

Medical Group Advisor

FOR MANAGERS AND PHYSICIAN LEADERS OF GROUP PRACTICES

ISSUE 17

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NEW FIRM NAME

Over the past several years, our firm has grown in terms of its capabilities and scope of services. To recognize this growth, we have changed our name from Latham and Associates to:

Latham Consulting Group

We are also pleased to announce the relocation of our business office to:

**3600 Castellaine Drive
Charlotte, NC 28226
Telephone: 704/365-8889
E-mail:
wlatham@lathamconsulting.com**

We have a website under development which will offer special reports on issues of importance to administrators and physician leadership. Watch for future newsletters or advertisements in the MGM Journal for our website address.



Medical Group Advisor is published semi-annually by Latham Consulting Group, a medical group management consulting firm specializing in merger facilitation, strategy & planning, governance, physician compensation and operational improvement. If you have questions about any of the topics in this issue, or would like to be added to our mailing list, please contact us at 3600 Castellaine Drive, Charlotte, North Carolina 28226, (704) 365-8889 or e-mail us at wlatham@lathamconsulting.com.

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MERGERS: METHOD OR MADNESS?

"Be wise today; 'tis madness to defer." - Edward Young

As the consolidation trend sweeps over the healthcare industry, many medical groups are considering strategic mergers with other groups in their region and/or specialty. In our experience, many physicians do not want their organizations to grow into larger entities (because of the increase in complexity, loss of autonomy, etc.). However, more and more groups recognize that in today's marketplace, bigger is often better in terms of providing cost-effective care and creating negotiating clout with managed care companies.

In our experience, medical groups who merge are looking for a number of potential benefits from their increased size and sophistication:

- Strengthen competitive advantage through adding coverage, specialties or subspecialties.
- Improve ability to contact with managed care.
- Generate economies of scale - but typically not for a few years.
- Improve the quality of medicine through improved peer review and quality assurance programs.
- Secure system referrals.
- Develop "critical mass" to build programs and bring ancillaries out of the hospital.

Typically merger efforts begin with friendly and general discussions about shared interests and possibilities. Unfortunately, *the merger effort often bogs down because either the groups do not know what to do next, or because of the lack of an organized effort.*

We have found that once "dating" is completed, the group needs to move towards "marriage" (or making the determination that the groups should not be together) in an organized and logical fashion. Successfully merged organizations typically follow one or a combination of the following steps:

1. **Merger Assessment:** The groups agree on a set of information they will share with each other and compile this information into a comparative format. This information is then reviewed by selected members of each group to determine if the groups are close enough together on the key issues to pursue further steps. Key issues for groups typically include:
 - Group Culture and Compatibility of Physicians
 - Physician Compensation and Benefits
 - Governance
 - Physician Contract Issues
 - Value of Assets Contributed
 - Facilities
 - Personnel
 - Operational Issues

Once this step is completed, many groups move on to one of the efforts as described in 2 and 3 below.

2. **Merger Negotiation Meetings:** Once the groups agree that there are good reasons to merge and have a general understanding of the other group's situation, they often begin a series of meetings to discuss and negotiate "agreements in principle" on the key merger issues.

To be successful, such efforts:

- Should be guided by a *specific plan of what to discuss over what time frame*. Wide-ranging discussions over an unlimited time frame typically result in the groups becoming exhausted with the discussion and a failure in the merger effort.
- Involve professionals at the correct time*. For most groups, attorneys and accountants should become involved *only* after the key "agreements in principle" are made. Care should be taken to avoid "dueling attorneys."

LATHAM CONSULTING GROUP

Latham Consulting Group is one of the nation's leading management consulting firms serving medical groups. Established in 1988, we have worked with medical groups of all sizes and specialties, providing them with a full range of consulting services to include:

- MERGER FACILITATION
STRATEGIC PLANNING FACILITATION AND DEVELOPMENT
GOVERNANCE
INCOME DISTRIBUTION
OPERATOINAL IMPROVEMENT

LATHAM CONSULTING GROUP PRESENTATIONS

Is your MGMA state association or section looking for interesting and informative programs for upcoming conferences? If so, you should know that Latham Consulting Group has put together several new programs which your members might find of great interest:

Seizing Control of Your Future: Successful Strategic Planning for Medical Groups

Medical Group Mergers: Managing the Maelstrom

Getting Past Conflict to Resolution

Over the past several years we have provided services to medical groups in each of these areas. This work gives us both a unique and in-depth knowledge of the topics and the challenges facing medical group managers.

We also have considerable experience in making presentation at state, section and national MGMA meetings.

If we can be of help in the success of your next conference, please do not hesitate to contact us.

3. Merger Retreat: Many groups kick-off their merger negotiation efforts with a Merger Retreat. In such a retreat, groups typically reach a decision as to whether to merge or not, and, if a merger is appropriate, discuss and reach "agreement in principle" on the key merger issues.

While we agree that there is a time for general and free-flowing discussions early in the merger effort, eventually groups must get down to "brass tacks" or the window of opportunity will close. This complex and challenging process requires careful planning, analysis and implementation if it is to be successful.

Latham Consulting Group has helped many groups successfully conduct their merger efforts through our Merger Facilitation Services. If you would like more information about the merger process, please use the coupon below to order a free copy of our special report: Medical Group Mergers - Strategies for Success. You my also call us at 704/365-8889 to order a copy, or e-mail us at wlatham@lathamconsulting.com.

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Please send me more information about your services:
[] Merger Facilitation [] Governance
[] Strategic Planning Facilitation [] Income Distribution
[] Operational Improvement [] Other:
Name:
Title:
Group:
Address:
City/State/ZIP
Specialty: Number of Physicians: Staff Size:
[] Please send me a free copy of Medical Group Mergers - Strategies for Success

FINALLY - A WAY TO KEEP UP!

A common problem for leaders of medical groups is keeping up with all the trends and events affecting the healthcare industry. Communicating this information to others in the group is an even bigger problem. At Latham Consulting Group, we have discovered a resource which can help you solve this problem.

An bi-weekly audiotape newsletter called Healthcare Briefings (from HIR Publications) covers the latest news, providing a fast-paced update on the events, issues and people shaping the healthcare industry. Healthcare Briefings closely tracks activities in Washington and around the country, providing you with an early warning of future developments. HB subscribers have found its convenience, insightful analysis and timely news coverage to be unmatched by other information sources.

Latham Consulting Group has arranged for those receiving the Medical Group Advisor to obtain a discount on this audiotape subscription. Typically the subscription is \$395 per year for 24 tapes, but you can obtain all 24 tapes in a one year subscription for \$355 by calling HIR Publications at 1-800-338-5486 and asking for extension 17. You are guaranteed complete satisfaction with your subscription. If for any reason you are not completely satisfied after the first issue, you will receive a full refund from Healthcare Briefings. Later, you may cancel at any time and receive a prorated refund for all unmailed issues.

This is a valuable and time-efficient resource for managers and physicians of medical groups. Call them today at 1-800-338-5486, ext. 17, for your subscription.

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