

## When a For-Profit Acquires a Nonprofit Organization: Lessons Learned From One Home Health/Hospice's Experience

EILEEN DECESARE, MS, RN, CNA, LNC, NE-BC AND MARY NARAYAN, MSN, RN, HHCNS-BC, COS-C

We live in a dynamic world, and like it or not, nothing is more constant than change. No one knows this better than home health managers and clinicians. The changes in home health practice over the past 20 years have been radical and tumultuous. Over these years, home health managers and clinicians have faced not only revolutionary changes in clinical practice, requiring new knowledge and skills to assure evidence-based care, but also an ever-changing healthcare finance and delivery system, characterized by managed care contracts, Prospective Payment System, Outcome and Assessment Information Set, healthcare reform, and an unstable economy. They have faced these challenges, adjusted, coped, and changed, as they continued to provide the best care they could to their patients.

But even the most stalwart of home health managers and clinicians may be shaken when the agency they have worked with through all the changes of the past decade or two enters into a merger or acquisition arrangement with another larger agency. Before beginning work with an agency, most home health agency managers and clinicians seek an agency that shares their values and philosophy of care

and has work/payment/benefit policies and processes that meet their personal needs. Upon accepting employment with that agency, they work diligently to help not only their patients succeed in achieving



their healthcare goals but also the agency achieve its mission. So what happens when a relatively large, freestanding, for-profit home health agency acquires a hospital/faith-based nonprofit agency?

In 1994, Professional Healthcare Resources (PHR), a proprietary home health agency, was founded in northern Virginia by a nurse entrepreneur with the goal of improving home healthcare for both patients and staff. By 2007, the agency had grown into a seven-office agency, serving

skilled home health and personal care patients in Virginia, Maryland, and the District of Columbia. With a newly revised mission to “provide high quality home health and hospice services to more patients,” the agency began seeking an opportunity to become a hospice-certified agency as well as to expand services to a larger geographic area.

At the same time, a faith-based hospital, which was founded to serve the sick poor, was seeking to divest itself of its home care and hospice service division, where many managers and staff members had been long-time employees. Most of the managers and staff had served this hospital/faith-based home health/hospice agency and its patients for 10 to 20 years or more. After a period of thoughtful consideration and due diligence, PHR acquired the faith-based home health and hospice.

This article seeks to address the fears, concerns, and negative and positive outcomes that the staff of a nonprofit home health/hospice agency experienced when acquired by a larger for-profit agency. In addition, it discusses the ways in which the acquiring agency can best help the acquired agency's staff cope with and prepare for change so ultimately the acquired nonprofit

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### Concerns and Fears

When a division of one company is acquired by another organization, employees are frequently filled with strong negative emotions. The nonprofit agency's staff was no different. After working for the faith-based hospital's home health and hospice for a number of years, many employees built their self-identity, relationships, and lifestyles around the company. Many employees, responding to the news that the faith-based hospital was selling their home health/hospice division to a proprietary company, felt angry about being "abandoned" by the parent company. They felt they had been betrayed despite the loyalty and commitment they had given to the hospital system. Many felt a deep sense of

loss, accompanied by the grieving process. At the same time, they faced many unknowns.

From the beginning, PHR's acquisition team was committed to make the transition as smooth as possible for the newly acquired, but very experienced and highly valued nonprofit home health/hospice staff. The PHR acquisition team believes that any merger/acquisition activity is a management of the change process. Thus, managing an acquisition requires knowledge of change theory and management. Change management theorists quoted in the nursing literature include Lewin, Lippitt, and Havelock, among many others (Lehman, 2008). Lewin (1947) developed the unfreezing–moving–refreezing change model. This model has been expanded by Lippitt (as described by Lehman) into a seven-phase method for managing planned changes. It includes recommendations for identifying time frames and ways to "cement" the change into place. Havelock (as described in Lehman) also expanded on

Lewin's model, developing a six-phase change model. Important elements of this model include identifying formal and informal change leaders, building relationships and trust, and incorporating those experiencing the change into the decision team determining when and how the change takes place.

With knowledge about managing change, the PHR acquisition team adopted the position that successful implementation involves change on both sides. Both sides must communicate honestly and be flexible and willing to adapt and change. Thus, shortly after the acquisition was announced, PHR's acquisition team—the President/Founder, the CEO, the COO, the VP for Human Resources, and the Project Manager—met with the acquired division's Administrator and Managers in group and individual meetings. The goal of these meetings was to openly and honestly discuss plans, answer questions, address concerns, and retain the acquired clinical management team. Transparency and reassurance were key concepts during these meetings.

Through this process, the leadership of the acquired nonprofit home health/hospice joined the Transition Team. They participated in developing the plan to integrate the nonprofit staff into PHR's structure and processes.

Among their first activities, the Transition Team held open meetings so clinicians and staff could ask questions and express their concerns. Questions and concerns included:

- Will I lose my job? Will my job responsibilities change?

- Will I be required to be more productive than I can handle?
- What kinds of changes in the agency's leadership, style, and culture will occur? How radically will these changes affect me, my patients, and my colleagues?
- How will working for a for-profit company be different from working for a not-for-profit faith-based agency? Will work become more about the numbers than about compassion for patients and concern for staff? Will work become more about productivity than quality?
- Will we abandon our mission to serve low-income families and the sick poor? Will the profit motive obscure "doing the right thing"? How will I cope with losing the pride and purpose I had working for a local, highly valued non-profit hospital/faith-based agency?

### Acquisition Goals

As staff concerns emerged, the proprietary agency's leadership was able to assure the staff they planned to maintain the entire clinical management and field clinician staff. PHR's goal was to acquire a smoothly running office in a new geographic area, with an experienced staff known for their ability to deliver sophisticated medical care with compassion. Indeed, one of the main acquisition goals was to retain the staff, which had an excellent reputation in their community. Rather than eliminating clinical staff, staff retention was considered a key acquisition objective.

As part of the Transition Team, the acquired home health/hospice Administrator, who was highly respected by the staff, was instrumental in convincing the staff to give the acquiring company a chance.

Another goal was to make the change seamless to patients, which the Transition Team felt would be possible because both agencies were committed to quality care. The proprietary agency's leadership team stressed that quality care was the primary element of their mission statement and that one of the reasons the acquiring organization was attracted to the faith-based agency was its reputation for quality care, which they planned to continue.

Because the hope was to also make the transition of the acquired staff into PHR as easy as possible, the Transition Team encouraged staff to air all fears, concerns, and recommendations during constructive meetings. This gave the Transition Team the opportunity to listen carefully for ways to adjust the transition plan to make the necessary changes in policies, procedures, and processes as painless as possible. The Transition Team expected as much openness and flexibility from themselves as they hoped the newly acquired staff would give them. They adopted recommendations from the staff about how and when to introduce new agency and personnel policies, procedures, and processes, when possible, while not jeopardizing the ultimate goal of an efficient and effective transition.

For instance, the acquired nonprofit staff had made the

transition to electronic documentation a couple of years before the acquisition. However, PHR had not yet stepped into the electronic documentation system world, although it was in PHR's long-term plans to do so. Because real-time documentation and access to medical records had become important to the acquired staff, PHR determined that instead of reverting to PHR's paper-based documentation system, the newly acquired branch office would model and help introduce electronic documentation to the rest of the agency.

### Not-for-Profit versus For-Profit Status

Perhaps the hardest transition for the acquired staff was the transition from a not-for-profit to a for-profit agency. Philosophically, some staff felt that healthcare should not be a for-profit business, especially and particularly hospice. They were committed to placing the needs of sick, poor, and low-income families before profit. As one of the faith-based agency's staff members said: "A not-for-profit's mission is to serve. A for-profit's primary purpose is obviously profit." Those who were committed to working for a nonprofit tended to believe that any healthcare profits should be returned to improve the health of community and address the needs of patients who had difficulty affording healthcare. They felt that working for a "for-profit" healthcare company would compromise their values.

PHR's leadership team, however, feels strongly that staff and patients should not experience a difference between a

not-for-profit and a for-profit agency. They believe that the primary focus of the ethical for-profit is the same as that of a nonprofit healthcare company: to provide the most effective care as efficiently as possible. Part of the for-profit's fiscal responsibility is to diligently guard against sacrificing quality care for profits. Whether the company is for-profit or not-for-profit, the entire staff—from executive team members to field clinicians—must practice fiscal responsibility and good stewardship of financial resources. Even nonprofits are in the business, with the mission, of caring for patients in the community. Thus, even nonprofits must be attentive to how well the business is run. Otherwise, the agency risks failure and the loss of the mission. As Sister Irene Krauss, former president of the Daughters of Charity National Health System, said, “No margin, no mission” (National Catholic Reporter, 1998).

Entrepreneurial for-profit companies can serve multiple purposes: excellent compassionate care for patients, rewarding employment opportunities for staff, dedicated partnership within the community, and fiscal company soundness. Indeed, this had always been the vision of PHR's nurse founder. The commitment of the company, or any for-profit agency, should be to deliver the care the patients deserve, providing the same care for all patients, as efficiently as possible, based on the most effective evidence-based care practices.

### **Two Years Later**

It is almost 2 years since the acquisition was first announced.

It took about 4 months from the date the faith-based agency's staff first heard the acquisition was probable to the date the acquisition actually occurred and the acquired staff became employees of their new organization. Complete integration and adoption of all the proprietary agency's policies, procedures, and systems took about another year. During that time, roughly about 10% of the original staff resigned (not necessarily because of the acquisition) and new staff have been employed.

Recently, the acquired clinical management and field staff commented on their experiences with their new company. Staff experienced the transition in different ways. Some felt that although the transition had its bumps, the proprietary agency's communication, flexibility, and concern for staff (e.g., a grief counselor held group and individual meetings with staff) made the transition easier than expected. Yet some staff described a sometimes “chaotic” transition, reporting that they frequently felt they did not know what was happening and when it would happen.

As one acquired clinical leader commented, “Almost everything changes for the acquired organization. The cultural adaptations include leadership and management styles, mode and manner of communications, patterns of interaction among staff and between staff and managers, systems of rewards and recognition, performance expectations and the value placed on different priorities. It feels like everything changes to the acquired employees.” In addition

to cultural changes, work flow and processes change: documentation and financial information systems, payroll and billing practices, referral and intake processes, performance improvement processes, and human resources policies, including pay policies and benefit packages.

Some acquired staff expressed ongoing and continuing dissatisfaction with the new organization's policies and procedures. For example, some staff report feeling they must rush through visits to meet visit productivity expectations, and feel that the value of a clinician is measured primarily by the number of visits rather than the quality of care. Others lament more limited health and retirement benefits than they previously enjoyed, although they appreciated that their years of service and paid time off (PTO) transferred favorably into the new system. Some recalled how difficult it was to notify patients about the change in the agency and how hard it was to deal with patients' shock and anger over the loss of a well-respected community provider, while they were dealing with the same grief themselves. Many expressed concern that perhaps, despite the organization's commitment to meet the needs of low-income and uninsured patients, many of these patients were not being accepted at referral (although this belief was not grounded in statistical data).

Clinical managers and field clinicians also commented upon several benefits of being part of a company whose core business is home care, instead of being

a division of a hospital. They reported they have access to extensive expertise and resources specifically developed for home care clinicians, which helps them provide better care to their home health patients. They appreciate the educational programs designed to help home health clinicians enhance the knowledge and skills they need to improve their patients' outcomes, and they find the performance improvement tools available to them to be informative and helpful. Some staff find the payment system to be financially rewarding because clinicians can earn bonus pay for making visits above required productivity expectations.

Perhaps because the acquiring organization's primary value was always quality patient care, acquired staff feel that patient care has remained consistently good. Although clinicians sometimes report they fear patients experience that the clinicians are rushed (due to increased visit productivity expectations), patient satisfaction and Home Care Compare scores have either stayed the same or, in many cases, significantly improved.

After 2 years under the new organizational umbrella, agency staff were asked to specifically describe their experience of transitioning from a not-for-profit to a for-profit agency. Comments included.

- “The initial concern was that the bottom line would color everything we were about from here on in. I have found this profoundly not to be the case! However, I think in the early

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intentions immediately and give an honest expectation of what differences staff can expect.

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days and for many, many months we labored under this fear.”

- “I have seen little, if any, difference between the mission, vision and culture related to our former non-profit and our current for-profit status. The focus of both organizations has been to provide quality care to the sick and dying in the community. The importance placed on fiscal responsibility was just as high in the not-for-profit. The culture of the for-profit may be a bit more competitive than the not-for-profit (e.g., more benchmarking against rival agencies), but there is also more emphasis on performance improvement and internal cheering for successes.”

### Recommendations

Both the acquisition team and the acquired staff reflected on the lessons they had learned and the suggestions they had for healthcare providers undertaking or undergoing a similar acquisition. Suggestions for the acquiring organization include the following:

- Be open and honest about acquisition intentions immediately and give an honest expectation of what differences staff can expect. The moment rumors of acquisition begin to be whispered, fears will probably be worse than the reality of the situation the acquired staff faces. As soon as staff develop fears, they may take actions on those fears (such as resigning their positions) that are far more drastic than the ones they would have taken if they had a better picture of what the future would hold.
- Compare and contrast the similarities and differences the staff will find working for a for-profit agency as related to a not-for-profit. Staff who have always worked for nonprofits may have an overly negative view of for-profit companies due to a lack of experience with reputable ones. Show how the mission and values of the new organization align with their mission and values.
- When talking to clinicians, use the language and principles of patient-centered

**Recognize that** there will be anger, grief, and opposition because resisting change is a natural human phenomenon. Help staff adapt to their losses and their new situation in ways that mirror the way home care and hospice clinicians help patients and families face loss and cope with change. Allow verbalization of strong feelings with the help of grief counselors.

care instead of focusing on business principles and using business language. Although clinicians need to understand the business principles that affect their practice, during an acquisition they also need reassurance that the new organization can “talk their talk and walk their walk.”

- Approach the acquisition and your discussions with the acquired clinical staff with the same open and flexible attitude you seek from them. Allow safe (though respectful and constructive) expression of all fears and concerns. Assess before implementing changes. By listening intently, you can discover areas in which the company can be flexible to avoid needless staff resentment and “deal breaker” situations.
- Recognize that there will be anger, grief, and opposition because resisting change is a natural human phenomenon. Help staff adapt to their losses and their new situation in ways

that mirror the way home care and hospice clinicians help patients and families face loss and cope with change. For example, allow verbalization of strong feelings with the help of grief counselors, allow the staff to have some areas of control and decision making to minimize feelings of loss, and make changes as gradually as possible to facilitate coping.

- Recognize the strengths of the acquired agency and staff. The acquired agency undoubtedly has some practices that will enhance those of the acquiring organization. Merge the best into the acquiring agency’s practices. Show the staff that their strengths are valued by adopting those practices.
- Use the acquired staff to help meet change management goals. For instance, to meet the grief needs of the acquired staff, PHR enabled acquired interdisciplinary team members—bereavement counselors and chaplains—the time

and resources to work with their colleagues.

- Honor the “seniority” of the acquired staff by converting years served and PTO to each individual’s compensation package.
- Consider giving a retention bonus to staff who “stick with” the company for at least a year. This gives the acquired staff an opportunity to “Try it. You’ll like it.”
- Acknowledge up front that turnover in the acquired organization will occur no matter how good the acquiring company is, especially in a place where staff have been employed for an extended period. Even if the acquiring company is perfect, it is still different from what was comfortable and familiar. Alert the staff that this is a phenomenon of organization change to dissipate panic when resignations do begin. Instrumental people leaving their positions creates an atmosphere of “things aren’t good here” regardless of whether this is an accurate picture of the situation or not. Anticipatory guidance will help those who decide to stay.
- Provide extra temporary help to clinical management staff as they learn new responsibilities so juggling daily responsibilities does not become overwhelming. For instance, answering phone calls and solving regularly occurring problems can be done by others so managers can focus at-

tention on better learning new processes.

Recommendations from the acquired staff for the staff of an agency undergoing a similar acquisition include the following:

- Recognize that when the agency that one works for is acquired by another organization, the emotions that you and your colleagues experience will be very similar to those your patients and their families face during a terminal illness. You will experience feelings of shock, anger, loss, and grief, as one's feelings about losing a "way of life" are similar to one's feelings about losing an important relationship. Something you can't control is happening, and you are going to need to cope and change. But be gentle with yourself and give your feelings of loss and grief time.
- Take time to learn about the new company before deciding to stay or change jobs. Maintain an open and flexible attitude instead of letting feelings of anger, loss, and grief drive your decisions. Remember that your past experiences have taught you that some changes you resisted really did "turn out for the best." The acquisition could provide you with unexpected changes that do work out well for you.
- Ask for opportunities to learn about the new company through the company's leadership team and staff, such as through

forums where staff can ask questions. Approach such discussions with an open, flexible, respectful, and constructive attitude instead of with anger. Put principles above feelings of anger about loss. Take the opportunity to learn and incorporate new ideas.

- During discussions with the new leadership, advocate for your principles and your programs. Explain what parts of your processes work and are important to you and your colleagues and why. Good companies, even the ones that are acquiring your agency, are usually open to "best practices," effective programs, and making changes themselves to achieve good outcomes.
- Do not rely on what your colleagues are doing but evaluate the situation as openly and objectively as you can yourself before you decide to stay or to leave the agency.
- Take time to learn, understand, and perhaps experience the new company's culture, and then decide if you *can* adapt and if you *want* to adapt to the new ways. If you cannot accept the changes, and continue to feel unhappy, then you should leave the agency, rather than keeping the rest of the team from moving forward.

### Conclusion

This article described the acquisition of a faith-based not-for-profit home health and hospice agency by a proprietary for-profit home health company.

The acquired staff reported many of the same concerns that workers in other industries have when an acquisition occurs, but specifically had concerns about the policies a for-profit agency would have on the care previously nonprofit staff were accustomed to deliver. Recommendations from lessons learned are presented for both acquiring leadership teams and acquired staff team members. ■

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*Eileen DeCesare is the nurse President and Founder of Professional Healthcare Resources, Inc.*

*Mary Narayan is a Home Health Clinical Nurse Specialist and the Clinical Educator at Professional Healthcare Resources, Inc. She is also a Home Healthcare Nurse Editorial Board member.*

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