

Mergers and Acquisitions: They Could Happen to You

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If you have never been involved in a merger or acquisition, be aware that it could happen to you. There is important information you need to know, including what steps to take to process medical records according to your state regulations, accreditation standards, payer requirements, conditions of participation, and your facility's guidelines.

Hospital for Sale

During my 17-year tenure at one hospital, the ownership changed four times and went from for-profit status to not-for-profit status. One of the changes took place prior to the implementation of the prospective payment system (PPS) and had very little impact, as all patients were discharged on the last day of operation by hospital A and were admitted to hospital B after midnight. Because the reimbursement system was per diem, there was little, if any, confusion as the entire process focused on financials to settle hospital A bills and the start of hospital B new admissions/ claims. This was not a merger, but rather an acquisition. Each hospital operated under separate provider and license numbers after the acquisition.

Many medical record issues arose from this process. The greatest was the need to code hundreds of records from hospital A, because all patients had to be tracked by the HIM department and the billing department to ensure hospital A received all the reimbursement due to it. The same procedure went into place to make sure hospital B got the reimbursement due to it from the original patients in-house during change in ownership. The medical record/forms committee had its work cut out for it too, as all forms and documents had to reflect the change in ownership and any name changes of the hospitals. Senior leadership was addressing several licensure, vendors, business associates, and third-party payer agreements.

Changing of the Guard

As soon as it is known that there will be an acquisition as announced by senior leadership, an organization should take the following steps:

1. Form an **acquisition team**. The team should include the following individual and department representatives: admission/registration, billing/ business office, HIM including coding manager, financial services, information systems, emergency department, and administrative, both operational and financial. (This is not an all-inclusive list but covers the main stakeholders.)
2. Schedule weekly or biweekly **acquisition meetings**. As the takeover gets closer, meetings may be needed more frequently.
3. Appoint a **team leader** for overall management of the project from beginning until post-implementation of new ownership and until all coding and billing issues have been reconciled.
4. Develop an **action plan or a Gantt chart**. The more detailed it is, the better. Include not only timetables but also the party responsible on each activity, milestones, completion dates, and follow-up.
5. Appoint a **responsible party**. The entire process from beginning to end must be well documented. Each representative needs to give updates weekly and keep all members abreast of any changes.

How the Process Flows

The following is an example of a flow process of the acquisition team from admission/registration, business office billing, HIM, and information services.

The **admission/registration staff**, including the emergency department, must work on the process of admitting and discharging patients and tracking patients the day prior and day of acquisition to assure all patients are admitted, transferred, discharged under correct provider number, and that all claims are reconciled for both entities. They will need to make sure that adequate staffing is available so that all discharging and readmitting functions go smoothly.

The insurance verification must be completely worked out by the **financial service or business office** well in advance and the day of acquisition. For emergency department admissions a cut-off time is critical. The **billing and business office** must ensure that all accounts are processed appropriately for the old and new hospital. One very important issue that the business office and financial services departments must work on is the proper notification to all their party payers of this organization transaction.

The **HIM department's** plan will need to be monitored and updated as necessary. The following are essential components of the plan, and can vary depending on each situation:

- Appoint team members from various functional units within the HIM department. (In a small hospital this may be two or three people with multiple responsibilities.)
- Form a **medical record/forms committee**. There has to be a detailed plan of forms conversion from hospital A to hospital B. The forms vendor must work closely with the HIM director concerning forms inventory.
- Extra staff on the day of acquisition will be needed to do various, last-minute duties, but most importantly to get all discharges prior to day of acquisition completely processed through the system. This means **every record should be assembled, analyzed, coded, and abstracted** into the hospital information system. With the extra staff there should be frequent visits to nursing units for discharges of the day. If no new admissions occur after 8 p.m., the medical staff should be instructed not to discharge any patients after a designated time.
- Because the hospital will be going out of business, every in-house patient will need to be discharged and have a **DRG assigned for that admission and discharge** (transfer). This process must be in total compliance with CMS guidelines. The financial services staff will work closely with medical records to make certain the proper discharge disposition is collected into the hospital information system. Both the hospital going out of business and the new hospital will be entitled to portions of the DRG payment. Communication must be established between all payers and the hospitals, both old and new entities.
- Decide whether the new hospital records will become **combined records** or remain **two separate records**. If the decision is made that very current in-house patients on the night of acquisition will be formally discharged and a new admission started, each medical record will be brought to the medical record department to be closed out. This is an organizational decision and also a compliance issue in that the record needs to be closed out for hospital A and a new record started for hospital B.
- Use a **census report** to track all records from hospital A until all functions have been completed, including payment remittance. This listing should be kept permanently as documentation to support all functions performed. The list should also be used to track those patients that were admitted into hospital B until every single patient from hospital A has been discharged from hospital B.

The information systems department will have a tremendous workload. Much planning needs to take place by all departments even if the same information system vendor will be used by both hospitals. Information systems will work closely with each department manager to assure all functionality in the newer system will mirror the previous system.

For additional information please refer to the AHIMA's practice brief, Managing Health Information in Facility Mergers and Acquisitions, in the November/December 1996 *Journal of AHIMA* (vol. 67, no. 10) and online at www.ahima.org/journal/pb.html.

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