

Evaluating Health System Partnerships

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Health systems continue to invest significant time and resources in designing, negotiating, and implementing various types of partnerships and affiliations. Market consolidation and partnership activity remained the top trend highlighted in Definitive Healthcare's 2019 Annual Healthcare Trends Survey, which tracked 803 mergers and acquisitions and 858 affiliation and partnership announcements in 2018. The same level of activity is projected for 2019 as health systems employ a broad range of partnership models to fortify their strategic position and performance. These partnerships include innovative relationships with different types of partners across the care continuum to expand their capabilities and geographic reach.

Maintaining a diversified partnership portfolio has become a core skill set and business model used by leading health systems to support several elements of their strategy. The level of investment and dependency placed on partnerships requires health system boards and management to regularly evaluate existing partnerships in the context of changing market conditions and their evolving strategy. In most cases, leadership has greater visibility into partnerships with significant strategic or economic impact; however, systems don't always have as good a sense of the value being derived from their overall portfolio, which may

include numerous, smaller partnerships. Although the focus and scope of each organization's partnership portfolio varies, the following approach to evaluating partnerships can be adapted to suit each organization's unique needs. This approach can be expanded to address a variety of affiliation arrangements and can also be used by multiple parties seeking to jointly evaluate a new partnership.

Proposed Approach for Evaluating Health System Partnerships

1. Profile the Existing Partnership(s) for Evaluation

Identify the partnerships to be reviewed and the key aspects of those partnerships to be evaluated. The elements to be profiled will vary depending on the nature, duration, and objectives of the partnership. At a minimum, the profile should include:

- A summary of the strategic rationale, goals, and structure of the partnership
- The specific terms, conditions, and commitments made and status of each
- Progress to date in relation to the overall goals and specific quantitative and qualitative metrics established to gauge the success of the partnership
- An evaluation of the respective contributions to date and satisfaction levels with

Key Board Takeaways

- Identify when the last comprehensive evaluation of each partnership occurred, and whether leadership is confident they are achieving the intended goals for each partnership.
- Be ready to act on alternative options and a go-forward path if the partnership is not achieving the desired results.
- Encourage incorporation of a formal partnership review process as part of the regular planning cycle for the organization.

relationships between and among the partners

- A summary evaluation of the success of the partnership

The review process should also include the identification of any goals that were not achieved and an assessment of why they were not achieved.

2. Reassess the Current and Projected Market Environment

The basis of competition is rapidly evolving in healthcare. Each organization should ground its partnership review in a fresh consideration of the current and future market environment. What will it take to be successful in the future? Where do competitive vulnerabilities exist? What must be done to remain successful in the changing environment? Answering these

and other questions may suggest that this review be conducted as part of a broader strategic planning process. The assessment should consider projected changes in demographics, socioeconomic conditions, the inpatient and ambulatory competitive landscape, physician provider requirements, payment model and pricing reforms, consumer expectations, evolving technologies and care models, and purchaser expectations. The board and senior leaders can then highlight future requirements for success as well as current gaps in relation to those requirements.

3. Refresh Organizational Goals and Objectives and Re-evaluate Existing Partnership(s)

Based on the information above, leadership should summarize its overall assessment of the partnership's performance to date. Once the current state of the partnership has been assessed, update the goals and the criteria for evaluating the partnership's future success. If the original goals are still valid, identify options to strengthen the partnership and make it more beneficial and successful in relation to those goals. Highlight opportunities to expand upon the original objectives. In some cases, fundamental changes in the structure and means of operating the partnership may be needed. The partnership should be re-evaluated in relation to these refreshed goals.

4. Identify and Evaluate Go-Forward Partnership Options

Based on the results of the above evaluation, consider ways the

Evaluating Existing Partnerships: Types of Questions Health Systems Are Asking

Many organizations conduct periodic reviews of specific partnerships, especially when challenges are encountered. However, health systems should regularly evaluate their full range of partnerships using a disciplined approach. This is particularly true in markets where the pace of change is rapid. Sample questions raised by health system leadership as they evaluate existing partnerships include:

- Our managed service agreement (MSA) partnership model has worked well historically to align like-minded health systems across the region. Can this model continue to deliver benefits going forward given the need for greater clinical and economic integration across the region? How should we evolve the MSA to better align with the market, our organization, and our regional partners?
- We are no longer sure our existing academic partners are fully aligned with us. What options exist to change this or is it time to move on?
- Our pediatric ambulatory joint ventures called for achievement of several near- and long-term goals. How have we performed against those goals?
- Will our partnership arrangements with outlying rural hospitals support our direction for the next 10 to 20 years? Do we need to re-evaluate our partnership model?
- Is the value of our population health collaborative diminishing? How might it evolve to deliver greater value? Alternatively, is it time to pursue other options?
- Our oncology network has worked well, but we want to align more closely with our health system and physician partners to achieve added benefit. What options exist to advance the oncology network partnership model? How does the clinical and economic alignment model need to evolve? How would changes benefit both parties?
- We appear to have hit a wall with our existing payer partner in our Medicare Advantage product. What can we do to reinvigorate the partnership through new market, product, or economic models?

partnership can evolve. Leadership may want to contemplate alternative structural or operational approaches to better achieve the refreshed goals and objectives. Options might involve a different governance or management model to better align the partners' interests, or an adjustment to the financial expectations or the economic model for the partnership. Significant

strategic and financial analysis of the various options is frequently required to make an informed decision at the management and board levels.

5. Define the Preferred Path Forward, Then Act

Finally, the organization should reset the strategies and objectives for, and method of, operating its key partnerships. In cases where changes are desired, it is important to identify next steps in a timely manner. Even if the decision is to stay the course with modified objectives, the organization will need to reaffirm

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the current partnership model and course of action. A plan of action should specify the timing and resources required for any recommended changes in the partnership models or strategies.

Conclusion

The significant time, finances, and strategic expectation invested in partnerships justifies regular evaluation by the board and management. It's critical to have a formal partnership review process that is incorporated into the organization's planning cycle and is conducted across the broad portfolio of partnerships developed over time. Health systems should begin by identifying when the last comprehensive evaluation of each partnership occurred, and whether leadership is confident they are achieving the intended goals for each partnership.

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