

## INFORMATION TECHNOLOGY IN HEALTH CARE M&A: THE TOP 3 BARRIERS TO ACHIEVING MAXIMUM VALUE

*Mergers and acquisitions in the health care industry present unique challenges that are not often present when undertaking similar transactions in other industries. Because of health care's highly regulated nature, parties may falter if a health care transaction is not reviewed and negotiated carefully with respect to the distinct concerns that health care presents. This article discusses certain key considerations related to information technology that parties to a health care M&A deal should keep in mind as they contemplate and negotiate a transaction.*

Information technology is utilized in all areas of health care business and clinical operations. In most health care organizations, the underlying systems and technologies have been implemented over many years on a project by project basis, whereas an M&A integration program rapidly integrates these systems over the course of months. Designing an integration plan for health care M&A transactions requires the need for a deep understanding of how the systems and technologies are used and interfaced across all areas of this very complex environment (which includes more than just electronic health records, but also time clocks, accounts receivable programs, copiers, etc.). IT leaders should establish a programmatic approach to M&A planning to build an integration program that addresses the three primary pain points in IT integration and ensure an organization can realize maximum value:

1. *Define the target "future state."* The success of the integration component of a transaction relies heavily on deciding what the desired target systems and processes into which the newly acquired entity needs to integrate. Prioritizing these business needs early in the process, and not just during the transition, allows IT to develop and sequence the M&A activities, including what needs to be deployed prior to close, at close and post-close. Early discussions can also aid in defining what support is needed from the seller during the transition period. IT systems are constantly changing by being upgraded, replaced or phased out. These changes are not typically tracked from an integration program perspective but managed by unique business or IT groups who may not be aware of all the dependencies involved for an integration. Determining a readiness for an M&A transaction requires an understanding of: (i) how the business will structure M&A planning activities; (ii) how well IT understands the dependencies of the future state; and (iii) if IT prepares integration plans early.
2. *Designing due diligence for assessing risks and costs to reach the future state.* The number one determinant of cost overruns, integration delays and transition service period extensions is the failure to properly assess and understand the seller's IT environment during due diligence. In order to effectively change a complex IT environment within health care, it is important to thoroughly understand the target entities and the current state as it relates to IT services, including applications, contracts, infrastructure and operations. Then, the current state can be mapped to the desired future state to best align and manage the steps needed to implement the change, manage costs and determine the timeline. M&A transactions change the way new clinicians and business teams work. Planning due diligence activities effectively will help an entity move faster, understand the risks and readily adjust integration plans as necessary to achieve a cost-effective integration.
3. *Building business architecture and establishing effective business partnerships.* Miscommunication is a common frustration between business and IT leaders because they do not speak the same language. This creates confusion or misunderstandings which can cripple an M&A integration plan. Developing a structure to allow business and IT leaders to partner in the development of strategic product roadmaps and to align M&A objectives can ensure that business leaders understand which IT solutions support each portion of an integration program. Building a business architecture program with the IT leaders establishes a new way to represent how the business operates, and it grows the IT business partnership. Implementing business relationship management and business architecture programs is paramount to allow IT to customize implementation and ensure positive business value for the M&A transaction.

Understanding the complexities of health care business operations and IT systems is critical to align information sharing and understand how the whole business operates, which allows the team to navigate between the diverse current and future state of an M&A transaction. Hall Render Advisory Services has the experience to help our clients manage through these pain points to develop the right environment that

creates better results and higher realized value.

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Throughout 2020, Hall Render's Mergers & Acquisitions Service Line will be publishing a series of articles identifying important, and often unique, aspects of health care transactions that should not be overlooked. Ranging from Real Estate to Reimbursement, this series is designed to highlight key issues and considerations relating to niche components of health care transactions.

- Part 1: **Real Estate Issues in Health Care M&A**
- Part 2: **Information Technology in Health Care M&A**
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- Part 5: **The Organized Medical Staff in Health Care M&A**
- Part 6: **Graduate Medical Education in Health Care M&A**
- Part 7: **Antitrust in Health Care M&A**
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