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CONSIDERING COLLABORATION: THE ROLE OF THE BOARD

By Cathy Sullivan Clark

Collaboration is not a new strategy for health care providers, but has returned to the spotlight given current environmental pressures—most importantly, comprehensive health care reform. For health care providers, collaboration can range from very tightly structured, formal arrangements to configurations that are limited in scope and impact. Examples include:

- mergers and acquisitions;
- joint operating agreements;
- joint ventures;
- physician-hospital alignment;
- strategic alliances; and
- accountable care organizations.

Health care boards play a central role in evaluating the need for collaboration for the organizations they serve, but often struggle with understanding how best to go about planning for collaboration. This article offers guidance for health care governing boards as they contemplate collaboration as a strategic response to today's difficult environment.

Reasons for and Potential Forms of Collaboration

Health care organizations collaborate for a variety of reasons, most often to improve their ability to serve their communities. For example:

- enhancing the scope of services offered;
- leveraging or enhancing expertise;
- improving quality of care;
- improving physician recruitment and retention;
- improving their image;
- preparing for or responding to marketplace changes; and
- improving access to capital and/or financial performance.

Specific Questions the Board Should Ask

Step 1: Examine the Compelling Case

- Why should we consider collaboration?
- What do we hope to achieve through collaboration?
- What value do we bring to a partner?

Step 2: Evaluate Potential Partners

- Given our objectives for collaboration, what criteria should we use to evaluate potential partners and how should these criteria be weighted?
- How do potential partners compare based on our criteria?
- How interested are potential partners likely to be?

Step 3: Initial Discussion Among Partners

- Do we share a common vision?
- Do we agree on the type of collaboration we need?
- Can we successfully meld cultures (if needed)?

Step 4: Due Diligence

- Do the material facts check out?
- Is the opportunity what it appears to be?
- What are the risks?

Step 5: Transaction

- Are the transaction or agreement documents appropriate?

Step 6: Detailed Planning

- Do we have a well defined and reasonable plan for achieving the vision and objectives of the collaboration?
- Do we have commitment and buy-in from key stakeholders in the planning effort?

Of course, no single form of collaboration is best in all situations. Form must follow function—in other words, the board must first understand the desired end result and then determine the types of collaboration that make the most sense. As with many things, how much an organization gains from collaboration is directly related to how much it is willing to give. Typically, the more comprehensive the collaboration, the greater the benefits.

Process of Planning for Collaboration

So how should a board go about considering collaboration? While there is no single approach that must be followed, good processes explicitly consider, and ultimately address, the following elements and related questions:

- **Rationale for collaboration:** What external and internal pressures are causing us to consider collaboration? What is our outlook as a stand-alone organization? What are our most significant strategic needs and how might collaboration help?
- **Support for collaboration:** Do the health system/hospital board, management, and clinical leaders support the need for collaboration and is there consensus on the objectives sought through collaboration? How would staff likely react to collaboration? How would the community react?
- **Vision for collaboration:** Is the form of collaboration under consideration consistent with what we hope to achieve? Are our expectations for collaboration realistic given the form(s) of collaboration we prefer?
- **Action plan for moving forward:** Are we clear on how we will move forward and do we have a realistic timeframe? Have we established key milestones to guide us through implementation?

Many health care entities organize their collaboration planning around the six steps outlined at left. The board should ensure the following questions are addressed at each step in the process.

One of the most important decisions in collaboration planning is the form of collaboration that should be pursued. In evaluating the implications of various forms of collaboration, board members should seek to understand the following:

- **Impact on governance:** How will our governance structure change if we pursue collaboration? Will we retain our own board? Will a new or additional board be created? If so, who will its members be and what authorities or powers will it have? What, if any, powers will our current board retain?
- **Ownership of assets:** Will we maintain ownership of our current assets? Who will own any new assets?

- **Sharing of income:** Will income streams be merged or remain separate? How will any new income streams be allocated?

Without answers to these critical questions, the board cannot comprehend what the organization must give up or what it stands to gain through collaboration. The table below provides two examples of answers to these questions, depending on the form of collaboration.

	EXAMPLE A	EXAMPLE B
Description	Two local hospitals pursue joint development of an ambulatory care center.	Two local hospitals agree to a full asset merger.
Impact on Governance	Each hospital maintains its own board, but a separate board is created to oversee the ambulatory care center.	A new, single governance structure is created for the merged entity, replacing both of the existing hospital boards.
Ownership of Assets	Two hospitals share ownership of the assets related to the ambulatory care center only. All other assets remain separate.	All assets are combined and owned by the new, merged entity.
Sharing Income	Two hospitals share income from the ambulatory care center only. All other income remains separate.	A single income stream is created for the new, merged organization.

Overall Board Duties

When considering collaboration, the board must exercise its duties of care, loyalty, and obedience:

- **Duty of care:** Exercising the same level of care as any prudent person would in examining the rationale, support, vision, and action plan for collaboration.
- **Duty of loyalty:** Keeping the organization’s best interests in the forefront at all times and not allowing personal interests to influence the choices made in planning for collaboration.
- **Duty of obedience:** Ensuring that mission considerations are paramount in decisions about whether to collaborate, with whom, and how.

The decision to collaborate is not always easy. The keys to success in planning for collaboration include:

- Explicitly consider all four requirements for collaboration: rationale, support, vision, and action plan.
- Take time to answer critical questions at each of the five stages in the planning process for collaboration.
- Remain focused on the board’s duties of care, loyalty, and obedience.

While no planning process can guarantee a positive outcome, a well considered and comprehensive approach such as the one outlined above can substantially increase the odds of success.



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HTNYS' Web site—www.htnys.org—provides an array of additional resources related to collaboration—as well as advocacy, education, and information—to help board members develop strategies and prepare for the future. Some examples of collaboration-related resources include:

7 Ways for a Hospital to Align with Physicians

Source: www.beckershospitalreview.com

Aligning Hospitals and Physicians: Formulating Strategy in a Changing Environment

Source: www.greatboards.org

Hospital-Physicians Relations: Cooperation, Competition, or Separation?

Source: *Health Affairs*

Time for a New Model for Hospital Physician Collaboration

Source: www.greatboards.org

Creating a Culture of Health

Source: American Hospital Association

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HTNYS' 2011 Annual Conference

September 16-18

The Sagamore
on Lake George

Conference registration opens mid-July.

