

# Healthcare Mergers, Acquisitions, and Partnerships

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An Insider's Guide to Communications

— SECOND EDITION —



David Jarrard

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**HealthLeaders**  
a Simplify *Compliance* brand

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# About the Author

## David Jarrard

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David Jarrard is a nationally recognized expert in healthcare transaction communications and CEO of Jarrard Phillips Cate & Hancock, Inc., a healthcare strategic communications consultancy focused on providers. With offices in Nashville and Chicago, the firm ranks among the top 10 in the United States with more than 500 clients in 40 states.

Over the past 25 years, the professionals at Jarrard Inc. have built and managed more hospital partnership campaigns than any other healthcare communications firm in the country. Jarrard Inc.'s client roster includes the nation's most prestigious health systems and academic medical centers, regional hospitals, and health services companies.

Under Jarrard's leadership, the firm has earned a national reputation for helping healthcare systems and health services companies use their public and political strengths to succeed in high-stakes moments—times of change, challenge, and opportunity. That includes all imaginable mergers and acquisitions activity, crises, intensive change management initiatives, and strategic positioning. In other words, tough, transformational stuff.

## ABOUT THE AUTHOR

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Jarrard is a sought-after thought leader—from published works to speaking engagements at healthcare-industry conferences—and is on the teaching faculty of the American Hospital Association’s professional group for hospital strategic planners and communicators.

He also serves on the board of the PR Council and the editorial advisory board for *Healthcare Insight Magazine*.

Learn more about the firm at [www.jarrardinc.com](http://www.jarrardinc.com).



# Acknowledgments

The guide you hold in your hands reflects wisdom gleaned from working closely with board members, executives, and communication leaders at healthcare systems and companies big and small across the United States for more than 25 years.

This second edition is updated to reflect the dramatic changes in the industry since the book originally published six years ago. But the rules that foster successful partnerships—and that underpin all successful change management work—remain evergreen and as relevant to healthcare leaders today as they have for decades.

The best practices and frank warnings found inside were written by a few but are drawn on the experiences and sharp thinking of the many talented professionals within Jarrard Phillips Cate & Hancock.

In our first edition, special appreciation went to Jarrard Inc. colleagues Susan Alcorn and Kristen Hayner, whose insight, leadership, organization, and field marshalling were invaluable to the book's creation.



This second edition also reflects the work of great contributors from the firm, including:

- Kevin Phillips, a founding partner and our chief operations officer
- Anne Hancock Toomey, a founding partner and our chief development officer
- Isaac Squyres, senior vice president for our Regional Health Systems Practice
- Reed Smith, vice president and our digital expert
- Tim Stewart, associate vice president for our National & Academic Health Systems Practice
- Aileen Bennett, senior managing advisor within our National & Academic Health Systems Practice
- Courtney Williams, senior advisor within our National & Academic Health Systems Practice

All of these contributions were assigned, marshalled, organized, and edited by Emme Nelson Baxter, our firm's vice president of business development, without whom this updated edition would have never existed.

Together, we are a healthcare strategic communications firm whose work is dedicated to making healthcare better by serving providers in moments of great change, great challenge, and great opportunity—which pretty much describes the environment for every healthcare provider today.

We are deeply grateful for the opportunity to have worked with these leaders during some of the most important, high-stakes moments in the histories of their organizations.

We hope, too, that the wisdom earned from this work and shared in these pages is helpful to you in yours.



# Introduction

America's healthcare delivery system is a mom-and-pop operation.

Compared to mature service industries—the airlines or banking—our national collection of hospitals, physicians, nurses, and techs offers services through a fragmented mess of enterprises. To call it a “system” is aspirational at best.

But that is changing in the slow-motion chaos that is our healthcare industry today.

Consider that in 2019, the triumvirate of Delta, Southwest, and American Airlines owned a 52% stake of the domestic air transportation market, according to Statista. At the same time, ILSR data shows the nation's four biggest banks—JPMorgan Chase, Bank of America, Citigroup, and Wells Fargo—controlled 36% of the market. For good or ill, the geographic and financial scale of these players allows them to standardize services and operations, reduce costs, regulate pricing, and define the industry itself.

Now it's our turn.

With its 179 hospitals—more than anyone else—HCA represents a mere 2.8% of all the U.S. hospitals. HCA, Community Health Systems, and Dignity Health were the three largest owners of hospitals in 2019. And their combined market

share? Less than 7% of the market, according to HIMSS Analytics. That's tiny. Yet at the same time, the pressure to reduce costs and prices, to improve the experience of care, and to make care more consumer-friendly is increasing, while the money to pay for it all dwindles.

Choose your favorite M&A option: consolidation, merger, partnership, alignment. The healthcare organizations that touch patients to deliver care are using all of these opportunities to coalesce in one of the largest realignments of capital and markets in U.S. history.

They know successful consolidations can leapfrog organizations forward. They can be energizing. After all, combined organizations have the potential to offer services, access to care, and employment stability that could not be offered through smaller, separate providers.

But deals to create these enterprises can fail, too. Sometimes spectacularly. Each combination is a risky, high-stakes event. A botched merger is expensive, taxing to all involved, and strategically distracting. Financial and clinical synergies can fail to appear (and, maybe, were never realistic in the first place). Cultures clash. Missions are misaligned. Boards fall out with each other. Physicians leave. Nurses unionize. Payers push back. Regulators, well, regulate.

Success is not assured, no matter how good the math, how good the money, or how reasonable the combination looks on a spreadsheet or a PowerPoint slide.

After all, humans are involved, and they bring to these dramatic changes all their fears and hopes and insecurities and good intentions. This emotional, political dynamic can be a supportive force for change or a wrecking ball, smashing apart your smartest plans.

But the human element is not a wildcard.

It is, instead, a fundamental component of every deal that can be anticipated, calculated, addressed, and leveraged.

This book is a road map to help healthcare leaders do just that—to tackle the real and powerful human element that can make your merger successful if managed well, disastrous if ignored.

This guide was years in the making. It represents the distilled wisdom of a team of experienced professionals who helped healthcare leaders tackle more than \$60 billion in announced hospital transactions in just one decade.

Most importantly, this resource is designed to be practical. I hope you'll find we move quickly from introducing fundamental concepts to action that is immediately valuable to you.

In that spirit, here is the overarching idea that shapes this guide throughout:

Effective leadership requires effective communications. To be a poor communicator is to be a poor leader. Communications is a requirement for success, not a supplement. This is always true and especially so during times of great change—when something old is passing away and something new is being born.

Compelling leadership communications—the sort that stirs action and understanding and support—requires more than words, though language is vitally important. It requires presence, relationships, intentionality, authenticity, empathy, patience, good timing, and time.

This is the work outlined in the pages that follow.

No one who provides care today is left untouched by this transformation of our industry. Let this guide help you make it as successful as possible.



# Changes in the Strategic Partnership Environment

## The Evolution of Healthcare Partnerships

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*Disruption. Growth. Scale. Integration. Consolidation. Divestiture. Merger. Acquisition. Partnership. Joint venture. Affiliation. Collaboration. Alliance. Holding company.*

This is the partnership language of healthcare leaders today.

Old rivals are joining forces. Community hospitals are actively seeking out-of-town partners. Not-for-profits are converting to investor-owned facilities. Major regional systems are aligning. National systems are acquiring and divesting. Academics are lashing up in some form with all kinds of new friends, large and small.

Some organizations are seeking vertical growth, while some are looking to grow market share horizontally. Geography matters greatly, or seemingly not at all.

Organizations that wouldn't have even dated a few years ago are now getting married. Historically strong organizations have reasserted themselves, while

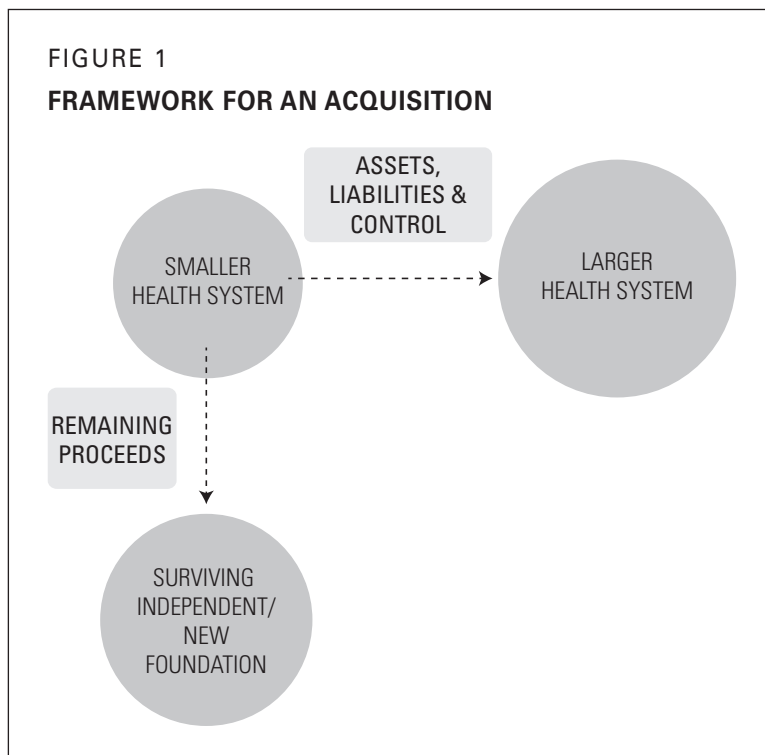
- The state laws and regulatory approval process each state uses to provide oversight of a change in hospital ownership or control.

Caveats aside, there are common definitions and steps to just about every hospital partnership transaction that you need to know to build an effective communications plan.

### ***Top 12 Partnership Terms to Know***

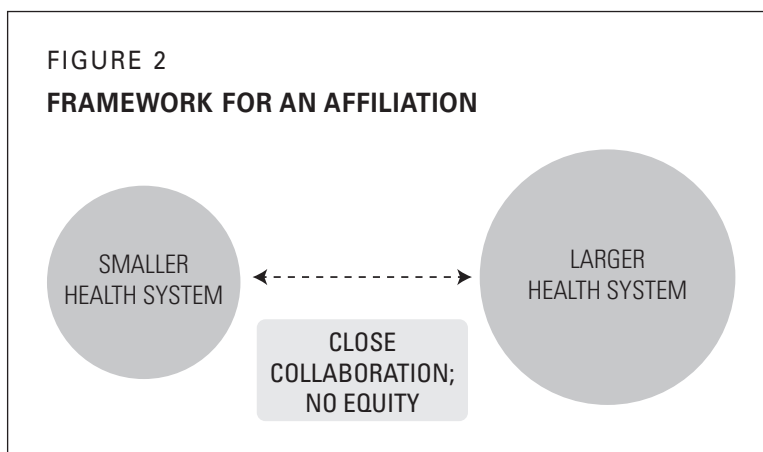
The following are not legal definitions but are, instead, practical uses of each term.

**acquisition:** This is the outright purchase of one hospital by another healthcare system or company. Control clearly shifts to the acquiring hospital, which will often have committed to invest money, infrastructure, or expertise. The introduction of a new culture, new systems, and new standards is to be expected in an acquisition. **Figure 1** shows a commonly used framework for an acquisition.



**affiliation or alliance:** More focused on collaboration, this is a partnership arrangement that stops short of any acquisition or purchase. The goal is mutual benefit rather than creating or changing identity. Often, the partnership is centered on advancing healthcare in the providers' respective communities or increasing stability faster than each provider could on their own.

Figure 2 shows a commonly used framework for an affiliation.



**close:** When the deal is closed, the transaction has been completed, the money has moved from one bank to another, and the keys have changed hands. An obvious semantic stumble to avoid: Be sure your message does not confuse the close of the deal with the close of the hospital. Anxious audiences often hear “close” and “hospital” in the same sentence and assume the worst. Instead, communicating that the partnership is “complete” or “finalized” is a better way to go.

Looking at these definitions on a macro level gives a picture of the level of integration you can typically expect as a result of the partnership. Figure 3 is a commonly accepted scale of integration that shows where each of these partnerships fall.



partnership approved under a COPA is subjected to robust state regulatory oversight. An in-market merger may catch the eye of the Federal Trade Commission, which will work to ensure the partnership is not anticompetitive.

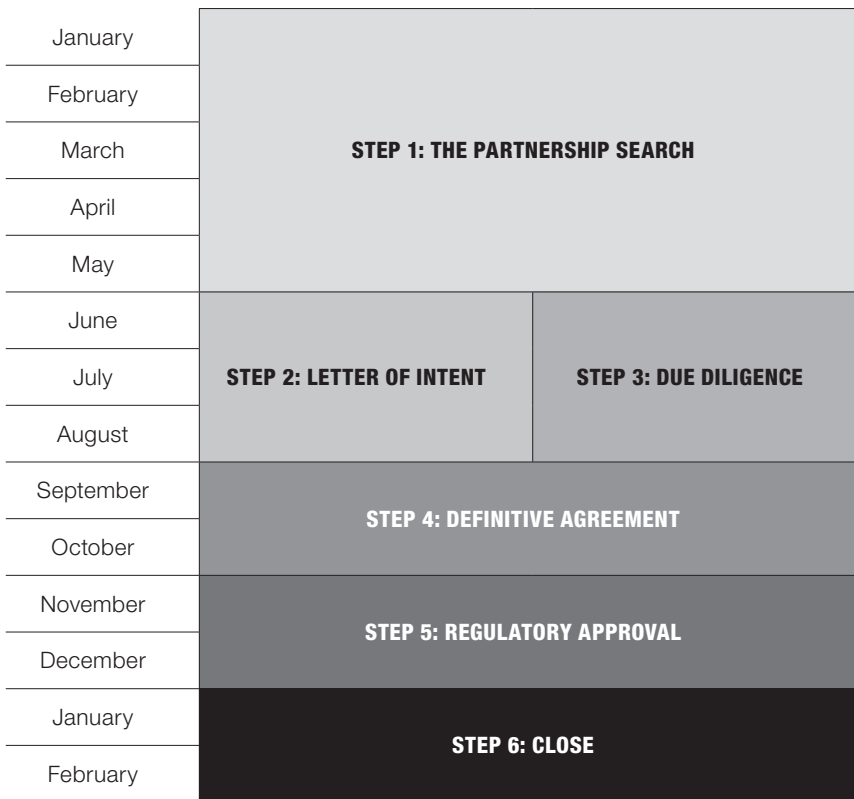
### *Step 6: Close*

Ideally, this is a celebration: The partnership is secured. The future is defined (to some degree). While it's the end of the transaction, it's just the beginning of the new "you." In a sense, the real campaign is just beginning. See Section 4: "Great Partnerships—Before and After the Deal" that is devoted to building this plan.

Figure 6 shows a sample timeline for completing each of the six steps.

**FIGURE 6**

#### **TIMELINE FOR COMPLETING A PARTNERSHIP TRANSACTION**



- **In-person/online focus groups:** Bring your key managers/directors, team members, nurses, and physicians together regularly. Ask them similar questions to those asked during rounding. The goal is to understand the current temperature about the partnership and identify any questions or concerns that need to be addressed. Monitor the conversations on social media. (We dive deeper into this in Section 5: “The Power of Digital Media.”)
- **Polling/pulse polls:** The best quantitative approach to listening is to survey your key stakeholders in a statistically valid poll or ongoing “pulse” polls. A preannouncement survey can be especially helpful in understanding the position of your key audiences and their relationship with (and level of support for) your hospital. This information can greatly inform the development of your core message and can be a powerful message, especially with elected officials.
- **Coffee:** After the first wave of announcement activity is settled and steadily moving forward over the course of the partnership transaction, sit down informally, one on one with handpicked influencers and ask: What do you think? What do you hear? What’s on your mind? What would you do if you were me?

This is an important listening role not only for you but also for your leadership team. It’s likely your CEO will be able to chat with different influencers than you or your chief nursing officer. Take advantage of your unique relationships.

Approach this deliberately. Make a list, make assignments among leadership, set deadlines, and set a time to regroup afterward to hear what has been learned.

Warning: Without this deliberate approach to listening, leadership can get caught in a reinforcing echo chamber. They hear only from people who think everything is “Great!” or they only hear from people who believe the organization is sliding into unmitigated chaos. Either way, it’s skewed and unhelpful information.

- **Go back to your advocates:** Rule 7 addresses building a grassroots team for the partnership transaction. If you’ve built it correctly, you will have a living focus group with representatives from a cross-section of your organization and community. This group may have helped you build a core message and become advocates (and translators) of the partnership. Engage them and ask them:
  - Is it working?
  - What are we doing right?
  - What needs to change?
  - What did we miss?

## **Rule 10: Don’t Dance to Someone Else’s Music**

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### ***The Risk of Losing the Lead***

It’s an old saying: “Don’t dance to somebody else’s music.” You don’t allow the criticism or challenges of others to direct your strategy and change what you are going to say and when and how you say it.

Why?

When you respond to these attacks—usually designed by your opponent to hurt your deal and nothing more—it’s easy to be defensive. Your emotion and hard work are invested in the partnership.

But when you make the attack worthy of your time, you delight the trouble-maker and cause your supporters to question your response: “Why are they responding to that? Are they seriously worried about that?” Your credibility dives and the attacker’s credibility rises.

What’s worse is that the majority of people may have not even heard the criticism until you elevated it with a response. It’s like the old media training rule: Never repeat the negative. It only gives the opposition legs.

See the snowball effect? You’re off message and distracted from the core threat, vision, and solution message that you must communicate.

# The Power of Digital Media

*When it comes to digital media—websites, social sites, newspaper forums—the question is not if you should participate. It's really when.*

Since publishing the first edition of this book in 2013, the digital landscape has changed dramatically. And by the time this version of the book is published, there will probably be another shiny new digital tool to use. So instead of discussing digital tools that may be out of date, say, tomorrow, let's take a look at some key issues and principles of using digital to your advantage in a partnership campaign.

And what an advantage it can be.

Wherever your hospital stands on digital outreach today, here are a few thoughts:

- Your partnership campaign is a great opportunity to use these tools to engage a variety of audiences in new ways
- If you are behind, you're not alone
- A few simple steps can have a powerful impact

# Troubleshooting: What to Do When ...

Now comes the fun part: troubleshooting.

Certainly, every partnership case is different and every situation unique. There are always particular issues that must be dealt with and tailored. But rest assured, the rules still apply.

This section discusses some of those stickier situations and offers pointers based on the previous sections' counsel for what to pay attention to in each scenario.

## **Faith-Based to Secular Conversion**

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When a century-old, faith-based, nonprofit community hospital is purchased by an investor-owned organization, there is an inevitable challenge to face: the loss of religious identity. The emotions surrounding the sale of a hospital are always highly sensitive. Compound this with the emotions surrounding a strongly held religious faith, and you've got a powder keg to defuse.

The issues stemming from a faith-based conversion can range from decision-making practices to charity care policies and foundational culture matters.

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Some are shopping. Some are selling. But everywhere, in every market, healthcare providers are in play.

In this age of disruptive transformation, consolidation and integration is the key to survival—if not prosperity—for many hospitals and physicians. If you've not yet formed a new partnership, you're probably thinking about it. And if you're not considering it, another system is likely eyeballing yours.

However, a healthy partnership begins long before any deal is inked. It begins with good communications.

This guide offers practical “rules” to build a communications strategy that attracts and maintains positive momentum from the exploration phase, through the letter of intent to post-merger integration. With authentic and proven advice from professionals whose healthcare transaction experience spans the country, this book will help you:

- ▶ Gain a broader understanding of the foundational elements of a healthcare partnership and what they mean for communicating the deal
- ▶ Leverage the political strength your health system already possesses to mobilize advocates and neutralize opposition
- ▶ Ask the right questions, identify critical audiences, build messages that resonate, activate your digital ecosystem and troubleshoot challenging scenarios
- ▶ Turn practical steps into an executable plan for your partnership communications—even after the deal closes, or if a deal sours

### About Simplify Compliance

Simplify Compliance, with its three pillars of thought leadership, expertise, and application, provides critical insight, analysis, tools, and training to healthcare organizations nationwide. It empowers healthcare professionals with solution-focused information and intelligence to help their facilities and systems achieve compliance, financial performance, leadership, and organizational excellence. In addition, Simplify Compliance nurtures and provides access to productive C-suite relationships and engaged professional networks, deploys subject matter expertise deep into key functional areas, and enhances the utility of proprietary decision-support knowledge.

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