

## The Challenges of Partnerships

“United we stand, divided we fall.” These words from history are finding their way into the lives of many health-care organizations today. There continues to be a great deal of activity related to mergers, affiliations and alliances. Much of the activity is at a system level where major deals grab the attention of the media and Wall Street. On a day-to-day basis, smaller deals are taking place that will impact the roles of healthcare staff and the services purchased by employers.

Why is the employer market so appealing for healthcare providers?

- Employers are the purchasers of health care coverage, ultimately determining a provider’s access to employees and their families (covered lives).
- Employers spend \$260 billion on healthcare annually and nearly \$80 billion on workers compensation alone.
- Employers are looking for the best *value* for their health care dollar.
- Employers prefer to leverage their purchasing power with full-service providers.

Occupational health is viewed as the conduit to an employer market, building solid, long-term relationships while positioning a full continuum of services to an employee population. According to the Health Care Advisory Board’s study on “The Future of Occupational Health,” November 1997, “Providing occupational health services offers the venue and format to establish positive relationships with local employers and their employees that can lead to entirely new revenue streams.”

To maximize this potential, provider alliances offer expanded opportunities. It is valuable to examine the types of relationships finding favor in the marketplace and make strategic decisions regarding the impact those relationships will have. Within the employer market, several models are currently in place. Determining which approaches are at play and which approaches will work in your marketplace is not easy.

Beginning to solve the merger, alliance, affiliation dilemma can be difficult. Start by:

### 1. Evaluating Potential Partners

Decide what characteristics you need in a partner and what you as a partner have to offer. Put together a list of potential partners. Do not simply look at other hospitals or physician offices in your geographic area. Instead, think “outside the box” by looking at rehabilitation providers, fitness facilities, payers or national providers, etc. Think about what employers in your area want from providers.

### 2. Defining Roles, Objectives and Goals

The roles of all participants must be defined and common understandings and goals

determined. There must be consensus as to the defining purpose of the affiliation being formed. Come prepared with several options.

### 3. Determining a Structure

What does it take to successfully operationalize? Typically, the more structured the effort the greater the success rate. Also, critical to success is a *strong management model with fiduciary and performance accountability*. The following are three common models seen today. Keep in mind, a combination of the models is also an option.

	<b>Model #1</b>	<b>Model #2</b>	<b>Model #3</b>
	<b>Form a LLC</b>	<b>Form a Hospital/ Physician Relationship</b>	<b>Form a Corporate Division within the System</b>
<b>Pros</b>	<ul style="list-style-type: none"> <li>• Can be for-profit</li> <li>• Can quickly react to market changes</li> <li>• Larger up-front costs can be shared</li> <li>• Formal structure</li> <li>• Risk-sharing</li> <li>• Consistent branding strategies</li> <li>• Centralized management</li> <li>• Direct contracting opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Lower development costs</li> <li>• Lower risk</li> <li>• Better geographic coverage</li> <li>• Potential to enhance current physician/hospital relationship</li> <li>• Established physical sites</li> </ul>	<ul style="list-style-type: none"> <li>• More control</li> <li>• More timely acquisition during growth</li> <li>• A formal structure</li> <li>• Larger scope of services</li> <li>• Greater economies of scale</li> <li>• Cost-sharing</li> <li>• Greater system coordination with managed care effort</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>• Larger up-front costs</li> <li>• More timely to develop</li> <li>• Increased risk overall</li> <li>• Compete with potential referral sources</li> </ul>	<ul style="list-style-type: none"> <li>• Less control over performance</li> <li>• Relationship politics</li> <li>• Potential physician relations issues</li> <li>• An informal structure can lead to problems</li> <li>• Hospital typically incurs majority of costs</li> </ul>	<ul style="list-style-type: none"> <li>• Development &amp; implementation costs</li> <li>• Long negotiations</li> <li>• Increased risk</li> <li>• Bureaucracy may still impact</li> </ul>

#### 4. Stay Competitive

As competition increases in the local market, knee-jerk a thorough competitive analysis. Know the market and your advantage of marketplace opportunities.

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**“Every good strategic action must be logical, doable, and high priority.”**

-Miller Heiman

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#### 5. Develop Measures of Success

Put together a plan that includes a time-line for development. Determine how success will be measured. Success can be patient visits and revenue to better meeting the needs of your client companies to improving your relationship with referring physicians.

While affiliation and alliance models may vary according to each system, its culture and market — *the constant is management structure*. There must be a commitment on the part of all involved to create an internal entity that drives employer initiative and system integration. This requires a redesign of the management and sales function and realignment of roles, responsibilities and accountabilities. Many growth opportunities exist in today’s new market. Too often we focus on the negative side of change. The end result of such alliances may be system-wide referrals, managed care leverage, increased cross-selling opportunities and improved client responsiveness. To fully realize the value of these affiliations, the employer must see the partnerships as a benefit to them and to their employees and families.



*Corporate Health Group (CHG) has partnered with healthcare organizations nationwide developing customized operating models that maximize employer relationships, revenues and deliverables. For a free one-hour consult to discuss your model options, call CHG at 1-888-334-2500 or [www.corporatehealthgroup.com](http://www.corporatehealthgroup.com).*