

# Can this relationship be saved? the midwestern medical group integration journey

[Life](#), [Relationships](#)



## Case Study: Problems arising from the Midwestern Medical Group's Integration

Companies: MidwesternHealthSystem and Midwest Medical group (MMG)

### Introduction

The Health System Corporation and the Midwest health Plan linked in 1994 to form the Midwestern Health System (Midwestern). The Midwestern health system is a large health care provider which has three divisions namely: delivery services, professional services and health plan. The Midwest health system later formed the Midwestern Medical Group (MMG). MMG is responsible for the clinical practice within Midwest and has 50 Primary Care clinics.

Integration of large corporations if not well planned can result in various problems between the organizations and that is why proper planning and research should be undertaken before engaging in such a business practice. The following case study looks at the integration and structural challenges faced by MMG and the Midwestern Health Center and how they have affected the development of the company.

How did the realized strategy differ from the intended strategy in the MMG integration journey?

MMG faced many challenges during its formation and that is why it formulated a strategy that would enable it to run its operations smoothly. That is why it came up with the following strategies or initiatives:

MMG wanted to create a large integrated group medical practice from the formerly small independent physician clinics. It wanted to change the roles of the physicians from principles of private clinical practices to becoming agents and employees of health care companies. Moreover, it wanted to build and enhance an organizational culture so that they could achieve the goal that Midwestern and MMG had set for themselves. In addition, they wanted to develop an integrated system of health care for patients and to link MMG and Midwestern units so that they could enhance their unity and collaboration.

The Midwestern executive council in determining the future of MMG came up with strategic options that they saw were good for the progress of both companies despite MMG showing positive results in the benchmarking study. The following are the options it came up with:

They were going to change the status quo of MMG and make it as one MBS (Market Business segment Business Model) within the hospitals and clinics division. They were also going to separate MMG as its own division. Moreover, they were going to regionalize MMG by placing its clinics under Midwestern hospital management and separate from MMG. They were also going to sale Part of selected MMG clinics. In addition, they were going to hire an outside group to manage MMG and transfer the ownership of MMG to the community trust. All these were contrary to what MMG had envisioned when they initially integrated.

MMG thought that they were going to build an organized culture between them and Midwestern. For this reason, they said they would align their

incentives and strengthen the commitment of clinicians while still maintaining their commitment to the Midwestern. Opposite, it seems they had other plans to control the MMG by regionalizing it and placing it under the Midwestern hospital management. They also wanted to be in charge of the facilities and were going to change the roles of the physicians from principles of private clinical practices to become agents and employees of health care companies but the executive council was going to hire an outside group to manage MMG. This was not going to work because they would dictate the positions to be held by physicians and if they saw or thought they were not competent enough, they would choose physicians from outside if they thought that was going to work for them and this is one thing that MMG does not want. Moreover, "being stripped of their independence would result into conflicts that are usually associated with corporate failures (Murray, Poole & Jones, 2005)."

MMG wanted to develop an integrated system of health care for patients and link MMG and Midwestern units so that they could enhance their unity and collaboration. But the executive council was going to separate MMG as its own division and transfer its ownership to the community trust. In this way, they would be acting like separate legal entities therefore they would not be united as initially intended by MMG. MMG was trying to figure out ways that would make them more united but they were being pushed away by force and this was not right or acceptable. On top of all these, they were not involved in the decision making process when the committee came up with these suggestions hence they were displeased since they were not given a chance to say how they felt about the options raised.

2) How did MMGs organizational culture differ from the Midwestern system-level leadership culture? How did these differences affect strategy implementation?

The MMG was headed by a president who is assisted by a vice president. The Midwestern is headed by a CEO and has a board of directors who foresee that the management does its work well. The responsibility of the CEO was to ensure that everything was well organized, planned and coordinated and on top of it, every employee was well motivated to do their work well. For example, Johanson used to visit the facilities and used his time as an understudy to get to know the organization from a front line perspective. He was also clear about the direction of the organization and made sure they achieved what they had purposed to do.

The CEO always consults the board when he is faced with issues both with Midwestern and MMG. Erickson the then president of MMG said this when he said "Johanson; the then CEO of Midwestern, wrote letters to the board and was very successful at it." Power in mid western was among a few people who controlled every aspect of the business. They have committees that help the organization tackle various problems in different departments for example the Midwestern executive council. The problem is that people are not aware on who is in charge of these committees. Moreover, Midwestern had a hard time of recruiting and retaining physician leaders as the people they have interviewed so far have a limited ability to impact the organization positively.

The Midwestern administrators were supportive because when they saw that something was not working, they agreed as a group and solved it. For instance the resignation of Erickson's

MMG is headed by a president who is assisted by a vice president. They also have a management team comprised of managers who head the various clinics. MMG as part of the Midwestern group were not represented in the Midwestern board and they wanted to have a representative. Since they were not well represented in the board, they felt that some of their issues and the things they wanted to be implemented were not given the attention they ought to be given. MMG also wanted to improve its financial performance which was deteriorating and that is why they expanded their services to the community by hiring specialists as they would yield more returns than using primary care services. This move was inline with the general guidelines that the president has laid for them. But this move caused conflict between them and the members of the hospitals and clinics division.

MMG presented various proposals to the table and the Midwestern officials were quick to oppose them. When an ophthalmologist was hired by MMG to provide outpatient laser surgery, the ophthalmologists at Midwestern said that they were not consulted and this was bringing in unfair competition and that is why they resigned and their own independent practice. In 1999, MMG leaders wanted to hire a new spine surgeon but they later realized that the Midwestern system leaders had promised to a practicing group at Midwestern that any business related to spine surgery would go to them and they were not happy with the decision. Later in that year, MMG hired a

general surgeon which the Midwestern hospitals protested. Conflicts erupted between the two groups as they could not see eye to eye on issues. In 2000, MMG began negotiations to expand clinic services with one Midwestern hospital assistance specialists but the Midwestern hospital leaders once again protested this decision and threatened to leave the system.

The differences affected strategy implementation in that they lost many business opportunities to competitors especially when people left the firm to go and start their own practices. They also could not concentrate on their work in providing proper care to their patients as they were in constant battle on who was more superior to the other. This is why patients at MMG could not get the specialists they wanted to treat then better.

The work between the two groups was not well coordinated as there was no proper system in place to ease communication. Confidence in some of the leaders was lost hence the need for people who will bring about radical change to the organization. "Conflicts that arise in the organization because of its structure result in poor leadership and direction (Fritz, 1996)." For instance, the increasing cases of conflicts due to the decisions passed led to the resignation of Erickson, the MMG president.

3) What are the MMGs and Midwestern Health Systems strengths and weaknesses from an internal environment perspective?

MMG and the Midwestern Health systems have had their fair share of success as well as challenges. The following are some of the strengths and weaknesses that face each organization.

## MMG's strengths

When they see an opportunity they make sure that they tap on it so that they can rip the benefits. Despite the problems it faced, continued to implement its strategies so that it could enhance its commitment of providing the best care to its patients. For example, The CCI program came up with new initiatives and a project to help them in the areas like heartfailureservices and tobacco cessation counseling. MMG established the physicians at MMG are well trained thus are competent enough to treat and offer advisory services. A new service endeavor was established by MMG to improve the physician patient relationship.

Roles between the physicians and those in leadership position are divided therefore each can concentrate on the needs of the areas they are in charge of. The leaders have also taken upon themselves to fight for the rights of everyone at MMG and this shows the commitment to the people they serve. MMG undertook a clinical benchmarking so that they could keep track of their finances and be able to implement and monitor the performance of low performing clinics all with the aim of improving the health care system

## MMG's Weaknesses

The leaders at MMG are sometimes over ambitious that they make decisions without consulting the Leader at Midwest and this creates a lot of problems for them as they have to deal with the continuous complaints and waste a lot of time in solving the conflicts that arise their after. This is further facilitated by not investing in empowering people at the bottom line so that they can perform better and contribute in the decision making process. Another



weakness of MMG is that its financial accounts are negative. This is because the finance staff found out that MMG gross revenues were benchmark. Although it is making an effort to improve its performance, a lot still needs to be done since when it improves, it improves by a small fraction but still on the negative side. Moreover, they paid their staff less and that is why most of them were leaving the company to go to places where they were paid better wages.

#### Midwestern Health Systems strengths

The Midwestern Health system is focused on health care needs and therefore it ensures that all the divisions and groups are well coordinated. It is headed by a strong team of influential leaders who steer the organization in the right direction. The leaders are committed to restructuring MMG and its operations such that they have come up with objectives or initiatives that they believe are good for the entire health care system and also MMG. Moreover, they have made short term actions to support other departments especially those that are not part of the top management so that they can perform better. Midwestern is well off financially therefore they can allocate resources to the various departments and groups equitably and always take charge to ensure that the money is used as it ought to.

#### Midwestern Health Systems Weaknesses

They have varied organizational issues. This is because maybe they did not take a good look at the various organizational structures when they were integrating with MMG. They have failed to include some of the members from MMG and when approached they say that by them having a president,

it means they are well represented but this is not a strong reason for the MMG members. For this reason, they are faced with many problems that are not going away anytime soon. Another weakness faced by Midwestern is that the leaders are not very good listeners as they make decisions without consulting the affected people and this is why there are internal wrangling that never cease to end.

4) How did Midwestern's strategic control systems affect MMG unit plans and Midwestern strategy implementation?

The CEO of Midwestern is the one who appoints the committee that chooses the people who will look for the president of MMG.

There were conflicts with hospital affiliated specialists with regard to the decisions that were made by the Midwestern control system. For example, when Olsen the new president at MMG sent out proposals for new radiology services because she knew that it would reduce the costs of the business, Henry; who was appointed to represent MMG matters, said that there 'guiding principles' made by the Midwestern executive team that guaranteed them to offer contracts for any specialist services.

Though Olsen went over with him the risks and benefits of acquiring the services and that she feared that implementing the 'principle', could result in some MMG clinics losing specialist services and this would in turn compromise patient care quality but he still refused. The result was that Henry's plan was more costly which made MMG to lose its vendors. They were forced to use money to purchase equipment to recruit, train and hire

replacement staff. In addition, they were at risk of legal action for the breach of contract from the radiologists.

This example just shows how a decision made by the Midwestern control system affects any plan that is made by the MMG and the costs do not only accrue to MMG but also mid western because when the image of the organization is tarnished, then definitely all other organizations related to it will be affected because they will liken it to a rotten egg that affects the other eggs in the basket and this is not good for business.

The leaders at Midwestern were sometimes harsh when it came to addressing the problems MMG faced. The continual criticism of the MMG leaders by the hospital leaders especially with regards to their financial problem made the MMG management team lose morale with their work. They said that the MMG was performing better on their own but since the integration they had become lazy. This means that when the leaders are not motivated enough, they cannot influence their employees positively and therefore whatever they have planned will not be implemented well.

When there are changes in the leadership roles at the top, then all the plans that were made by people then are put on hold. For example, when Novak left Midwestern in July 2001, his plans were put on hold indefinitely. Other people in the top management position like Johanson, Henry and other Midwestern executives also retired. This meant that all they had started ended at the time of the departure. There was a shift of the goals and the companies' objectives as the interim system leadership came with new plans which were different from those of the previous governing system. The

changes that come with the leadership transitions will not only be felt at Midwestern but also the other integrated groups like the MMG. This is because all their plans will change to be in line with what the current body passes.

5) What key issues will Olsen's successor face in managing the MMG? What sections would you recommend her successor take to address these issues?

When Olsen took office, she was asked by the top leaders at Midwestern to come up with a plan that will make MMG better in three years. She did come up with the break-even plan in line with their visioning process but the officials at Midwestern were not pleased because they felt that she had raised questions that had previously resulted into conflicts between the two groups and she did not talk with them about the strategies involved. For these reasons, they did not properly budget for MMG activities as per the proposed plan. Olsen contrary to what they said and went on to implemented the plan in three phases. When she announced her plan to retire, MMG has successfully finished phase 1 which had projects that seek to improve MMG finances. Olsen's successor will then be responsible for foreseeing that the other phases which involve the expansion of the business are done effectively.

The issues Olsen's successor will face include:

Finance

The successor will have to come with other better ways of raising the extra cash that the business needs as they cannot rely on Midwestern officials to

give them all the money they would need to make sure that the projects run smoothly.

#### Plan

The business environment changes very so often and they is why the new successor will need to continually plan MMGs activities so that they can include the new things which can influence them positively or negatively.

#### Representation in the Midwestern executive meetings

The successor will continue fighting for the presentation of MMG in the board meetings because that is the only way they will bring in policies that favor them and justify their actions so that they are not wrongly judged. This is because officials at Midwestern are always ready to point accusing fingers at MMG leaders at the slightest instance of failure.

#### Competition

The successor will have to come up with ways in which that they can face the competition with other Midwestern hospitals and affiliated specialists if they want to improve their business and at one time have a competitive advantage over other players in the industry.

#### Recommendations

i. To address the financial problems, the successor will have to come up with ways that will enable them reduce their operating costs. This the successor can do by looking for alternatives or suppliers who offer the same quality services but at a more affordable price. MMG also do not need Midwestern to plan their money for them. The successor will therefore

ensure that they carry out their budget aside and will tally it with the budget from Midwestern so that they can identify the areas that need amendment. In so doing they will have reduced the costs and even if it is a small percentage, it will make a difference in the long run.

ii. In planning, the successor will ensure that he/she will that they go over the various plans made by the managers of different units so that they can come up with strategic plans that are effective. The successor will also look into the needs of the clinics in the rural areas so that he/she can see how they will incorporate the plans of reaching out and expanding the business to such areas. This is because many clinics and businesses are situated in the urban areas. " Proper planning and control will ensure that the different units are combined (Moore, 2002)." The plans and projects made will only be successful if there are measures that will ensure that they are properly monitored and evaluated.

iii. MMG members need to be represented in the board. This will only happen if the members of the MMG start taking what Midwestern officials say seriously and avoid the instances that bring about conflict unless they are unavoidable. This can only be done when the successor is a leader who is committed and will be dedicated to instill the necessary skills required in the workplace plus the ethics to be followed.

He/she should also be able to deal with the complexities of integration as this is a major problem. This will empower other fellow leaders and also the employees to be well behaved such that the Midwestern top leaders will not have a choice but to include them in the system. In this way, they will be

able to pass policies such as the managers or officials in various departments signing contracts that will ensure that they stay in office for a certain duration; unless due to unavoidable circumstances, of time so that they can fulfill their duties to the health center.

iv. Competition will be increased if the successor sees that the second and third phases are properly implemented. This is because the business will expand because of the introduction of laboratory services, MMG partnerships with other health care organizations and expanding so as to tap promising outpatient markets. Expanding the business will not only bring in extra cash but expand the business organization so as to meet the customers' needs of better health care and making the business more popular so that its services are demanded more.

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