

HOW A **CEO**
A **BOARD CHAIR**
AND AN **ELECTED OFFICIAL**
FOUND THEIR WAY THROUGH
THE MERGER FRENZY

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LEARNING OBJECTIVES

1. Consider affiliation options for your community hospital . . . without abandoning local control.
2. Determine how to approach partnership discussions from a position of strength, and with a careful evaluation of community values.
3. A community's hospital is a precious asset. Any transfer of ownership requires a compelling reason.
4. Think before you jump.

A WIDE SPECTRUM OF AFFILIATION STRUCTURES

- Affiliation Options are ... *Optional!*
- You are in control
- You can reject them all
- Affiliation is not an end in itself
- And “Independence” is not a Mission Statement

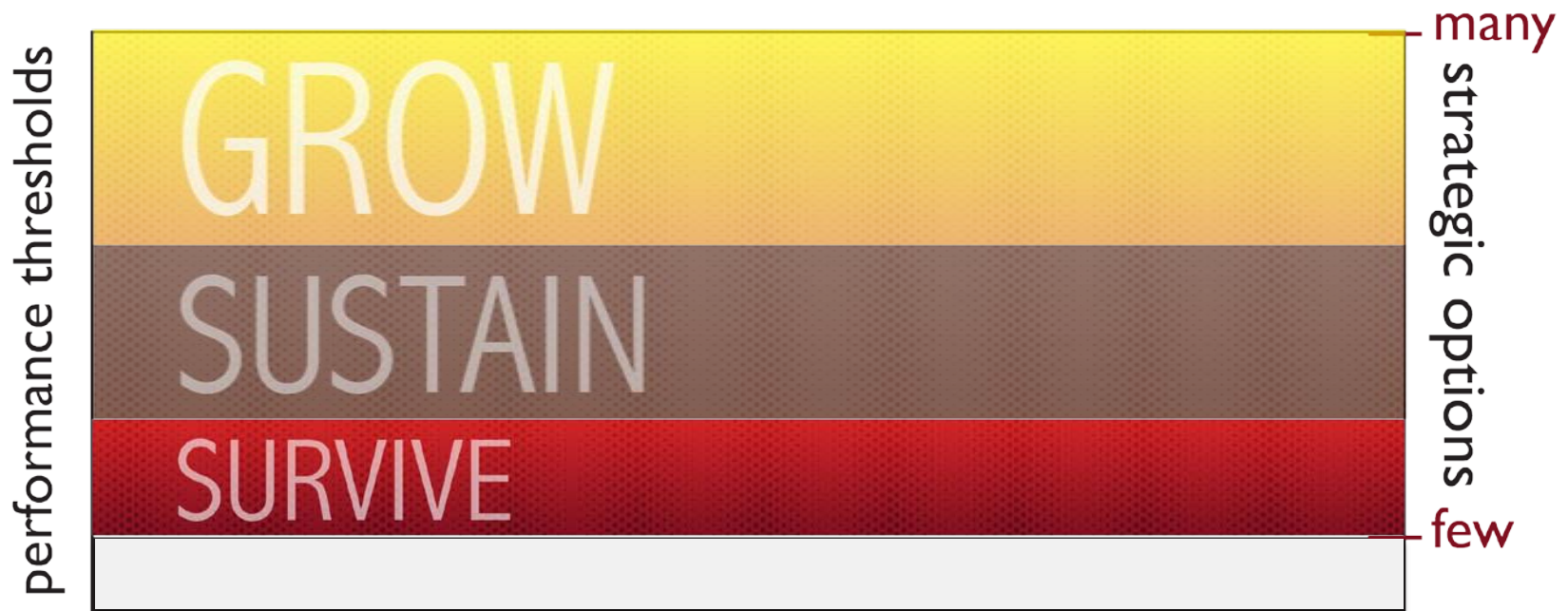
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*If Leaders are not open to Options,
They can only defend pre-formed Conclusions.*

Yes, your Board discussion will be robust,
but also devoid of credible criteria.

WHEN DOES A HOSPITAL HAVE MORE OPTIONS?



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NOT YOUR FATHER'S HOSPITAL ANYMORE

➤ Old School:

- ✓ Hospital-centric services drive profitable encounter-based medicine
- ✓ Encouraged by government and private payers alike
- ✓ Wait for the patients to need your hospital
 - **FILL THOSE BEDS!**

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➤ New Imperative:

- ✓ Economic realities affecting federal and private payers
- ✓ Encourages an accountable value of care (quality/efficiency) to earn payment
- ✓ It's not 'all about the hospital' anymore
 - **EMPTY THOSE BEDS!**
 - Instead, let's try keeping the community healthier.

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❖ **W h a t a c o n c e p t . . .**

THE 'CONSULTING' CONTEXT

- ✓ **Reform Trajectory will survive the 7-2 vote within the Supreme Court's Ruling**
 - “Health Reform”? or ...“health reform”?
 - Systems and Payers embracing the *attributes* of the model
 - Will the private FedEx truck zoom past the public US Mail truck?

- ✓ **Enlightened Leaders will favor *Systems of Care***
 - *From FFS Volume* (episodic care)
 - *To integrated Value* (“accountable” care)
 - HCAHPS/ QUALITY/VALUE

- ✓ **Pressure on stand-alone hospitals**
 - For tighter integration (with physicians, with other providers)
 - For operational efficiencies requiring additional capital
 - Physician recruiting, EMR, accepting risk, decision support, ICD-10

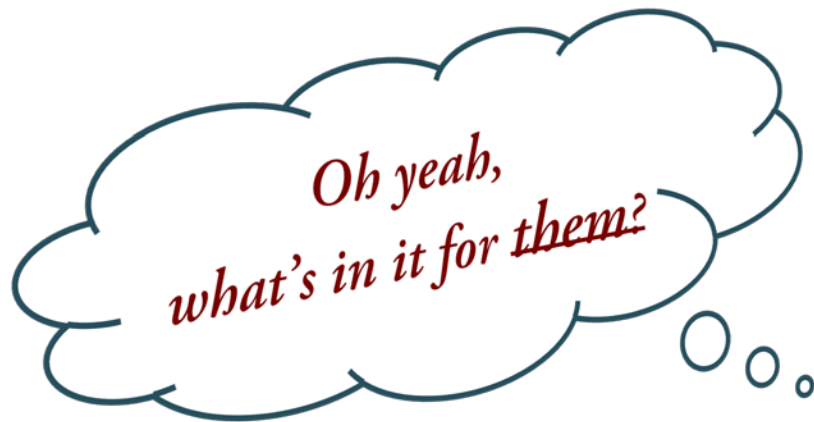
AND NOW FOR THE REAL-WORLD CONTEXT:

The Big Affiliation Question:



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SO, HOW DO WE AVOID THESE PITFALLS?

*Don't wink if you don't
want to dance.*

AND IF YOU DO WINK . . .

Here's an offer you might get:

AND IF YOU DO WINK . . .

Here's an offer you might get:



Trust us.

BALANCING OPPORTUNITY . . . AND RISK!

Try Parallel Analytical Paths:

Independent Assessment of Stand-Alone Funding Plan
<i>Execution Risk</i> <i>Operational Risk</i> <i>Flexibility Risk</i>

<i>Development of</i> <i>Joint Options with Partners</i>
<i>Partner Risk</i>

RISK

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Everyday risks . . .
Comfortable?

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Partner Risk

A new partner makes
you Uncomfortable?
It should!

MANAGE PARTNER RISK

Community Objectives First

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Put Real Options on the Table

Engage your Community

Get Tough Contractual Commitments

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ONE COMMUNITY'S STATEMENT OF OBJECTIVES

"We Want . . ."

1. Local and Regional Strength
2. Clinical Excellence
3. Commitment to Physicians
4. Commitment to Future Capital Investment Here
5. Public and Non-Profit Hospital Characteristics
6. Access Regardless of Ability to Pay
7. Community Care Beyond Hospital-Centric Facilities
8. Commitment to Employees
9. Governance and Local Control
10. Strong Record of Compliance

SAME COMMUNITY'S RFP

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(can you find any differences on this list?)

HOSPITAL LEADERS PEER INTO THE FUTURE

With our service area surrounded, how can we meet long-term demands?

CLINICAL RECRUITING

- Can we recruit and retain the physicians and clinical staff needed to maintain competitive service lines for our people?

COMPETITION

- How can we compete with the well-heeled system competitors, all looking to expand their patient populations?

CAPITAL

- Where can we find the capital for the facilities and the physician recruiting we need to provide these services?

Further Reading

- ✓ “Is Bigger Healthcare Better?” *HealthLeaders Magazine*
- ✓ “Enlightened Interdependence” *Trustee Magazine*
- ✓ “5 Key Questions for Healthcare Executives Considering a Transaction” *Becker’s Hospital Review*
- ✓ 5 Lessons from our 2005 Hospital Crisis,
by the City of Las Cruces and Doña Ana County, New Mexico
- ✓ Questions?
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