Northern Virginia’s Prince William Health System needed a partner, but it didn’t need one so badly that it would settle for any acquisition. In fact, the system had spent enormous energy putting together the pieces for an acquisition from in-state rival Inova Health System that ultimately failed because of Federal Trade Commission concerns. So despite the need to invest in new facilities for the rapidly growing Northern Virginia market, Prince William wasn’t ready to tie its fortunes to anyone.

“We decided five or six years ago that the growth in this market was so substantial that for an independent community hospital of our size and resources, it would be best for us to be part of a larger organization,” says Cynda Tipple, Prince William’s COO.

To the south, Winston-Salem, NC–based Novant Health was open to acquiring hospitals and ancillary services. In fact, it had recently gone outside the hospital acquisition market to buy MedQuest, a multi-state provider of imaging services, in an effort to build up its outpatient offerings in the four states in which it hopes to ultimately have a large footprint—North Carolina, South Carolina, Georgia, and Virginia. With a heavily North Carolina portfolio, it needed to acquire to fulfill its goals in those four states. That made the 12-hospital system an attractive suitor to 170-staffed-bed Prince William.

Novant was in the mix, but so were up to 20 other potential partners, says Marc Krenytzky, MD, vice president of medical affairs at Prince William, who was heavily involved in an RFP process. “We wanted a merger partner that was going to match our own investment in the quality program,” he says. “We were good to begin with. We’re great now.”

Krenytzky says Novant’s commitment to quality stood out, and its quality scores were higher than Prince William’s. “Novant has two major priorities: quality and safety,” says Krenytzky. “It’s beyond policy, it’s incorporated into their culture.”
Krenytzky should know. In a 36-year career spent as a pediatrician on the medical staff at Prince William, he moonlighted for four years as a surveyor for The Joint Commission. The Joint Commission’s highest quality prize is the Ernest Amory Codman award.

“In my four-year career as a Joint Commission surveyor, I never even nominated an institution for Codman Award,” Krenytzky says. “And Novant has won two of them. That resonated with me.”

An acquirer of choice
This year marks the final year of a strategic growth plan that Novant President and CEO Paul Wiles and his deputies, along with input from the board, put into action in 2006. “The core of the plan was to attain superior outcomes, but to do it while growing and, in fact, doubling in size,” he says. At the plan’s start, Novant was between $1.5 billion and $1.7 billion in annual revenue; it’s around $3.3 billion now.

“Growth enhances our ability to be a high performing organization,” he says. “We learn from new people coming in. It’s not growth for growth’s sake.”

Growth, and the economies of scale that come with it, says Wiles, is at the heart of improving outcomes. Wiles says for Novant it means having at least 75% of CMS quality indicators at or above the 90th percentile in Novant hospitals. Tipple says Wiles’ plain-spoken demeanor and his approachable style went a long way toward gaining the support of the community and the employees at Prince William, whose merger with Novant was finalized just more than a year ago.

But what ultimately sold stakeholders that Novant was the acquirer of choice boiled down to its clinical quality and its willingness to invest in expanding clinical services and facilities in accordance with the population growth in the community, Tipple says.

Just one example of the need for outside investment was that the hospital had a significant percentage of semi-private rooms at the main campus, says Krenytzky, which helped the medical staff understand the need for a new model. Physicians recognized this and other changes that needed to be made, and supported the merger. For example, Novant has more than 1,000 physicians in its owned medical group (Novant Medical Group), and Krenytzky says many physicians at Prince William recognize that the hospital will likely slowly make the transformation to an employed model over a period of time.

“We’re importing an extraordinary culture of quality. And we have a program in place to realize that at our own hospital,” he says. Several physicians in the community are in the final stages of negotiation to become members of Novant Medical Group, “and that’s going to be the primary mechanism by which physicians are incorporated into the Novant structure.”

Size matters, but so does culture
Novant’s recipe for growth depends on what markets would add value both to the corporation and the markets it enters, says Wiles. Novant has defined a four-state market for growth. North Carolina is well consolidated, Wiles says, but there are ample opportunities in Virginia, South Carolina, and Georgia. All four states have a certificate of need process, which provides some barrier to entry for com-
petitors, but also can create a bureaucratic headache when expansion is concerned. But it’s preferable, Wiles says, because Novant is used to dealing with such strictures.

All four states have similar labor laws and labor conditions as well. As for culture, Wiles and his leadership team like to keep it as simple as possible, and transparent. Its annual metrics are patient satisfaction, employee satisfaction, a financial metric that currently includes an operating cash flow target, and CMS quality targets. Each one of them is weighted equally.

“So finance is no more important than our quality or our patient or employee satisfaction,” he says. “It’s a pretty loud message [to clinicians] when the quality of patient care is as important as the financial.”

At Prince William, Novant focused first on merging human resources systems, benefits, compensation, financial systems, and materials management. A close second was development of new and expansion of existing clinical services, as well as a clinical improvement initiative.

“Prince William’s performance on core measures indicators was good and compared favorably to other hospitals in Northern Virginia, but we were not performing as strongly as the other Novant hospitals,” says Tipple. “So, we integrated our process for measuring and monitoring core measures performance almost immediately with the Novant way.”

Prince William’s approach prior to the merger was to track and
trend core measures data, so they could view performance over a period of time and approach shortcomings via a process improvement methodology. Novant says the only way to make meaningful and sustainable progress on key clinical performance indicators is to “take it one patient at a time,” says Tipple. That means that like other Novant hospitals, Prince William hired two people to do concurrent reviews of patient charts while the patient is still in the hospital. That helps identify any potential gaps in care so that gap can be closed during the stay.

Additionally, once a month, the vice president of medical affairs at Presbyterian Hospital in Charlotte, NC, convenes all of the Prince William and Novant senior leaders, and every nurse or physician that was involved in a core measures miss, in video conference.

“We talk on an individual, patient-specific level about compliance with core measures to ensure that our patients receive the best quality of care,” says Tipple. Wiles says that approach to quality allows senior management to have productive conversations with clinicians, “because they want that kind of outcome for the patients.” A hand hygiene goal came about following a death in one of Novant’s neonatal intensive care units. While Novant was average in hand hygiene, Wiles says “the result you get when you’re no better and no worse than the rest is you transfer infection to an at-risk person and they die.”

Clinicians promised 90% or better compliance with the measure over a three-year period, a huge gain over the 40% to 50% range of the baseline. In year one, compliance was 90%, and was higher than 95% by year two. That allowed new goals around infection control associated with urinary catheters, central line catheters, and ventilator-associated pneumonia. This year Novant will measure its effectiveness on those initiatives.

**Lessons learned**

Wiles learned an important lesson in his first merger, the one that created Novant. It started when Forsyth Memorial Hospital, merged with the Presbyterian system in Charlotte.
“That was essentially two equals coming together, 82 miles apart,” he says. “So the uniqueness was we were putting two equally sized systems together across different medical and commercial markets. And we learned a lot about what not to do in that one. We were entirely too patient with it. We trusted that well intentioned people will get to the right answer. What we failed to recognize is you must emphatically create a single culture. You can’t just let it evolve on its own. Everyone will hold on to what they hold as dear. And you can’t bring an organization together when you do that.”

Those lessons inform Novant’s leadership team so as it does other acquisitions, it becomes much more intentional on integration. Novant has developed a multi-step process that guides when to consolidate benefits, compensation, and policies, for example. CFO Fred Hargett says Novant’s history as a “cost-focused” organization has helped it have ready cash when the right acquisitions have presented themselves. And he echoes his CEO’s contention that working the plan is the way to seamlessly integrate pieces to the company.

“We’ve created an internal capability of project management regarding acquisitions and we have talented people who run it. So we know what we need to do by when.” Many times, he says, something will make it into the integration playbook because “we’ve missed it in other acquisitions.”

Now, much more thoughtful and organized about how Novant approaches integration, Hargett, Wiles and his team know where to go for early wins. And one of the keys to success there is pairing up a Novant person with the acquired entity’s peer.

“So it’s not a group of ‘suits’ from Winston-Salem getting on a plane and descending,” Hargett says. “It’s the director of radiology working with radiology; pharmacy to pharmacy, finance to finance, nursing to nursing. And we talk about the fact that when we pull this string, here’s the cascade of effects that happens. Having been through several of these now, we’ve learned that if you go through that thoughtful, rational process, cooler heads, smarter minds will prevail.”