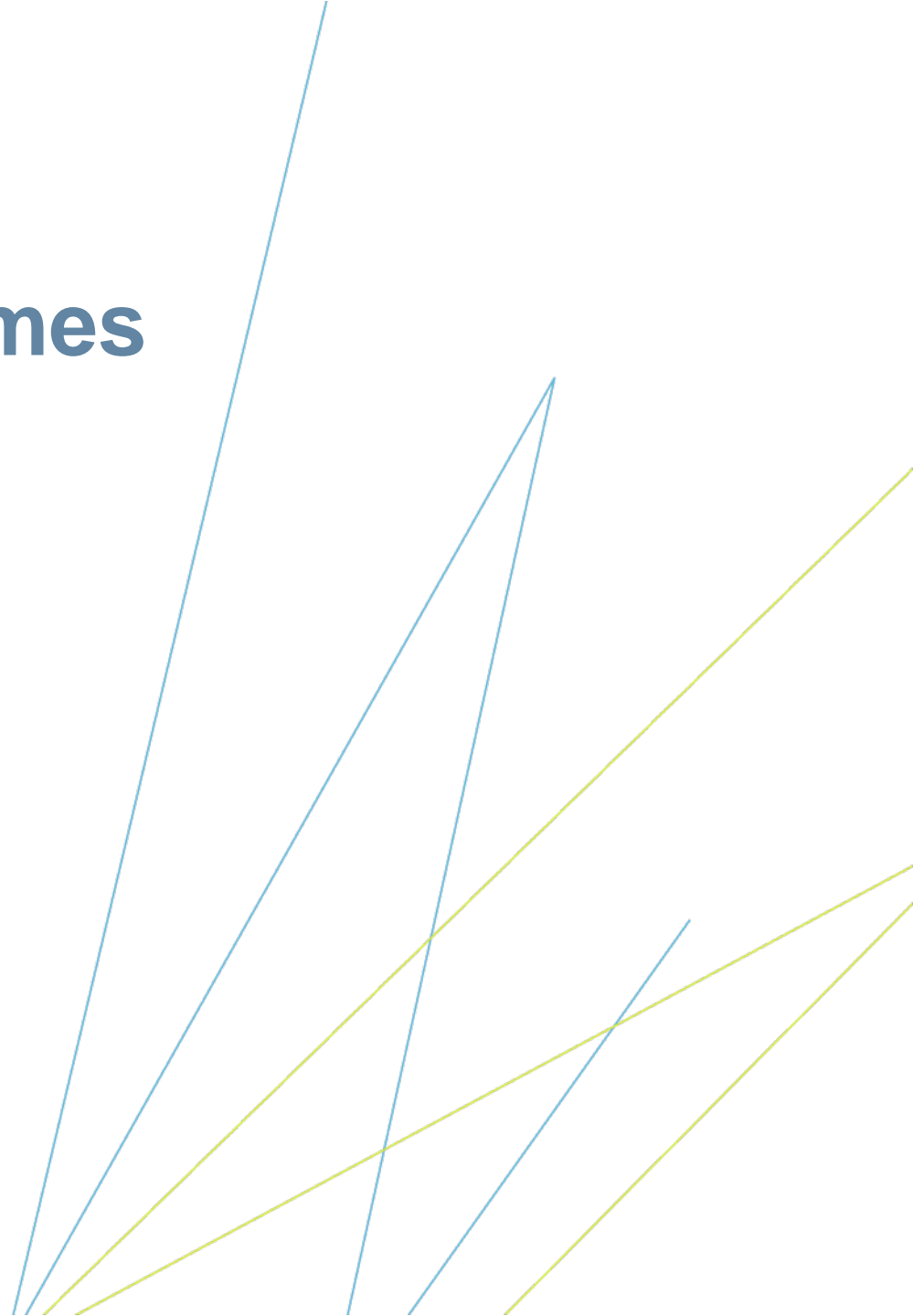


Leadership in Times of Change *Considering Collaboration*

HTNYS 2010 Annual Conference
September 25, 2010



Session Outline

- **Collaboration defined**
- **Understanding the range of collaboration options**
- **Considering collaboration: four essential dimensions**
- **One potential approach to planning for collaboration**
- **Questions the Board should be asking**
- **Lessons learned and other important considerations for the Board**

Collaboration Defined

Collaboration means different things to different people

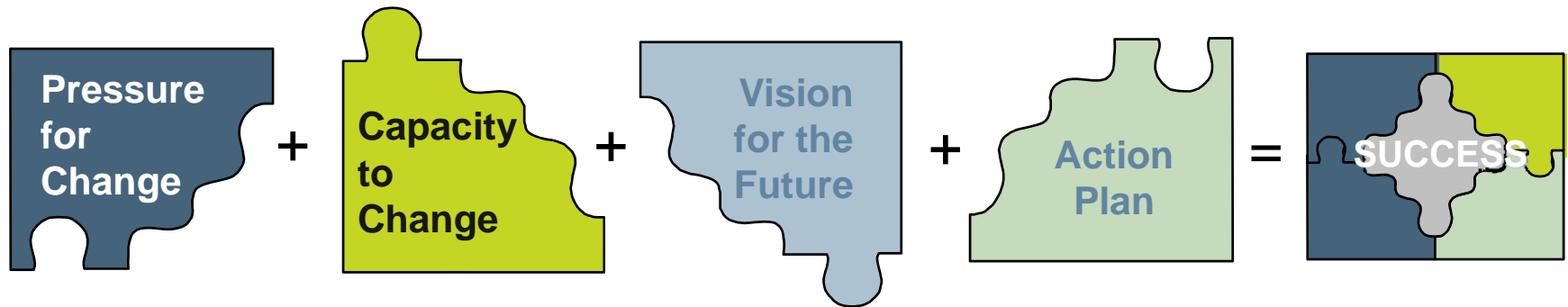
- **Formal definitions of collaboration include:**
 - *The act of working together with one or more other party in order to achieve something.*
 - *Working with the enemy.*
- **Collaboration in health care can range from very tight, formal arrangements to arrangements that are much more limited in scope and impact. In health care, the broad category of collaboration includes:**
 - **Mergers and acquisitions**
 - **JOAs**
 - **Joint ventures**
 - **Physician-hospital alignment**
 - **Strategic alliances**
 - **ACOs**

Understanding the Range of Collaboration Options

Collaboration means different things to different people

- **No one form of collaboration is necessarily best and “form must follow function.”**
- **Organizations collaborate for a variety of reasons, most often to:**
 - **Improve access to capital and/or financial performance**
 - **Improve strategic positioning; ability to serve the community**
 - **Enhance scope of services**
 - **Leverage or enhance expertise**
 - **Improve quality of care**
 - **Improve physician recruitment and retention**
 - **Improve image**
 - **Prepare for or respond to industry change**
- **The benefits (and often the risks) of collaboration typically increase in direct proportion to the strength (tightness) of the collaboration.**

Considering Collaboration: 4 Important Dimensions



- Awareness of environmental challenges and realities
- Objective assessment of the organization's current position and ability to go it alone

- Leadership support for and ability to change
- Agreement on the objectives sought through collaboration
- Likely community reaction to collaboration

- Understanding of various forms of collaboration
- Realistic expectations for the collaboration given the specific models under consideration

- Clarity on how to move forward
- Establishment of a realistic timeframe
- Appropriate milestones and triggers



One Potential Approach to Planning for Collaboration

Planning for collaboration often involves multiple phases:

Phase 1 → *Examination of the Compelling Case*

Phase 2 → *Selection of Preferred Partner(s)*

Phase 3 → *Initial Discussion/Definitive Agreement*

Phase 4 → *“Due Diligence”*

Phase 5 → *The Transaction*

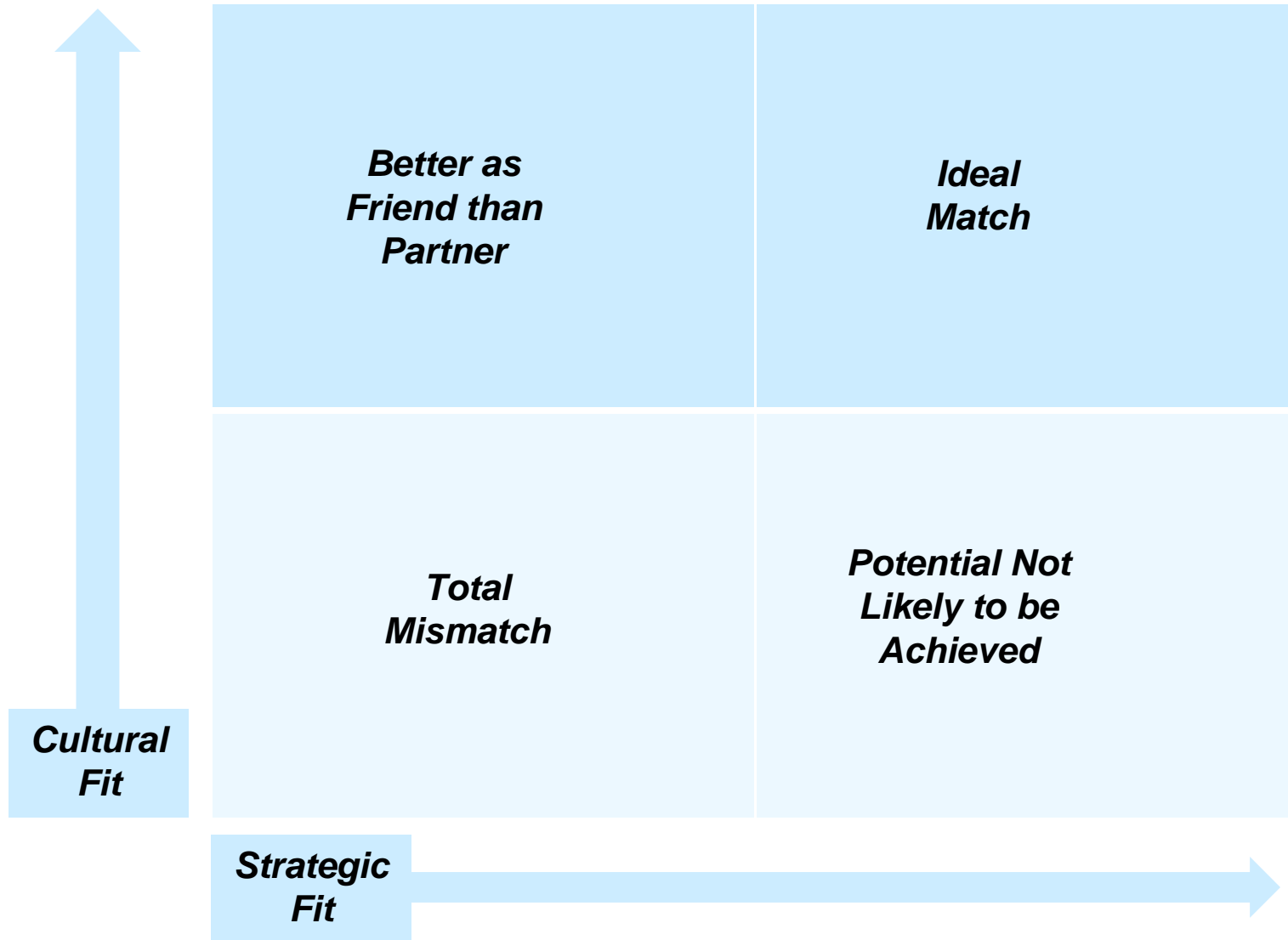
Phase 6 → *Detailed Planning*

Questions the Board Should be Asking

Phase	Key Questions
<i>Phase 1: Compelling Case</i>	<ul style="list-style-type: none">• Why should we consider collaboration?• What do we need? Want?• What do we bring of value to a potential partner?• What are we willing to give up?• If not now, when?
<i>Phase 2: Partners</i>	<ul style="list-style-type: none">• What criteria will we use to evaluate partners and how should they be weighted?• How do our potential partners stack up? Which would be best and why?• How interested are our best potential partners likely to be?• How should we approach our best potential partners?



Selection of Partners



Questions the Board Should be Asking

Phase	Key Questions
<i>Phase 3: Initial Discussion</i>	<ul style="list-style-type: none">• Do we have a common vision?• Can we agree on the type of collaboration that we need?• Does the affiliation make objective sense to all parties?• Can we successfully meld cultures (if needed)?
<i>Phase 4: Due Diligence</i>	<ul style="list-style-type: none">• Do all material “facts” check out?• Is the opportunity what it appears to be?• What are the risks and are they worth taking?
<i>Phase 5: Transaction</i>	<ul style="list-style-type: none">• Do the documents say what they should?
<i>Phase 6: Detailed Planning</i>	<ul style="list-style-type: none">• Do we have a specific and reasonable plan for achieving the vision (and objectives) of the collaboration?



Important Lessons Learned

- **Collaboration can be an effective strategy but is not always so. Just because everyone is doing it does not mean that you should too.**

- **A culture clash ultimately can undermine a collaboration but it does not have to. As part of the collaboration planning process, consideration should be given to how to transform the culture as necessary to support success.**

Important Lessons Learned

- **Planning for an affiliation can take substantial time, energy and resources. While it is important to take the time to do the collaboration right, recognize that most health care organizations cannot afford to put other matters on hold indefinitely while they sort out collaboration options.**

Special Considerations in Down Times

During recessionary times, the Board may...

- **Need to move more quickly to make decisions regarding both:**
 - **The desirability of collaboration.**
 - **The best potential partner.**
- **Put more weight on local options that offer low hanging fruit for consolidation and economies of scale.**
- **Look for options that do not require major capital investment as a pre-condition of affiliation.**
- **Find that many aspects of conventional wisdom about collaboration no longer apply.**

The Board's Role Revisited

Remember...

- **Duties of care, loyalty, and obedience**

With appropriate focus on...

- **Mission**
- **Executive leadership**
- **Community needs and strategic planning**
- **Financial viability**
- **Integrity, compliance**
- **Governance effectiveness**