

BoardBrief

Prepared for Colorado Hospital Association Trustees

Strategic Affiliation

Is There a Partner in Your Future?

The transitioning health care environment is resulting in a transformation of the health care field. The future of health care will embrace care provided in non-traditional settings and in non-traditional ways, it will operate under very different payment approaches than it does today, and it will require heightened coordination and integration between hospitals and other providers that have typically functioned in parallel silos. As the needs and functions of hospitals, health systems, and other health care providers transition, so may the structures of those organizations. In some instances, hospital leaders may be surprised to find that a strategic affiliation which had previously seemed unwise now has the potential to mutually benefit all the key players, and particularly the community served.

As the health care landscape changes, some organizations may find that the best way they can remain financially viable and most effectively meet their community's needs is to form an affiliation with another organization. Other organizations may find just the opposite, realizing that they can best meet local needs by remaining a stand-alone or independent hospital.

Trustees should lead the organization in making this decision. Rather than assuming that an affiliation is the best solution, trustees should first evaluate the hospital's financial and strategic position. Once intelligence gathering is complete and the organization's leadership has a clear picture of the hospital's position and the opinions of key stakeholders, the board can move forward with the approach that best meets the hospital and community's long-term needs.

Intelligence Gathering

Every organization's community, financial situation, and potential affiliation situation and needs are unique. There is no one-size-fits-all approach; the only way an organization and its board can be assured they are making an informed decision is to undergo the due diligence of gathering all the necessary facts, as well as opinions and ideas from key stakeholders.

Seek Out Key Stakeholder Viewpoints. Thorough intelligence gathering includes engagement with key stakeholders and constituents, soliciting and assessing relevant opinions and perspectives. This can be done through several avenues, including stakeholder interviews, community focus groups, research among key stakeholders, surveys of the leadership team, employees, and/or community members, and an internal department and service line analysis.

Areas explored with stakeholders, both internal and external, may include perceptions of the opportunities and advantages potentially available to the organization, their views of challenges and barriers, suggestions for overcoming obstacles, and identification of critical factors in the organization's long-term success. While interviews and focus groups can gather a broad spectrum of ideas and opinions, surveys can hone in on specific areas, giving stakeholders an opportunity to rank and rate ideas, identify dominant issues, or respond to potential statements (such as a draft set of affiliation principles). To complement the opinions gathered, it is often helpful to conduct a simple strategic analysis for each department or service line within the organization. This brief analysis secures employees' thinking about the organization's strategic future, and specifically how their department or service line contributes to advancing the organization toward its strategic

goals and the achievement of its mission. It may include questions about the department's strategic significance, a market assessment of the program or service, strengths and weaknesses, competition for services, potential for financial growth, opportunities, and critical success factors.

Consider Strategic Questions. As hospitals consider whether a strategic affiliation is right for them, they should explore a variety of strategic questions about the hospital's future to complement stakeholder viewpoints. These questions should be discussed within the organization's internal leadership, and may also be incorporated into intelligence gathering with external stakeholders when appropriate. Potential questions to consider include:

- What are the most significant characteristics of the hospital's current situation (for example, market position, financial position, competition, opportunity for expansion, etc.)?
- What are the unmet or under-met health care needs of the community?
- What local market trends are most critical to the hospital's strategic future?
- What barriers will the hospital need to overcome to be successful?
- Where does the hospital have the most potential for growth? What services should the hospital be able to offer in order to solidify its market position and best meet community needs?
- What market niches or opportunities are most critical for the hospital to capitalize upon in the short-term, mid-term, and long-term?
- What options are most important for the hospital to pursue to remain highly competitive and successful?
- What services will be needed in the future that either don't exist at the hospital today, or are under-developed?

Gather Factual Data and Information. To provide hospital leadership with clear perspectives of the environment, hospitals should also gather data and information that will complement stakeholder perspectives and ensure evidence-based decision making. While the data and information necessary may vary for every organization, hospitals should consider a review of national, regional and local trends, such as economic trends, changing demographics, projected workforce shortages, changes in technology, trends in quality and patient safety, trends in finance and reimbursement, and

Evaluating Your Organization's Structure

Consider the following key questions as you evaluate any change to your present organizational structure:

1. What is your organization's most viable and valuable health care role, both now and in the future?
2. Given what you know about changes to reimbursement, potential shifts to non-traditional "inpatient" care settings, care coordination, and other changes incorporated in the ACA, can you continue to provide the same value in the future under your current structure? And can you remain financially viable under that structure in the future health care environment?
3. What is your organization's position in the regional health care continuum, and how can that be solidified?
4. What strengths and assets are most critical for your hospital to possess? Do you currently possess those?
5. What types of management and operating resources does your organization need to have access to in order to meet future community and organizational needs? Can and will you have access to those in the future if you remain in your current organizational structure?
6. How should your organization be structured to be able to best meet the future health needs of the community? Is the status quo the best alternative, or something else?

other implications related to health care reform. In addition, hospitals should review their own internal "vital signs," including an overview of the hospital's historical and projected financial and operating trends.

Hold a Strategic Planning Session. After gathering the quantitative data as well as the viewpoints of key stakeholders, hospital leaders should hold a work session or retreat dedicated to reviewing the information and its implications. The information should frame leaders' discussion about strategic goals for the hospital's future, and help leaders answer the critical question: can the strategic direction defined by the hospital's leaders be achieved independently with the hospital's current resources?

Affiliation Assessment Planning

If intelligence gathering clearly demonstrates that pursuing a strategic affiliation is in the organization and community's best interest, the next step is to lay out an affiliation strategy. This process includes the development of specific goals for an affiliation, identification of criteria for measuring the best organizational fit and incorporating those into a request for proposal (RFP), sending the RFP to potential partners, and evaluating the responses.

Affiliation Goals. If leaders are in agreement that an affiliation is the desired next step, they must agree on the overall goals of a partnership or affiliation. A list of the strengths brought by the potential partner, as well as the desired outcomes of the partnership and ideal affiliation relationship should drive the request for proposal description and submission requirements.

Typical RFP Components. After preliminary discussions with potential partners, a request for proposal generally includes a cover letter for distribution to potential affiliation candidates, an overview of the organization and its goals, and a detailed list of proposal submission requirements. These requirements typically include, but are not limited to, general organizational information, responses to detailed questions regarding the benefits that the organization should expect to derive from the affiliation, a description of the proposed strategic arrangement, proposed initiatives, and descriptions of the candidate's experience and achievements relative to the challenges faced by the organization. Candidates should also provide detailed information about their services, community involvement, human resources development, and more.

Evaluating the Responses. A proposal evaluation and decision-making tool should be developed to evaluate RFP responses, and specifically to the RFP components and the areas deemed

most critical by the organization's leadership. It should itemize the submission requirements, asking questions about the RFP response to each of the questions and requirements, allowing reviewers an opportunity to make notes and/or assign a score to each area when possible. Organizational leaders reviewing the RFP submissions should then walk through their evaluations together and engage in a deep discussion about the potential benefits and drawbacks of each potential partner before making a shared decision.

Make Your Strategic Choice

The right strategic partner should result in a "win-win" relationship between your organization and an organization best suited to work with your hospital in meeting the challenges of the transforming health care environment. By intentionally gathering input from all the key stakeholders, using that input to develop an affiliation planning process, and carefully reviewing the proposal responses using pre-defined criteria, you can be confident that your organization has identified a partner that will enable both organizations to better serve its patients and the community as a whole.