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Tackling the Challenge of Blending Cultures During Mergers and Acquisitions

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—By Jen Uscher, special to the *Reporter*

When teaching hospitals, community hospitals, and physician groups unite through mergers, acquisitions, or other strategic partnerships, often the most difficult challenge they face is blending organizational cultures. Executives who have been through such mergers observe that their success ultimately can hinge on whether the institutions can work through differences in communication and decision-making styles.

As mergers and acquisitions become more common, teaching hospital leaders are paying more attention to cultural issues. In 2011, a 10-year high of 86 hospital merger or acquisition deals took place nationwide, according to the research firm Irving Levin Associates, Inc.

Joanne M. Conroy, M.D., AAMC chief health care officer, said that provisions in the Affordable Care Act are driving hospitals to consolidate so they can serve a larger patient population. “One major thrust of that legislation is to create a payment system that rewards hospitals and other health care organizations for becoming accountable for a patient population and achieving quality goals and outcomes. You need a large patient population or you’re left out of the game.”

During mergers and other integration efforts, Conroy noted, hospitals struggle with how to learn from each other to create a strong, combined culture. “People are interested in taking what’s best from both cultures and finding new ways of interacting with each other and creating expectations about communication and performance,” she said.

For Greenville Hospital System in South Carolina, conversations about shared goals helped ease the process of integrating with the physician group Cancer Centers of the Carolinas, which it acquired last summer.

“We spent a lot of time talking with the physicians at Cancer Centers of the Carolinas early on about why they would want to integrate their medical group with us, focusing on how we could improve the patient care experience by bringing our organizations together,” said Malcolm Isley, vice president of physician and strategic services at Greenville Hospital System. “There needs to be alignment around mission and vision. When you answer the question of why you’re coming together, the other stuff falls in line.”

Michael C. Riordan, president and CEO of the Greenville system, added that it was helpful to have early discussions with the physician leadership at Cancer Centers of the Carolinas about how to handle disagreements in protocols. During these talks, they also clarified roles and responsibilities in terms of how the medical staff at the main teaching hospital campus would be interfacing with the staff at the various Cancer Centers of the Carolinas locations.

Now the Greenville system is negotiating to integrate with the Laurens County Health Care System in Clinton, S.C., through a long-term lease. “We’re paying a lot of attention to the culture at this smaller community hospital,” said Riordan, adding that the Greenville Hospital System will not urge Laurens County Health Care System to make changes like adding residency programs or offering tertiary care. “We are asking them to be part of our network and to function as the local health care resource. The advantage of a health system approach to meeting the needs of a community is the ability to offer services in the setting that maximizes value and quality. Some services will be delivered in Laurens, while other services will be provided by other components of the regional delivery system,” he said.

Cleveland Clinic’s Heart and Vascular Institute also takes the approach that it is important to respect the unique culture at each cardiothoracic surgery and cardiovascular medicine program with which it forms affiliations. The institute has affiliate relationships with 14 such programs throughout the country and provides them with resources and clinical direction and asks them to submit clinical outcomes data.

“We’re interested in having our affiliates’ values align with ours, but we allow for some flexibility and variability, as long as our standards for patient experience and clinical outcomes are being met,” said Joseph Cacchione, M.D., chair of operations and strategy at the Cleveland Clinic’s Heart and Vascular Institute.

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Some hospital administrators study mergers that unraveled in the past—such as those between Pennsylvania State University’s Hershey Medical Center and Geisinger Health System and Mount Sinai Medical Center and New York University Medical Center—to identify pitfalls to avoid. Bruce Schroffel, now the CEO of University of Colorado Health, said he learned some useful lessons when he worked at University of California, San Francisco, Medical Center (UCSF) during the time of its failed merger with Stanford Hospital & Clinics in the late 1990s.

“There was a lot of pressure during that merger for different departments to work closely together before they got to know each other. The physicians at UCSF and Stanford historically had been competitors both clinically and from a research perspective, and they would have needed more time to build trust,” said Schroffel.

That’s why when the University of Colorado Hospital and Poudre Valley Health System came together in 2012 to form University of Colorado Health under a joint operating agreement, Schroffel felt it was best to take it slow and let the physicians decide how they wanted to work together. “Management helps facilitate that process if physicians from the different sites are interested. Different departments are talking with each other in different locations,” he said. “We’re not pressuring any rapid changes—that’s our plan and our philosophy for the time being.” Although University of Colorado Health is not rushing to integrate its clinical services, it is centralizing its finance, human resources, and IT systems, Schroffel said.

To foster communication after a merger or other strategic partnership, Schroffel and Riordan said their hospital systems hold periodic leadership retreats that include discussions about blending cultures. The Cleveland Clinic’s Heart and Vascular Institute also has an annual retreat to share best practices with the administrators and physicians from the affiliated cardiothoracic surgery and cardiovascular medicine programs. “Through these retreats, we establish personal relationships so when they have a problem, they’ll feel very comfortable calling myself or one of the other Cleveland Clinic physicians or administrators,” Cacchione said. “We want them to feel like we’re part of the same team.”

At a recent retreat for the senior leaders from the five hospitals that make up University of Colorado Health, Schroffel talked about how a lot of an organization’s culture emanates from its leadership, a sentiment echoed by many others who have been involved in mergers and other partnerships between hospitals.

“It’s important for us to be role models in terms of how we interact with our 15,000 colleagues [in the health system],” Schroffel said. When the leadership of the merged organizations demonstrate that they trust each other and can collaborate, that helps set the tone for everyone else on staff, he added.