

Merger analysis case study report sample

[Business](#), [Management](#)



Dollar value on Palmetto General's equity (fund):

The easiest way to come up with estimated % growth values is to use historical data from 2002 to 2006. The historical data from Palmetto General Hospital's income statements can be used to determine the growth in gross revenues (2007-2011). Average growth rate was determined by taking the average growth rate of different items of Palmetto General Hospital's income statement.

In addition, the interest on required loans was determined from average historical interest expenses, long term growth has been estimated at 10% and the discount rate has been evaluate to be 12. 6%. The market value to discharge ratio is set to \$7, 000 which is the leading figure in the market. It is also estimated that the number of discharges will remain constant. These percentages were used on the excel model as inputs in order to place a dollar value on Palmetto General's equity (fund) capital. In addition, the assumed market values provided in the case were also used for this analysis. The table below shows the results of the valuation.

Raising funds for the acquisition:

The best way to raise money for this acquisition is through debt financing. From analysis of Franklin Teaching Hospital's it is evident that it has a positive cash flow, an increase in net income, increase in total assets and a decrease in total liabilities. The net income of the hospital increased from \$ 8. 698 (million dollars) to \$ 12. 997 (million dollars). Total assets increased from 369. 594 in 2002 to 422. 450 in 2006. Total liabilities decreased from \$ 189. 434 to \$ 182. 710. This shows that the hospital's performance is

excellent and it can be able to secure funding from a bank. In addition, the financial statements of Palmetto General Hospital being purchased also indicate positive growth. Franklin Teaching Hospital should utilize these factors to acquire funding from the bank.

Organization structure recommendation:

The best organizational structure for the combined hospitals is a functional organization structure. In this structure, the hospital will be made up of different functional units that will perform different functions. It is important to combine the board of directors from both hospitals to have one board of directors. This will require restructuring of the hospital's structure and positions within the organization. However, each hospital will maintain a senior management that will be answerable to the board and will implement the decisions made by the board. This will ensure that each hospital continues to function during the earlier stages of the acquisition. Once collaboration has been established between the two hospitals then the senior management can be combined. From the information provided, the senior members of the Palmetto Hospital are employees of Citrus Healthcare officers. These officers will be invited to join the combined organization. Those who will accept to join the merged hospital will be absorbed within the merged hospital as senior management.

Integration of medical staff:

The medical staff at the two hospitals should be integrated six months after the merger. It is important to note that the two hospitals are less than two miles apart from each other. Therefore, there is a need to have an integrated

workforce. However, it is important that after the merger services at both hospitals go on uninterrupted. This means that the workforce will not be integrated for the first few months of the merger in order to ensure a continuation of service delivery. A transition oversight team would be the best method to integrate both workforces. Prior to closure of the acquisition, Franklin Teaching Hospital should appoint a transition team that will be tasked with restructuring the workforce at both hospitals and setting work priorities. The team will be required to meet on a weekly basis weeks before the merger has been completed. The team will come up with recommendations that the board will be required to implement for both hospitals.

References:

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