

## FROM TRANSACTION TO TRANSFORMATION: LEVERAGING M&A TO OPTIMIZE HEALTH CARE SUPPLY CHAINS

The U.S. health care industry continues to experience consolidation, with steady merger and acquisition activity (“M&A”) aimed at improving quality, expanding patient access and reducing costs by leveraging economies of scale. These transactions present a unique opportunity to undergo a strategic analysis of an often overlooked, but vitally important area: the supply chain.

Integrating two previously independent supply chains can be challenging from multiple perspectives, particularly given differing processes, levels of integration, existing vendor relationships and operational philosophies. These challenges are especially significant given that supply chain expenses typically represent the second-largest cost category for health care organizations, which underscores the financial and operational stakes of successful integration. However, investing in supply chain efficiency can advance a transaction’s objectives, as an efficient supply chain supports improved quality, expanded access and reduced costs.

Ideally, the integration of supply chains should begin well before a transaction closes through a robust diligence process that identifies key risk mitigation and efficiency opportunities, followed by the thoughtful alignment of systems and services, which is often facilitated by a well-structured Transition Services Agreement (“TSA”).

### DILIGENCE AND TRANSITION SERVICES CONSIDERATIONS

During diligence, parties can unlock significant value by identifying and addressing duplicative vendor agreements, exclusivity constraints, potential transitions between group purchasing organizations (“GPOs”) and related liquidated damages. This process also enables early identification of key operational and financial risks, including product recalls, prebates in service agreement, and non-standard discount structures affecting pricing transparency and compliance. Addressing these issues upfront mitigates risk, drives efficiencies and supports smoother post-closing integration.

These diligence insights should directly inform the structure and scope of the TSA, which serves as a critical bridge between closing and full operational integration. TSAs are temporary agreements used in transactions that ensure continuity of essential services following closing and facilitate the orderly transfer of systems and operations.

A TSA will outline the scope of items and services to be provided by the seller to the buyer for a specified transition period. These may include, for example, procurement support, continuation of existing third-party agreements, operational services, IT support, human resources and finance functions. Aligning the TSA scope with supply chain integration goals enables buyers to reduce costs and operational burdens while supporting an efficient transition. For additional background on TSA drafting considerations, see this [Hall Render article](#).

### SUPPLY CHAIN IMPORTANCE POST-M&A

Following a successful transaction, the parties must continue to strategically integrate, or otherwise align, previously separate supply chain operations. Doing so effectively requires identifying and prioritizing key operational and strategic goals.

Immediately following the transaction, key stakeholders should focus on mitigating both operational and legal risks while maintaining continuity of operations. Prioritizing stability during this initial period is essential for both short- and long-term success. As operations stabilize, organizations should shift to evaluating synergies across the combined contract portfolio (i.e., buyer and seller agreements), with the goal of consolidating and standardizing where appropriate. This evaluation includes analyzing contracts through financial, regulatory, access and operational risk lenses.

Following this strategic analysis, organizations should identify additional supply chain opportunities, including mapping processes to pinpoint inefficiencies and implementing metrics supported by regular audits. After areas of opportunity are identified, health care entity leaders should work to address these areas with a focus on maximizing long-term efficiencies. Given the complexity of post-transaction integration, organizations benefit by relying on dedicated advisory support to identify risks, execute contract consolidation and implement operational improvements. A coordinated approach that combines legal, operational and strategic expertise can accelerate integration, reduce costs and enhance system-wide resilience.

In short, organizations that prioritize thoughtful supply chain integration and leverage experienced support following close are well-positioned to achieve long-term cost savings and operational resilience.

## **PRACTICAL TAKEAWAYS**

- **Engage supply chain counsel early for TSA strategy.** Leveraging diligence insights to structure and negotiate an effective TSA preserves continuity of supply chain operations while positioning the organization(s) for post-closing integration.
- **M&A can be a catalyst to strengthen supply chain resilience.** Transactions create a natural opportunity to analyze existing supply chain functions of both the buyer and the seller, positioning the buyer to drive cost savings, maintain or enhance compliance and support scalable operations.
- **Create value through proactive supply chain planning.** Organizations that identify and address supply chain risks and inefficiencies during diligence are better positioned to achieve both immediate transition efficiencies and long-term cost savings.

If you have any questions or would like additional information about this topic, please contact:

- **Jen Viegas** at (317) 977-1485 or [jviegas@hallrender.com](mailto:jviegas@hallrender.com);
- **Colleen Powers** at (317) 977-1471 or [cpowers@hallrender.com](mailto:cpowers@hallrender.com);
- **Matt Decker** at (248) 457-7867 or [mdecker@hallrender.com](mailto:mdecker@hallrender.com);
- **Caulin McGraw** at (317) 977-1421 or [cmcgraw@hallrender.com](mailto:cmcgraw@hallrender.com);
- **Jonathan Tarro** at (317) 429-3603 or [jtarro@hallrender.com](mailto:jtarro@hallrender.com); or
- Your primary Hall Render contact.

*Hall Render blog posts and articles are intended for informational purposes only. For ethical reasons, Hall Render attorneys cannot—outside of an attorney-client relationship—answer specific questions that would be legal advice.*