

# SPEND MEND

## The M&A Cost Optimization Framework

Maximize The Cost Savings Potential Of Your M&A Activity

Hospital mergers and acquisitions have the potential to drive significant cost savings, but research indicates they rarely reach their full potential. A study by Wharton found that on average, hospital mergers and acquisitions only achieve 1.5% of cost savings potential. However, there is a significant 15% opportunity for cost savings by appropriately leveraging cost synergies.

### A Winning Framework

SpendMend's complete cost analysis solution (which includes PPI, Purchased Services, Pharmacy, Medical/Surgical Supplies) can help hospitals and healthcare systems undergoing M&A activity to fully leverage cost synergies and achieve their cost savings goals through our M&A Cost Optimization Framework. The framework is a comprehensive approach to identifying and achieving cost savings during a merger and/or acquisition.

The framework includes four key components:

#### Spend Analytics

- This involves analyzing non-labor costs, such as medical surgical supplies, pharmacy, purchased services, physician preference items, and physician service

#### Technology Alignment

- This step examines how disparate technologies, platforms and databases can be optimized through proper alignment and used to streamline processes, automate tasks, and reduce costs.

#### Clinical Preferences

- This aspect of the framework investigates how physician and staff preferences can impact costs and how to align these preferences with cost reduction goals.

#### Organizational Readiness

- This component evaluates the readiness of the organization to implement changes and identifies any potential roadblocks to the successful execution of the cost optimization plan.

### Undeniable Benefits

SpendMend's approach allows organizations to achieve cost savings quickly, in a matter of days and weeks, rather than taking months or years. Hospitals and health systems who have taken advantage of the SpendMend framework enjoy the following benefits:



- Maximize cost savings related to M&A activity
- Exceed industry norms; achieve industry-best pricing
- Utilize cost-neutral analytics and sourcing resources
- Minimize costs for supplies and services
- Improve negotiations and contracted terms
- Improve patient care while reducing overall costs

## Snapshot Case Studies

### Pre-Acquisition Cost Analysis For 3-Health System Merger



SpendMend performed spend analysis to identify similar spending and best pricing across the organizations. The analysis also included an independent benchmarking comparison for market competitive pricing. SpendMend identified over \$54 million in non-labor costs savings. All strategies were successfully implemented, and the projected cost-savings was achieved within 18 months.

### Spending And Cost Analysis For A Single Hospital Acquisition



SpendMend performed a review of physician preference items, purchased services, and pharmacy spend. SpendMend generated a 120-day plan for integrating the new hospital into the health system's contracts. This plan was successfully executed a week earlier than the given timeframe, allowing the health system to exceed their cost savings targets by over 21%.

## A Rock-Solid Plan

We are committed to partnership and results. Before our work begins, our experts meet with key stakeholders across the M&A activity to create a comprehensive plan. Though every project requires its own custom approach, the most successful efforts typically include the following elements:

#### 1. Strategic Planning:

- Conduct a thorough analysis of the current costs and operations of the acquiring and acquired hospitals.
- Identify short- and long-term cost savings opportunities, including simple and complex savings scenarios and strategies.
- Develop a strategic plan that outlines the steps to be taken to achieve the identified cost savings.

#### 2. Implementation Support:

- Assemble a high-performing team, including internal and external resources, to lead the integration process.
- Develop a detailed implementation plan that includes timelines, milestones, and responsibilities for each step of the integration process.
- Ensure that the implementation plan is aligned with the client's strategic plan

#### 3. Progress Tracking:

- Create scorecards to monitor weekly financial progress during the integration process.
- Set up a system to track progress against milestones and timelines.
- Regularly report progress to senior management and adjust the implementation plan as necessary.

## The Final Word

Hospital mergers and acquisitions have the capacity to achieve significant cost savings, but research indicates that many do not reach their full potential. SpendMend's M&A Cost Optimization Framework offers a solution for hospitals and healthcare systems to fully leverage cost synergies and achieve their cost savings goals. Within the SpendMend framework, hospitals can maintain or improve healthcare while lowering costs. No matter where you are in the beginning, middle, or end of your M&A journey, even if you completed the process years ago.

**We invite you to contact us to learn more about how we can evaluate your work and help you realize your optimal cost savings goals.**