharing%20of%20PRI%20Article_AHLA%20MS-CPR%20(CLEAN)%20(1)%20(2).pdf?ver=2020-12-23-124512-463)

¹⁰ Ibid.

Contracts

The M&A hospitals will need to determine which hospital services to keep, cancel, or consolidate. Contracted service in medical staff may include, but not be limited to, the following:

- Hospital-Based Services (Anesthesiology, Emergency Medicine, Radiology, Radiation Oncology, Pathology, Hospitalists Services (Neonatal, Pediatrics, Internal Medicine, etc.)
- Telehealth Services
- Verification Services and credentialing software contracts

Keys to Successful Integration

MSPs will want all the hospitals to be successful. This takes time, dedication, empathic listening, and the willingness to change. Some of the keys to success include:

- Physician Leadership Support
- Project Management
- Communication, Communication, Communication
- Education
- Lessons Learner
- Reevaluation and Performance Improvement
- Legal Support (Internal and External)
- Respect
- Embrace Change
- Human Resources Involvement
- Organizational Structure
- Improved Quality & Patient Safety

The Future of M&As

While COVID-19 caused a significant reduction in M&A, it is likely that M&A activity will eventually exceed the pre-COVID trends.¹¹ MSPs can equip themselves now for future M&A to ensure that they take advantage of leadership opportunities and provide a needed voice in establishing, modifying, and arranging a medical staff service department resulting from an M&A.

¹¹ Diamond, Brandee L., Lehot, Louis, Chow, Eric. "Healthcare Shines in M&A's Major Comeback So Far In 2021." April 12, 2021.

Conclusion

Hospital M&A can be disruptive, but also provide opportunities for MSPs to take leadership roles and ensure the integrity of the newly realigned medical staff department. Each step taken to merge or acquire a hospital effects the end-result. Equally critical to this success is ensuring that those with medical staff knowledge, experience, and perspective take part in the hospital's development. MSP input is critical each step of the way and MSPs should feel empowered to take a leadership role and work closely with hospital administrators throughout the transaction.

MSP expertise and insight will help develop, promote, and enhance successful hospital credentialing programs. The NAMSS Hospital Merger-Acquisition Toolkit provides MSPs guidance on the protocol they should follow, the processes they should ensure, and vision they should seek when helping to achieving an optimal medical staff department. NAMSS continues to serve as a resource for MSPs partaking in this critical work. Please send any questions about the Hospital Merger-Acquisition Toolkit to info@namss.org.