

Industry Consolidation Underscores the Need for IT System Integration Planning



Changes in reimbursement approaches in healthcare are unleashing unprecedented business forces in the industry. As a result, providers are consolidating into larger integrated delivery networks, hoping to achieve economies of scale and operating efficiency.

But it's difficult to truly integrate organizations, and that's particularly true when it comes to getting disparate information systems to work together. Overall, consolidation has become more difficult because providers now have a variety of IT systems in place. Because these IT systems have become mission-critical for healthcare organizations, it's no small task to bring together these systems and the information they contain.

As new payment models take hold and profit margins tighten, these new, larger organizations need to integrate data from their systems in order to improve care coordination, patient experience, and financial performance.

Factors driving provider consolidation

Providers are transforming the way they deliver care to align with the transition from fee for service to pay for value. In addition to treating episodic events, providers are going to be responsible for their patients' continuum of care through approaches such as Accountable Care Organizations (ACOs).

"It's expensive and complicated for providers to make this foundational shift

in caring for patients' health," said Edward Chung, physician advisor who researches clinical use cases for HealthShare, a health informatics platform developed by InterSystems Corporation, a leading global provider of connected healthcare solutions.

Tighter margins also are prompting providers to combine to achieve economies of scale. Finally, providers are joining together in efforts to lock in or expand the number of patients for whom they provide care, Chung said.

Since 2006, more than 600 hospitals have been involved in consolidations, according to Chung. Some have been large combinations, such as the October 2013 Tenet Healthcare Corp. acquisition of Vanguard Health Systems. But most combinations are much smaller, averaging 1.7 hospitals per deal. Merely focusing on hospital combinations understates the extent of consolidation in the industry, such as hospital system acquisitions of physician practices, ambulatory surgery centers or even health plans, Chung pointed out. In addition, providers are also entering joint ventures, alliances, clinical integration networks and other affiliation formats.

Consolidation is difficult, however. "The statistics on mergers and acquisitions are actually rather grim," Chung said. Two years after a merger or acquisition, one out of five hospitals is losing money, and over half are failing to keep up with market peers.

IT consolidation adds to the complexity

These types of combinations have always been difficult, as different organizations have varied cultures, approaches to care, workflows and more. But in recent years, bringing together two organizations' information systems has added significantly to the challenges.

"When you look at data, it shows that fully half of organizations, if faced with an acquisition with a different EMR starting tomorrow, would take 12 months or more to integrate them," Chung said. "There is a lot of complexity with these systems; none of them exist on a single platform, and with any combination, there are a lot of different forms of data that need to be connected."

Having a unified IT approach, whether physical or virtual, in a consolidated healthcare organization is a huge strategic advantage. Some of the benefits cited by Chung include:

- Increased physician engagement, giving clinicians the ability to manage care entirely within the new network.
- A more consistent way of interacting with patients, thus encouraging them to see providers within the consolidated network.
- The availability of applications that enable patients to manage care, such as scheduling appointments anywhere in the network.

- Integrated records that record data from patient encounters involving any network provider.

It's been difficult, however, to get providers' information systems to work together seamlessly. Vendors have been slow to incorporate true interoperability into their systems, and standards for data exchange could be broader and more robust, according to Chung. And healthcare organizations could make information exchange a higher priority as well. "We've come a long way in terms of data exchange capabilities, but substantial hurdles remain, and the amount of electronic data exchange happening across the country is still pitifully low," he added.

Consolidating organizations need a strategy

With prospects high for continued consolidation, providers need to incorporate an interoperability-based data systems integration strategy into their planning process said Chung.

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Chung has seen two distinct choices for achieving IT integration in consolidating organizations, and they have been used about equally in recent years.

Chung calls one "interoperability the hard way," and it involves having the IT systems in one organization replaced by the systems being used in the more dominant organization. "You incur incredible cost and pain, because this forces people to adopt a new system and new workflows," he said. This approach typically involves a long and expensive installation/training cycle, and it's likely to increase stress and unhappiness by those who feel forced to make the switch.

Other providers are employing an interoperability platform, which manages data integration and exchange between different systems. This enables end-users to continue to work on systems with which they're familiar, minimizing training and maintaining existing workflows.

"If an organization is planning on doing several acquisitions with different EMR environments, the case for investing in a strong interoperability solution is clear," Chung said. "If an organization has limited interoperability capabilities and is only going to do one acquisition, ever, then rip-and-replace seems the better option. The breakpoint, obviously, is somewhere in between, but it's also worth remembering that the benefits of interoperability don't begin and end with acquisitions."

Three components to an integration strategy

Chung sees three principles that are essential components in an integration

strategy that ensures that everyone associated with care has consistent and comprehensive information for managing patient treatment.

- **STRENGTHEN THE ORGANIZATIONAL 'CORE.'** Providers should optimize their ability to achieve interoperability now, in advance of future consolidations. This helps ensure that patients, providers and organizational leaders have consistent, comprehensive information for managing care, even in the midst of organizational change.
- **STAY NIMBLE.** Robust information exchange is critical to the success of initiatives, whether it involves building a clinically integrated network, affiliating, merging or creating new business models. An interoperability strategy provides the flexibility to lead care transformation and seize market opportunities as they arise. Using point-to-point interfaces between applications is faster in the short term, but difficult to manage as more consolidation occurs over time.
- **REALIZE VALUE.** Leverage existing investments in information technology, enabling the organization to maximize resources and accelerate the return on new affiliations through strategic interoperability.

Building a strategy on these three principles can enable organizations to maximize integration opportunities now and provide a platform for future initiatives as they occur.

As industry consolidation continues, system integration planning will only become more important, Chung believes. "There are no magic bullets that lead to a successful consolidation, but removing the barriers to cultural and operational integration can only help, and here is where interoperability shines."