The Critical Role of IS in Realizing the Strategic Goals of a Partnership

Will it enable or inhibit your partnership goals?

Growing competitive and cost pressures in the healthcare sector have accelerated partnership activity, as providers seek to increase scale and capabilities to drive strategic, clinical, operational and financial benefits. This surge in activity has included horizontal integration such as mergers, acquisitions and other provider affiliations, as well as unprecedented vertical integration and cross-segment convergence. We expect partnership activity to continue, with increasing deal size and complexity.

For most organizations, this is the biggest bet they will make. Organizations are tasked with making critical, timely decisions in the context of significant degrees of environmental uncertainty across all stages of the partnership journey. And as parties move forward to integrate, they face high-stakes expectations to realize the full benefits of integration. Health system leaders planning partnerships should take a holistic approach and focus early-on in the areas most critical to achieving the partnership's strategic goals and benefits to support purposeful execution.

One such area is Information Services (IS) — pivotal in both achieving direct IS efficiencies and savings and in enabling operational and clinical benefits. Significant investments are typically necessary to implement the technology solutions that will allow the partnership to realize its full potential. Conversely, failure to anticipate IS-related risks and resource requirements early in the process can prevent an affiliation from being successful or result in unexpected costs at a later stage.

For example, some partnerships have been driven by and designed to allow the adoption of technologies that would be otherwise unaffordable. Other partnerships have been abandoned as the time and cost required to integrate information systems such as EHRs and ERP solutions were found to outweigh the potential synergies. Some acquirers have been forced to make unplanned expenditures to mitigate longstanding technology and infrastructure deficiencies of the party they were acquiring, while other organizations have needed to salvage major implementation programs that were neglected during transaction discussions. For those health systems that foresee multiple partnerships in their future, defining an approach for IS integration must anticipate what may happen with the near-term transaction but also plan for the subsequent and related partnerships – failure to do so can result in undue financial burdens as well as implementation of structures, systems and processes that are not well positioned to scale.

> Embracing the critical role of IS and including systems and technology design early-on will ensure that parties have a complete picture of the investments and timing required to achieve key benefits of integration.

The Role of Information Services Across All Phases of the Partnership

IS considerations are crucial to defining and executing the strategic goals prioritized by most partnerships — whether to attain financial efficiencies and economies of scale, improve clinical integration, position the combined organization for population health management and care delivery efficiencies, or expand service lines. In some cases, technology represents a key driver for the partnership as health systems look for funding and cost-sharing alternatives for IS investments.

Executive leadership must embrace the critical role of IS and identify all related costs and synergies to elevate the value of the combined partnership or new entity. This will require translating business drivers into strategic IS decisions and aligning with the objectives of the partnership to develop an integrated roadmap across all strategic initiatives.

A comprehensive IS assessment in the early stages isn't practical when the group involved in evaluating the partnership is small. An iterative approach is more effective — one that focuses on the IS considerations essential for each stage and addresses the increasing layers of understanding required as the deal progresses. Start with a higher-level assessment to ensure key IS considerations are addressed in the feasibility analysis and due diligence phases and conduct a more comprehensive assessment further in the planning process, after the partnership is further defined and broadly understood. The comprehensive IS assessment should be completed prior to the final closing to ensure both parties fully understand the scope, timeline, budget and associated implications and risks. The figure below highlights the role of IS across the various partnership phases:

ROLE OF IS ACROSS THE PARTNERSHIP PHASES

Partnership Strategy Exploration and Development	Partnership Structuring and Negotiation	Partnership Integration Planning	Integration and Implementation
Inform the strategic exploration and rationale, partner evaluation and selection. At a high-level, identify potential IS areas of opportunity or high-impact or risk areas that need further investigation as the parties consider a Letter of Intent.	Identify, articulate and quantify the possible IS value and risks associated with the partnership, surfacing questions, concerns and potential issues and costs important to consider in defining the Definitive Agreement. Valuable at this stage is an aggregate summary of combined services, a strawman organizational model of the unified IS entities, and a high-level roadmap for subsequent integration, along with an IS financial baseline and projection model to estimate cost and (potentially) savings opportunities that could be unlocked by the partnership.	Ensure that the IS plan is aligned and synchronized with the operational transitional plan, so the organization is prepared on Day 1 to move quickly to realize the benefits of the affiliation. It is fundamental to have the operational and supporting IS blueprint defined with key decisions made, cost implications defined and budgeted, timeline and milestones established, and resources and accountability assigned.	Execute on the technology roadmap to achieve the partnership goals and establish the crucial elements such as project governance and decision making, leadership engagement, integration and synchronization with operations, communications, change management and operational readiness, and sustainability.
Small circle; CIO may be the only IS representatives at the table	INCREASING INVOLVEMENT OF THE IS LEADERSHIP AND TEAM		

As an active participant throughout the phases, the organization will be prepared to make swift decisions to accelerate synergies and lay the groundwork for operational readiness and change management.

Six Leading IS Practices to Achieve the Goals of the Partnership and Avoid Common Pitfalls

Across the phases of a partnership, IS should focus on six leading practices.

1. LINK THE IS PLAN TO THE STRATEGIC GOALS OF THE AFFILIATION.

As executive leadership develops the future-state operating model and overall transition plan, define the IS capabilities and solutions needed to achieve the strategic and operational integration goals. It is essential to verify alignment, ensure coordination and validate expectations. For example, if both organizations use the same EHR, do not automatically assume that merging instances is a priority. There may be other more pressing activities to support the business and back office functional consolidation. However, if clinical program integration and clinical variation management are core strategic priorities, EHR consolidation will need to be evaluated to determine if it is required to realize potential benefits, such as enabling the standardization of clinical workflows, providing full access to an integrated patient record and reducing ongoing EHR support costs. As a part of the evaluation, the cost of a full EHR merge should be understood as well as the resource requirements compared to other options to support the clinical enterprise. These options include increasing the level of data sharing to ensure intra-operability for a seamless experience for patients and caregivers, or patient service centers as a hub to coordinate the system, among others. The right choice will depend on the organization's strategic and operational goals. The key is articulating the organization's overall transaction or partnership objectives, and then defining the IS goals and priorities to align with the operational objectives.

2. DEFINE TARGET BENEFITS AND THE CHANGE PLAN TO ACHIEVE THEM.

Quickly engage in the definition of the future-state blueprint and develop a realistic assessment of potential benefits and the timeline for achieving them. Elevate both organizations to a new level by leveraging demonstrated capabilities, practices, services and technology solutions. Opportunities include those related to costs savings, such as staff consolidation and reduced maintenance fees for decommissioned systems, as well as for clinical and operational benefits, such as workflow standardization, enhanced continuity of care via a shared clinical application platform and early synergy analytic solutions. Work in tight collaboration with clinical and operational leaders to define target benefits, create a comprehensive change leadership and communication plan to address the intrinsic cultural integration and operational readiness required to achieve them, measure results and further refine.

3. UNDERSTAND ALL IS INVESTMENTS AND COST IMPLICATIONS.

Most transactions evaluate the run rate of IS by reviewing staffing levels, capital and operating budgets, and vendor contracts. What is not always known is how many of the current IS assets — software, hardware and networking infrastructure — are at end of life and/or in need of replacement. Is there is a well-designed disaster recovery plan in place, or does one need to be developed and tested? Which software applications will require an upgrade soon, and what are those costs? If maintenance has been deferred, or if software applications are several versions behind, the costs of bringing them up to date may be significant. Similarly, harmonizing cybersecurity policies and converging security solutions is an important consideration. The iterative approach will identify high-level cost implications early on. During integration planning, complete a more comprehensive review to identify all IS investments, cost implications and resources that need to be addressed in the integration budget. Then, create realistic milestones, budgets and financial targets with clear assumptions and validated estimates.

4. ANTICIPATE AND IDENTIFY RISKS.

Understanding IS risks is an important step in the feasibility and due diligence phase. During integration planning, a more comprehensive IS risk assessment model is needed. It should include not only technical risks relating to hardware and networking infrastructure but also risks concerning IS staffing realignments, changes in vendor relationships, data security, disaster recovery and software implementation project risks. Proactively understand the risks — especially those that have clinical and operational risks — and share them with the executive team, along with proposed mitigation plans and associated costs. For example, even when both organizations are on the same vendor EHR, one may be on a recent build and the other implemented 10+ years ago having taken only minimal upgrade enhancements; single or double upgrades may be required, along with a combined clinical governance structure, and clinical standardization, operational readiness and change management effort.

5. CLEARLY DEFINE THE TRANSACTION GOVERNANCE STRUCTURE AND PROCESS FOR IS DECISION MAKING.

During the partnership definition and integration planning process, several important IS decisions need to be made. It is important to make explicit what decisions will be made by the transaction governance group and which will be decided as part of the permanent, future-state governance structure. In theory, a process that allows for the development of common guiding principles, goals and milestones, with broad representation from clinical, business and technical stakeholders, will produce greater buy-in and commitment. However, this approach can also introduce tensions and even conflicts, which may negatively impact the integration timeline and the associated benefits realization schedule. Consider the scale appropriate for the new organization, effective decision making, and what the organization is trying to achieve. In a highly collaborative approach, effective decisions can be reached with a disciplined approach to evaluating pros and cons of various options and thoughtful decision making with defined criteria. The criteria may need to weigh short-term needs vs. longer-term objectives, balancing current regional activity and commitments with refocusing investments and resources to the enterprise initiatives. Define the IS governance structure with clear responsibilities and organize and manage the process to drive decisions that accelerate the transition to the future-state model and achieve planned synergies. Where possible, align and integrate it with the overall decision-making process for the affiliation, so IS isn't operating in a vacuum.

6. DEVELOP AN IS PARTNERSHIP PLAYBOOK THAT IS BOTH CONSISTENT AND ADAPTABLE.

For organizations where forging partnerships is a key strategy, leaders should also develop a long-term IS partnership playbook and a set of guiding principles and scenarios that can be implemented for each type of partnership. Because of the variety of traditional and non-traditional partnership arrangements being explored, it is important to define what technology and process standards will be consistent across all types of affiliations, and which can be adapted as needed. For example, is consolidation on a single suite of applications across all affiliated organizations a requirement? For clinical systems? Business systems? Or will variation be permitted, and if so, under what criteria? Will newly-affiliated organizations maintain separate data centers, or will the strategy be to consolidate into fewer data centers? Addressing such questions on an ad-hoc basis, as each individual affiliation is pursued, will likely result in a patchwork of applications, processes and tools, increasing cost and complexity and delaying achievement of benefits. Develop an overarching integration strategy and guiding principles, with a repeatable IS playbook that can be leveraged for current and future potential affiliations — with flexibility to adjust to various potential partnership models and business structures that unfold.

Paying attention to IS early-on can mean the difference between success and failure. Embrace the critical role of technology solutions and services to unlock the synergies of the partnership. Following the six leading practices for IS integration will help avoid common costly pitfalls and leverage lessons to realize the enterprise strategic goals.

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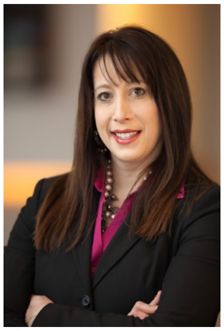

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The Chartis Group

About The Chartis Group

The Chartis Group® (Chartis) provides comprehensive advisory services and analytics to the healthcare industry. With an unparalleled depth of expertise in strategic planning, performance excellence, informatics and technology, and health analytics, Chartis helps leading academic medical centers, integrated delivery networks, children's hospitals and healthcare service organizations achieve transformative results. Chartis has offices in Atlanta, Boston, Chicago, New York, Minneapolis and San Francisco. For more information, visit www.chartis.com.

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