

# Managing Health Information in Facility Mergers and Acquisitions (1996)

Save to myBoK

This practice brief has been updated. See the latest version [here](#). This version is made available for historical purposes only.

---

## Background

Healthcare's rapidly changing environment has prompted many mergers and acquisitions as facilities strive to streamline their operations and improve their competitive positions. (Types of mergers and acquisitions are described in the glossary of terms at the end of this brief.) There are many critical issues to be considered in mergers and acquisitions, including the management of health information. Before operational issues can be addressed, licensure, regulatory, and accreditation requirements must be evaluated.

## Licensure

It is important to determine whether operations will be conducted under a single license or multiple licenses. Compliance with each set of applicable licensure standards must be assured. Reimbursement issues, including Prospective Payment System (PPS) rates, may favor the facilities maintaining separate licenses to maximize payments. If there is a significant difference in case-mix indices between the two facilities, or if one facility is PPS-exempt, it may be advantageous to maintain separate licenses.

## Regulatory/Accreditation Issues

Some states<sup>1</sup> have statutory or regulatory guidelines regarding the management of health information in mergers/acquisitions. Most require the new entity to merge the old entity's active records with its records and prepare a retention schedule that meets the needs of patients and other legitimate users and complies with legal, regulatory, and accreditation requirements.

Records should be maintained as required by law, regulation, or necessity, and they may be destroyed in accordance with state requirements for record retention. The merger agreement should include a provision outlining which party is responsible for the records. Providers should check with the state licensing authority to determine whether their arrangements are satisfactory.

Medicare Conditions of Participation and Interpretative Guidelines require a medical record to be maintained for each inpatient and outpatient. Medical records must be filed promptly and accessible. Inpatient and outpatient records may be combined into a single unit record, or two different systems may be used if they are appropriately cross-referenced. Records must be retained for at least five years, unless a longer period is required by state or local laws.

In the "Management of Information" chapter of its *1997 Comprehensive Accreditation Manual for Hospitals* (CAMH), the Joint Commission on Accreditation of Healthcare Organizations requires that the organization use a patient information system to "routinely assemble all the components of a patient's record from various locations...when a patient is admitted to the hospital or is seen for a prescheduled ambulatory care visit." The system also must assure that all record components are assembled in a timely manner, as needed, for patients seen for unscheduled outpatient and emergency services visits (Standard IM.7.9). The Joint Commission does not require any specific retention period for health information. Rather, the CAMH states that the length of time health information is retained should be determined by law and regulation and by its use for patient care, legal, research, and educational purposes.

If a change in ownership occurs when a facility is scheduled for a Joint Commission survey, it must notify the Joint Commission if the information in the application form has been rendered inaccurate. Changes that must be reported include a

change in ownership, a significant increase or decrease in the volume of services, the addition of a new type of health service, or the deletion of an existing service.

## Operational Issues

Once the licensure, regulatory, and accreditation requirements have been evaluated, the new entity will need to explore specific operational issues, including the following:

1. Will operations be conducted at a single location or multiple locations?
2. How will information systems be integrated?
3. Will the health information management function be consolidated into a single department, a central department with satellite locations, or two or more independent departments? How will management responsibilities be assigned?
4. What plans, including retraining and outplacement, will be made for displaced employees?

## Integration of Information Systems

In any merger or acquisition, existing information systems and technology should be inventoried, so plans can be made to integrate or consolidate these systems. Significant savings may be realized by consolidating software licenses and maintenance contracts, but careful advance planning with legal counsel is needed to assure compliance with the terms of the licensure agreements.

If active use of one or more systems will be discontinued, it is imperative to ensure that all final data, including diagnostic and procedure codes and billing information, have been entered and that all work has been completed, such as transcribing dictated reports. To assure ongoing access, data may be saved and reformatted for compatibility with the new system(s). Any such data transfer should include appropriate audit trails and be conducted with advice from legal counsel. Legal advice should also be sought regarding the need to archive the data in its original form or to retain hard copies or images.

With any system change, it is essential to determine the need to retain and access existing databases (especially abstract databases). If it will be difficult or impossible to access data, it may be desirable to retain various reports in hard copy, microfilm, or other media for future use.

## Merger/Acquisition Resulting in a Single Location

If the new entity will operate from a single location under one license, requirements for a single facility must be met. One HIM department with a single patient numbering system, a unit record, and a single master patient index (MPI) should result.

Along with plans to consolidate the facilities' registration systems and integrate patient records, a plan must be developed to address existing and future master patient indices and patient identifiers. If a patient has been seen at more than one of the premerger facilities, his/her identifier must be the same or be linked in the new MPI, although possibly only if/when the patient returns for care.

In the new MPI, it must be determined whether to retain all existing MPI entries, only entries from the past few years, only new entries, or, perhaps, an enterprise-wide MPI may be created to overlay the individual facilities' MPIs. A software algorithm program may be utilized to help determine whether existing MPI entries represent the same patient and therefore should be merged or linked. If some or all entries from one MPI are added to the other MPI, it may be desirable to mark those entries as originating with the other facility for easier record retrieval.

If one or more facilities will close as a result of the merger/acquisition, arrangements must be made to handle health information from the closed location(s). The surviving entity must assure that the integrity and confidentiality of patient health information will be maintained and that the information is accessible to patients and other legitimate users. If health information from the closed location(s) will be entered into the new system only upon patient return, access to the MPI(s) and therefore the health information must be preserved.

Patient identifiers from one of the previous facilities may be used, or an entirely new set of identifiers may be implemented as of a certain date, such as the date of the merger. When new identifiers are used, it must be decided whether to renumber all existing records, renumber the past few years' records, or simply link them in the MPI. The cost of renumbering all existing records may outweigh the benefit.

Unit records are not required to meet Joint Commission and Medicare requirements, although all components of the patient's record must be available for continued care. Unit records must be maintained if required by state licensure. Through discussion with state licensing authorities, a plan may be developed to unitize all existing records, to unitize only the past few years' records, or to establish a new unit record system as of a certain date, such as the effective date of the merger, for returning patients. It may be cost prohibitive to unitize all existing records.

## **Merger/Acquisition Resulting in Two or More Locations with a Single License**

The operation of two or more locations with a *single* license differs from two or more locations with *separate* licenses.

With two or more locations and a single license, requirements may be the same as for a single location and single license. With two or more locations and a single license, depending on the types of care offered at each site and on state licensing requirements, it may be necessary to consolidate records into a unit record and create a single MPI with a single patient numbering system. Patient health information must be available at all sites, which may necessitate the transport of paper records. A computerized medical record system would be a more effective means of assuring availability of health information.

If all sites provide acute care, health information must be available at any site when the patient presents. If one or more of the locations provides only skilled nursing, long term care, rehabilitation, or subacute care, it may not be necessary to establish a unit record.

If information systems will be consolidated, it may be efficient to consolidate HIM functions into a single department as well. If all HIM functions will be consolidated into a single department, appropriate plans must be made for displaced staff members. If there will be more than one HIM department, it must be determined which functions will be located at each site.

## **Merger/Acquisition Resulting in Two or More Locations with Separate Licenses**

If the new entity will operate from more than one location under separate licenses, it must be determined whether the HIM function will be consolidated into a single department, a central department with one or more satellite locations, or two or more independent departments. Planning should address compliance with all regulatory and licensure requirements for each licensed facility.

## **Recommendations**

When two or more facilities are involved in mergers or acquisitions, the American Health Information Management Association (AHIMA) recommends that all health information management requirements be reviewed to ensure compliance with state licensure and regulatory requirements, Joint Commission standards, and Medicare Conditions of Participation (if applicable). To ensure availability of health information to all legitimate users, patient records should be consolidated or linked in the master patient index.

A record retention policy that includes logs, indices, and registers should be developed and implemented to meet the needs of patients and other legitimate users and assure compliance with legal, regulatory, and accreditation requirements. If health information from closed facilities will be stored for a period of time, its integrity and confidentiality must be preserved, and it must be readily accessible for patient care.

The compatibility and functionality of existing information systems should be assessed, and a plan should be formulated for the integration of systems to the extent possible. Such integration may be essential for the organization to successfully meet the demands of integrated delivery systems. Existing databases should be maintained in an accessible form to meet anticipated future needs. With their expertise in health information systems and understanding of user needs, health information management professionals can make significant contributions to the evaluation and integration of these systems.

## Glossary of Terms

### Consolidation

Two corporations come together to form a new entity, which is the surviving entity. The new corporation has all of the rights and obligations of both consolidating corporations. Two corporations operating hospitals or other healthcare facilities may consolidate, in which case the surviving entity assumes all of the rights and liabilities of both consolidating corporations. A consolidation also may occur at the parent corporation level in corporate systems, in which case each subsidiary corporation retains all of its own rights and liabilities.

### Merger

One corporation is absorbed into a second corporation, which is the surviving entity. The surviving corporation takes on all of the rights and obligations of the merging corporation. If merger occurs at the parent corporation level in corporate systems, each subsidiary corporation retains all of its own rights and liabilities.

### Asset Acquisition

One corporation acquires part or all of the assets of another. Generally, the acquiring corporation takes on only those rights and obligations of the selling corporation as the parties agree.

### Stock Acquisition

One corporation acquires part or all of the stock of another corporation. The acquiring corporation assumes only the rights and liabilities of an owner of the stock in the acquired corporation and does not, by virtue of the acquisition, directly assume any of the acquired corporation's rights or liabilities. Because the acquired corporation remains intact as a corporation, it retains all of its own rights and liabilities. (Note: Stock acquisitions are possible only if the acquired corporation is a for-profit corporation.)

### Note

1. These states include California, Hawaii, Iowa, Massachusetts, Missouri, North Carolina, Oregon, South Carolina, Texas, Virginia, and Washington.

## References

Health Care Financing Administration. *Hospitals Interpretive Guidelines and Survey Procedures*. Springfield, VA: US Department of Commerce, 1986.

Joint Commission on Accreditation of Healthcare Organizations. *1997 Comprehensive Accreditation Manual for Hospitals: The Official Handbook*. Oakbrook Terrace, IL: IM-27.

Lillie, Celine M. "Legal Issues in Closing a Medical Record Department." *Journal of the American Health Information Management Association* 64, no. 5 (1993): 28-29.

Piotti, Debora S. "Joining Forces." *For the Record* 5, no. 26 (1993): 6-8.

Poulson, Mary. "Practice Applications of Closing a Medical Record Department." *Journal of the American Health Information Management Association* 64, no. 5 (1993): 26.

Tomes, Jonathan P. *Healthcare Records Management, Disclosure & Retention: The Complete Legal Guide*. Chicago, IL: Probus Publishing Company, 1993.

Wanerus, Priscilla. "Managing Health Information through a Merger." *Journal of the American Health Information Management Association* 65, no. 4 (1994): 55.

## Prepared by

Harry Rhodes, MBA, RRA  
Professional Practice Division

## Acknowledgments

Assistance from the following individuals is gratefully acknowledged: Mary Brandt, MBA, RRA, CHEC  
Cindy Doyon, RRAC  
Cathy Ptak, MS, RRA  
Priscilla Wanerus, RRA

*Note: This practice brief replaces an earlier position statement issued in April 1994.*

**Issued November 1996**

---

Driving the Power of Knowledge

Copyright 2022 by The American Health Information Management Association. All Rights Reserved.