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FREE REPORT

FEBRUARY **2015**

THE M&A AND PARTNERSHIP MEGA-TREND:

Deals for Growth and Survival

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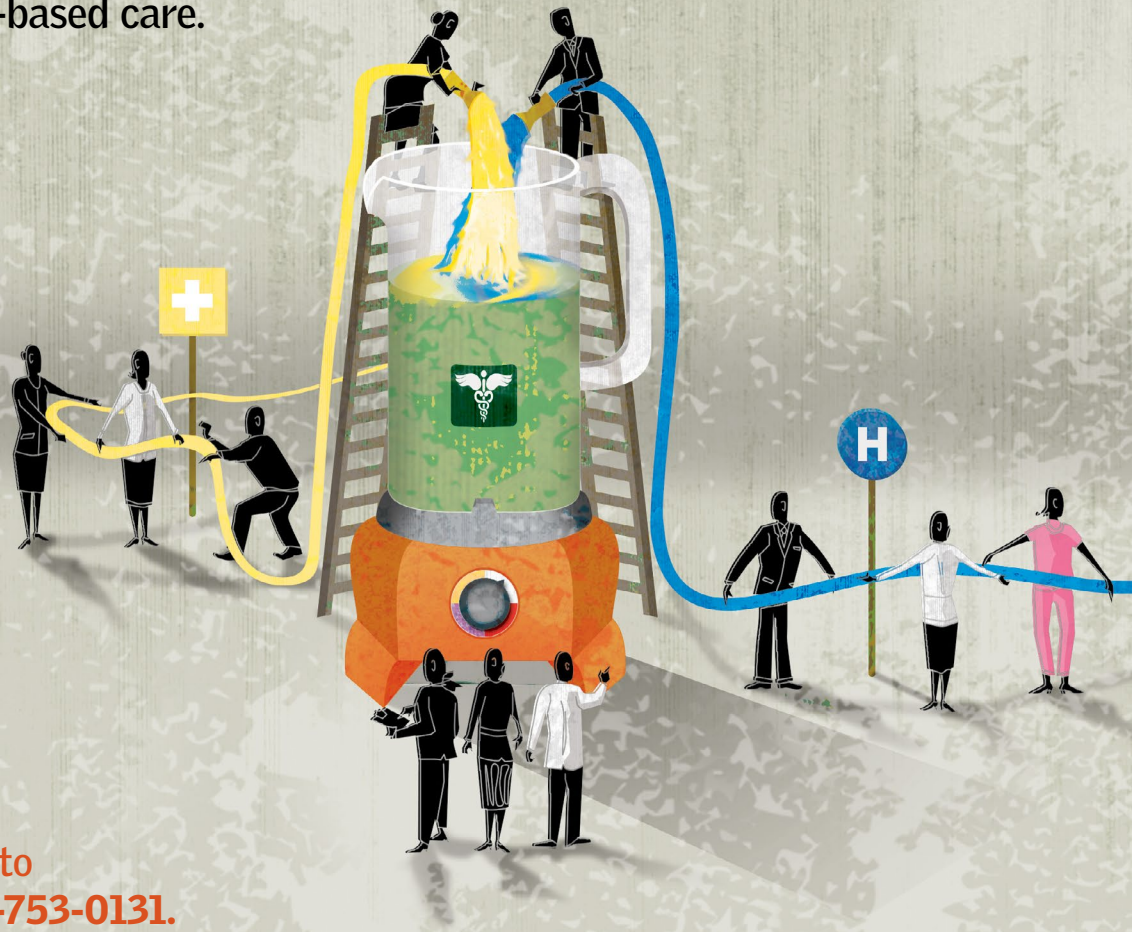
NEW RESEARCH FROM HEALTHLEADERS MEDIA

The M&A and Partnership Mega-Trend: Deals for Growth and Survival

This report explores the key motives for and considerations when joining forces to address the consequences of value-based care.

USE THIS EXCLUSIVE RESEARCH TO:

- Identify the top financial and care-delivery reasons behind today's hot merger and acquisition activity
- Learn how both changing relationships with payers—and the anticipation of where those relationships are going—guide mergers, acquisitions, and partnership decisions
- Learn which care settings are likelier to feel the effects of payer actions, driving them to enter into agreements that provide additional strength in payer negotiations
- Learn the specific steps LHP Hospital Group takes to merge cultures when stand-alone hospitals are brought into its regional network



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This is a summary of the Premium edition of the report. In the full report, you'll find a wealth of additional information. For each question, the Premium edition includes overall response information, as well as a breakdown of responses by various factors: setting (e.g., hospital, health system, physician organization), number of beds (hospitals), number of sites (health systems), net patient revenue, and region.

Available separately from HealthLeaders Media is the Buying Power edition, which includes additional data segmentation based on purchase involvement, dollar amount influenced, and types of products or services purchased.

In addition to this valuable survey data, you'll also get the tools you need to turn the data into decisions:

- A Foreword by Peter Johnsen PhD, Chair of the Board, UnityPoint Health—Methodist|Proctor, Peoria, Illinois, and Lead Advisor for this Intelligence Report
- Four Case Studies featuring initiatives by Conemaugh Health System in Johnstown, Pennsylvania; Beebe Healthcare in Lewes, Delaware, and Nanticoke Health Services in Seaford, Delaware; LHP Hospital Group, Inc. in Plano, Texas; and UnityPoint Health—Methodist|Proctor in Peoria, Illinois
- A list of Recommendations drawing on the data, insights, and analysis from this report
- A Meeting Guide featuring questions to ask your team

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Table of Contents

Locked items are available in the Premium and Buying Power editions.

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Methodology

The *2015 Mergers, Acquisitions, and Partnerships Survey* was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of monthly Thought Leadership Studies. In November 2014, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 315 completed surveys are included in the analysis. The bases for the individual questions range from 215 to 315 depending on whether respondents had the knowledge to provide an answer to a given question. The margin of error for a sample size of 315 is +/-5.5% at the 95% confidence interval.

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The HealthLeaders Media Intelligence Unit, a division of HealthLeaders Media, is the premier source for executive healthcare business research. It provides analysis and forecasts through digital platforms, print publications, custom reports, white papers, conferences, roundtables, peer networking opportunities, and presentations for senior management.

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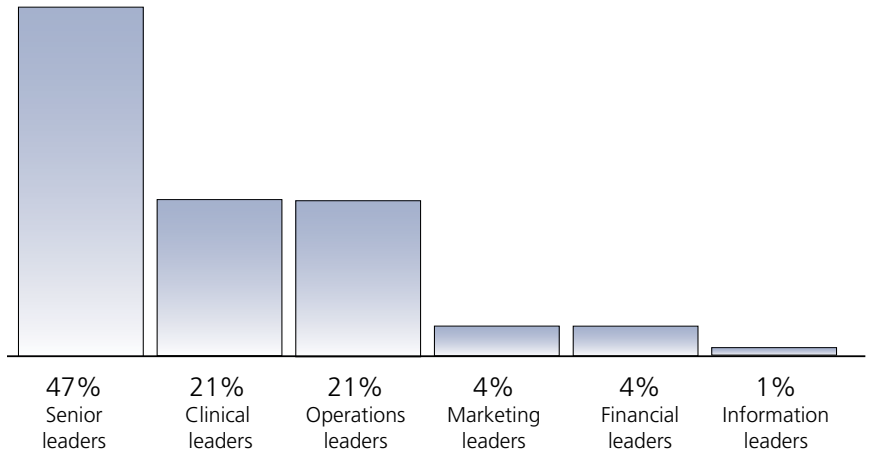
Respondent Profile

Respondents represent titles from across the various functions at hospitals, health systems, and physician organizations.

Title

Base = 315



Senior leaders | CEO, Administrator, Chief Operations Officer, Chief Medical Officer, Chief Financial Officer, Executive Dir., Partner, Board Member, Principal Owner, President, Chief of Staff, Chief Information Officer

Clinical leaders | Chief of Cardiology, Chief of Neurology, Chief of Oncology, Chief of Orthopedics, Chief of Radiology, Chief Nursing Officer, Dir. of Ambulatory Services, Dir. of Clinical Services, Dir. of Emergency Services, Dir. of Inpatient Services, Dir. of Intensive Care Services, Dir. of Nursing, Dir. of Rehabilitation Services, Service Line Director, Dir. of Surgical/Perioperative Services, Medical Director, VP Clinical Informatics, VP Clinical Quality, VP Clinical Services, VP Medical Affairs (Physician Mgmt/MD), VP Nursing

Operations leaders | Chief Compliance Officer, Chief Purchasing Officer, Asst. Administrator, Chief Counsel, Dir. of Patient Safety, Dir. of Purchasing, Dir. of Quality, Dir. of Safety, VP/Dir. Compliance, VP/Dir. Human Resources, VP/Dir. Operations/ Administration, Other VP

Marketing leaders | VP/Dir. Marketing/Sales, VP/Dir. Media Relations

Financial leaders | VP/Dir. Finance, HIM Director, Director of Case Management, Director of Patient Financial Services, Director of RAC, Director of Reimbursement, Director of Revenue Cycle

Information leaders | Chief Medical Information Officer, Chief Technology Officer, VP/Dir. Technology/MIS/IT

Type of organization

Base = 315

Hospital	40%
Health system	44%
Physician organization	16%

Number of beds

Base = 126 (Hospitals)

1–199	45%
200–499	34%
500+	21%

Number of sites

Base = 138 (Health systems)

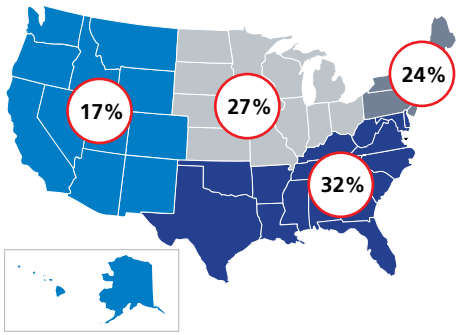
1–5	23%
6–20	24%
21+	53%

Number of physicians

Base = 51 (Physician organizations)

1–9	24%
10–49	31%
50+	45%

Region



WEST: Washington, Oregon, California, Alaska, Hawaii, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

MIDWEST: North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Illinois, Indiana, Michigan, Ohio, Wisconsin

SOUTH: Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, Tennessee, Kentucky, Florida, Georgia, South Carolina, North Carolina, Virginia, West Virginia, D.C., Maryland, Delaware

NORTHEAST: Pennsylvania, New York, New Jersey, Connecticut, Vermont, Rhode Island, Massachusetts, New Hampshire, Maine

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ANALYSIS

Risk, Reward, and the Deals That Are Reshaping Healthcare

MICHAEL ZEIS

The effect of the push and pull of healthcare reform is manifested in the industry's continuing appetite for consolidation and partnerships. Ultimately, because providing care is very much a provider-patient activity, the infrastructure for care delivery has a local flavor, which means that, compared to other industries, the healthcare industry can be characterized as fragmented. However, the drive toward delivering value-based care provides compelling motivations for healthcare organizations to join forces, creating an active environment of mergers, acquisitions, and partnerships (MAPs).

The top financial objective for such MAP activity is to increase market share within the geography that the organization serves; the choice was selected by 68% of the respondents to the *2015 HealthLeaders Media Mergers, Acquisitions, and Partnerships Survey*. In a similar vein, 58% include expanding geographic coverage as an overall financial objective. Both motives have long been principal paths toward acute care revenue growth.

But now, shifts in the industry's structure, prompted largely by healthcare reform, are forcing organizations to recognize the limits of a "classic" focus on increasing admissions and patient procedures. In fact, organizations need to respond to a trend toward reduced acute care admissions and

WHAT HEALTHCARE LEADERS ARE SAYING

Here is what leaders are saying about how they expect their formal working relationships with payers to change over the next three years.

"We expect to see more joint ventures and risk around products and development of narrower networks."

—CEO for a large hospital

"We'll see more payer interest in joint venturing, or at least strategic partnerships, with health systems, hospitals, and medical groups."

—Chief operations officer for a medium health system

"Payers are becoming less receptive to negotiations as we move into a value-based market and away from the standard fee schedule."

—Vice president of operations for a medium hospital

"More reimbursement will be tied to clinical performance and population management."

—Vice president of operations for a medium hospital

"There will be movement toward developing internal capability to offer a narrow network. We anticipate partnering more closely with one payer to facilitate this effort."

—CEO for a medium health system

"It's difficult to predict in detail, but we expect macro changes related to shared-risk models, blurred lines between payers and providers, and the evolving provider landscape (office-based procedure settings, ASCs, UCCs, etc.) will necessitate broad changes in how healthcare is reimbursed."

—Vice president of administration for a large health system

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Analysis (continued)

acknowledge the need to change operations to respond to reduced volume-based reimbursement. Two-thirds (62%) include the desire to improve operational cost efficiencies among their MAP objectives.

"I think that operational efficiencies are always going to be near the top. If anybody can help me make my shop more efficient or can help me minimize infrastructure costs, that's a good thing," says Scott A. Becker, FACHE, CEO of Conemaugh Health System of Johnstown, Pennsylvania, a three-hospital system with more than 600 licensed beds.

For many, the need to increase the organization's influence with payers joins the need to increase revenue as a MAP motivation. Becker describes the situation facing many healthcare leaders: "How do I get market relevance? I have to have enough size to have an impact, to not be tiered out of a product or a region. The world is changing because market relevance is so important to the insurance process." Indeed, when we see that 54% say their M&A and partnership strategy is motivated by the need to improve their organization's position for payer negotiations, we get an indication of how the industry is responding to healthcare reform.

With an eye on payers

Motivating much of the attention to mergers, acquisitions, and partnerships is the recognition that providers must invest in care systems and infrastructure that support the emerging requirement to be responsible for patient health but that doing so under the existing fee-based revenue flow, for the most part, rewards the payer and not the provider.

> "The world is changing because market relevance is so important to the insurance process."
>
> —Scott Becker

Says Becker, "I think the respondents' mind-set is, 'I've got to get closer to the premium dollar if I'm going to be successful. If I reduce length of stay, if I reduce readmissions, if I do anything that lowers the cost, who benefits? Mostly the insurer, unless you're in the insurance game.' So I think health systems are looking to try to get closer to the premium dollar so that they can share in the savings, because the only new money coming into the healthcare system would be money that reduces the overall cost of healthcare."

A provider's position with payers can be particularly problematic outside of the acute care setting. More than two-thirds of physician organizations (67%) include positioning for payer negotiations as a top financial objective of their MAP strategy, compared to 55% of health systems and 48% of hospitals. "Over the years it's been very difficult for physicians to have any leverage with the payers. They've got to negotiate individual contracts," says Jeffrey M. Fried, FACHE, president and CEO

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Analysis (continued)

of Beebe Healthcare of Lewes, Delaware, a not-for-profit health system serving the population of Sussex County Delaware from a 160-staffed-bed hospital and six other locations. "If you're an independent physician, how you get paid is a major issue for you. When you're a physician, particularly a stand-alone physician, it's harder to leverage what you bring to the table and negotiate better rates."

Over the next year, a relatively small percentage of respondents (12%) has a high interest in pursuing a merger, acquisition, or partnership with a payer or payers in order to, as Becker puts it, get closer to the premium dollar. Instead, organizations participate in programs such as ACOs. Health systems are more involved with payers in this way than are hospitals or physician organizations. For instance, 52% of healthcare leaders from health systems report that their organization is involved with a payer through an ACO or bundled payments, compared to 36% of hospitals and 37% of physician organizations.

"Hospitals alone would have less of an appetite for getting into the risk business," Becker explains. "Whereas if you look at the Geisingers and at the UPMCs, they're saying if they're going to be successful, they need to be integrated delivery systems. So it doesn't surprise me that the health systems would have much more of an appetite for the insurance side of the equation. And if it's not pure ownership, how do I get to learn the insurance side of the equation? With ACOs and bundled payments."

Comments in response to our question about how healthcare leaders expect their relationships with payers to change over the next three years indicate how much may be at stake for those who are small and unconnected. The administrator at a large physician organization says, "We are working on gaining as many covered lives as possible so we are noticed and needed." The chief nursing officer at a small hospital told us, "We are too small. We need to affiliate or we will have financial disaster."

> "When you're a physician, particularly a stand-alone physician, it's harder to leverage what you bring to the table and negotiate better rates."
>
> —Jeffrey Fried

Finances aside, the need to address emerging care delivery requirements also provides motivation for merger, acquisition, and partnership activity. Nearly three-quarters (70%) include the need to improve their position for population health management among the top care delivery motivations behind their MAP strategy, which demonstrates how care delivery and finances are linked.

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Analysis (continued)

The lead advisor for this Intelligence Report, Peter B. Johnsen, PhD, chairman of the board of UnityPoint Health—Methodist | Proctor, a Peoria, Illinois–based health system that includes Methodist, a 330-bed hospital, and Proctor, a 220-bed hospital, explains: "The other thing about scale is that people are trying to get bigger so that they have the resources to acquire the skills and systems during this transitional period when we're still in the old fee-for-service as we move to the value-based. If you are fully anticipating moving to a value-based, risk-based system, you need to acquire those assets and learn how to use them."

On that point, Becker adds, "The reality is that finances drive a lot of the decision-making. You can't grow the clinical spectrum if you don't have the dollars to recruit the physicians or to invest in the clinical infrastructure." Fried lists some of the investment areas: "If you're going to get into population health and develop care delivery models, you have to create information technology platforms. You have to be able to capture clinical information from your network. You've got to look at hiring care coordinators. Also, you have to have the expertise to help you do all of that. And not everybody has the financial ability to do that."

Who is doing what?

Using the organization's most recent MAP activity as a gauge, mergers or acquisitions (44%) and contractual relationships (partnerships) that are not M&As (38%) occur with similar frequencies. For 49% of hospitals, the most recent activity was a partnership, compared to 32% of hospitals most recently involved in a merger or acquisition. Fifty-four percent of health systems were most recently involved in a merger or acquisition, while only 30% were involved in a partnership. Of the health systems involved in an M&A, nearly three-quarters (71%) were the acquiring organization. Hospitals were the acquiring organization 50% of the time, and physician organizations were acquirers in 46% of the cases. Generally speaking, health systems acquire more often because they have more resources than hospitals or physician organizations, but it's not just a matter of capital. Johnsen, lead advisor for this Intelligence Report, says, "Larger systems have more resources for acquisitions. And they have more intellectual resources to do the forward thinking and business-case modeling."

> "Larger systems have more resources for acquisitions. And they have more intellectual resources to do the forward thinking and business-case modeling."
>
> —Peter Johnsen, PhD

Fully half (50%) of recent non-M&A activity involved an affiliation, collaboration, or alliance. Such arrangements require less of a commitment than a merger, acquisition, or joint venture, and are easier to enter and exit. Dan Moen is executive chairman of the board of

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Analysis (continued)

directors for the LHP Hospital Group of Plano, Texas, a privately held company that provides capital and expertise to not-for-profit hospitals and health systems, with which it forms joint ventures to own, operate, and manage acute care hospitals. He notes that ease of entering into an affiliation means the decision to proceed is easier. "Relatively speaking, it is easier to get your board to agree to an affiliation or joint operating agreement. A joint venture where the balance sheets and governance of both organizations are combined is much more difficult to execute, compared to an affiliation or collaboration. However, who would be against affiliating if you can reduce cost or create some other synergy between the organizations?"

One trade-off between a merger or acquisition and a working relationship without a transfer of ownership, according to Becker, is effectiveness. "I think it's very difficult to achieve a long-term end point with a joint venture model," he says. "Some want to hold onto their independence as long as they can, so they see a partnership or joint venture potentially as a way. But if I'm in a partnership and someone else is economically integrated, for some reason the economic integration goes faster, because there's someone in control. If we're going to get to where we're going in this industry, we have to be coming from a disciplined approach, and I think that requires somebody to own it."

Becker reminds us to think broadly about formal working relationships. We think of joint ventures as a form of partnership because there is no buyer or seller—no transfer of assets. But even a joint venture can result in organizations with considerable market might, as we have seen with the establishment late last year of a partnership between Anthem Blue Cross (Anthem, Inc.) and seven health systems southern California. "I think you probably would call that a joint venture," Becker says. "We're seeing new types of clinical relationships forming, such as that one, that are innovative. But joint ventures have to be pretty slick and pretty well defined for them to go beyond having two parts of the world competing against a third part in the same marketplace."

> "Who would be against affiliating if you can reduce cost or create some other synergy between the organizations?"
>
> —Dan Moen

For nearly two-thirds of hospitals (64%), the most recent M&A or partnership activity involved another hospital. Noting the strength of expanding share as a motivation for M&A and partnership activity, Johnsen expects that hospitals are seeking scale. "I think what healthcare organizations are trying to do is acquire population. You need a large

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Analysis (continued)

patient pool to do risk management, so what they're doing is moving into areas where there are patients that can be included in their patient pool for risk management contracts. If we're going to move to risk-based contracts, we've got to have a population with enough diversity in it to be able to manage that risk."

More than two-thirds (69%) of physician organizations have a high interest in pursuing physician practices for mergers, acquisitions, or partnerships within the next year. Johnsen says that this activity probably is driven by the need to provide coordinated care. He says, "They are trying to roll up both family practices and specialists into a coordinated care model so they can do a better job of population health management. They are building organized systems of care."

Consolidation: the final stretch?

More than half (53%) of healthcare leaders expect that the value of their organization's merger and acquisition activity will go up within the next three years, and only 7% expect a decline. Fried says continued consolidation activity is driven by healthcare reform and the shift to population health management.

"When you look at how the drive toward population health is changing the way care is delivered, and combine that with payment reform, these concepts promote the idea that bigger could be better, whether it's creating infrastructure or whether it's creating the geographic footprint," Fried says. "If you're going to take on more financial risk, you need a larger population to spread that risk over. All of that supports the idea of larger systems."

> "Health systems are looking to try to get closer to the premium dollar so that they can share in the savings."
>
> —Scott Becker

Looking at the same numbers, Becker suggests that 53% expecting the value of M&A activity to increase might understate the case, largely because of recent financial upswings. "Financial performance often has an impact on people's intentions and the urgency of the need to merge," he says. "First of all, last year many providers received stage 2 meaningful use dollars, which provided a positive financial impact for a lot of hospitals. Second, hospitals in about half the states also had the impact of Medicaid expansion. Both [circumstances] combined to produce an uptick in financial performance, but it's going to be short-lived." Although the effects of these two temporary boosts to healthcare organizations may diminish quickly, observers expect strong financial performance overall from the U.S. economy in 2015, with low inflation and a solid securities market.

Becker observes that the influence of those two financial boosts on M&A

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Analysis (continued)

activity can be manifested in two different ways. "Those two specific issues could have a two-pronged effect. Those who want to merge may say, 'Now's a great time to, because my numbers are never going to look better.' Those that may be a little hesitant may say, 'We really love being independent, so now we can hold on longer.' "

Because LHP's business model relies on entering joint ventures with independent hospitals that have sound financials, the organization has a comprehensive view of competitive dynamics in all regions. Moen acknowledges that the pool of potential partners for LHP is small and getting smaller. Of course, that means that consolidation is approaching a limit.

Moen says that, today, there are 400 to 500 stand-alone facilities worth more than $100 million in annual revenue among the acute care hospitals, and that number will continue to dwindle as they form regional networks.

Showstoppers

The due-diligence phase of a transaction provides a close view of a potential partner's finances and operations. Although the most-mentioned financial reason for the failure of a merger, acquisition, or partnership is concern about the assumption of liabilities (28%), operational concerns, too, play a role, and governance (26%) and incompatible cultures (also 26%) are mentioned by almost as many.

> "If we're going to move to risk-based contracts, we've got to have a population with enough diversity in it to be able to manage that risk."
>
> —Peter Johnsen, PhD

Governance can be especially difficult for physician practices, according to Fried. "Physicians are concerned about governance because when you're an independent doctor, you're in charge of everything in your practice, and your own governance isn't an issue. Physicians really want to make sure they've found the right partner because they're basically placing their destiny in somebody else's hands."

Many at the hospital and health system level strive to maintain local control, as Johnsen and the Methodist Medical Center board did in 2011 when joining forces with UnityPoint Health (then called Iowa Health System). "Healthcare delivery is a local need and responsibility and game," Johnsen says. "So that's the way we operate the system as a whole. UnityPoint Health is probably best described as a confederation of organizations, and can leverage the system's capacity in terms of information technology, government relations, and financial strength that share a common vision, mission, and values for local healthcare

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Analysis (continued)

delivery. Bill Leaver is the CEO, and our regional CEOs answer to him, but the local boards remain responsible for operations and P&L, which roll up to UnityPoint, so we work collaboratively on the big issues."

Although one cannot do without very detailed agreement papers, executives should pay close attention to observations that may not appear on contracts. More than one-fifth (21%) say that mistrust between parties caused their organization to abandon a merger, acquisition, or partnership.

"The bottom line is trust," Fried says. "Unfortunately, you can't write trust into an agreement. That's something that permeates the relationship, and if you don't have trust, it's kind of hard to make anything work. When you have trust, there are a lot of things that you can do that you can't even consider thinking about if you don't have trust going into a relationship."

Tighter collaboration and bigger organizations

With healthcare reform, the pace of change is quickening and the degree of change is expanding. The fundamental switch to value-based care presents both financial and operational challenges, and organizations are responding with MAP objectives aimed at collaborating more closely through organizations that are larger. Says Johnsen, "The old way was that our decisions were made to enhance our revenue stream based to support the mission of the organization on a fee-for-service model. Now, much of the behavior in acquisitions is maneuvering for population health and risk-based contracting."

> "If you're going to take on more financial risk, you need a larger population to spread that risk over. All of that supports the idea of larger systems."
>
> —Jeffrey Fried

While partnerships may offer the opportunity to improve various aspects of care delivery and may provide for potential cost savings through efficiency, the ease of entering and exiting partnerships may diminish the return one might see for the effort, compared to a merger or acquisition. "If you still have to fight about the money at the end of the day," Becker says, "if someone's not in charge, then it's going to become a food fight at some point in time."

Partnerships may represent important steps toward population health management, assumption of risk, care coordination, and so on. But part of the decision process about entering a partnership should include an examination of whether to pursue a merger or acquisition instead. Says Becker, "If you're going to move toward an acquisition anyway, why take the steps? Let's just go."

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Analysis (continued)

Although industry direction seems clear, the timing is not. Therefore, providers need more frequent reviews of their strategic missions and their tactical responses to the challenges the industry is presenting. Recognizing the need for scale, mergers and acquisitions and partnerships are taking on more importance, so decision-makers—boards, CEOs, and the executives they appoint to assist them—must become adept at initiating, investigating, and implementing mergers, acquisitions, and partnerships.

For example, Beebe Healthcare remains an independent hospital, but its board is monitoring the industry closely, acknowledging the importance of timing. "We are talking more and more about the options out there if we choose not to go it alone," says Fried. "We need to think about those points that might trigger us to examine a merger, acquisition, or other type of partnership more seriously."

Organizations need a board of directors that is engaged and informed. When the economic collapse in 2008 tightened capital, Methodist Medical Center cancelled a pending improvement project, and the board began to examine how to proceed in an environment of great economic uncertainty. Says Johnsen, "The board did a very thorough job gaining perspective and devising a strategy and eventually led us to our affiliation with UnityPoint." That same body of knowledge, updated and expanded, continues to inform strategic decisions for UnityPoint Methodist. "We continue to prepare ourselves to be successful in the changing landscape of a care delivery model," says Johnsen.

With the importance of scale and competitive positioning, the board's examination of industry direction must include new care settings, with a sober perspective about the nature of structural changes. Johnsen says, "We recognize that Walmart and Walgreens are our competitors now, not just Saint Francis across the street. There are a lot of players entering these markets. If we're going to be successful and sustainable, we have to think about doing things differently. The responsibility of the board is to develop strategies that will bring success in the future."

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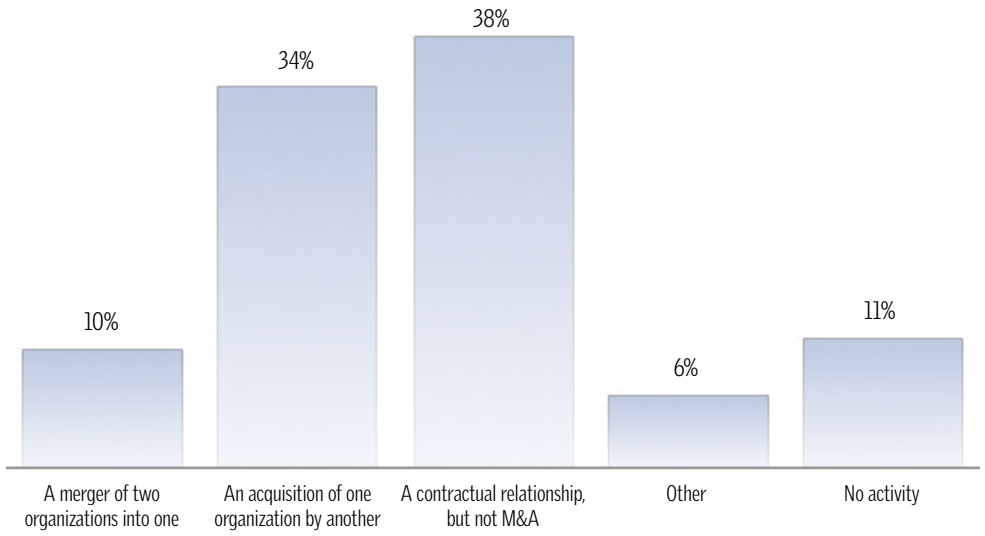
FIGURE 3 | Merger/Acquisition/Partnership Activity

Q | Considering your most recent M&A and/or partnership activity, was it ...

Total responses



TAKEAWAYS

- Using the most recent activity as a gauge, partnerships (38%) and mergers/acquisitions (44%) occur with nearly equal frequency.
- The most recent M&A or partnership activity among 42% of health systems was an acquisition. Another 12% were involved in a merger most recently.
- Showing similar percentages, the most recent MAP activity among 39% of physician organizations was an acquisition. Another 8% were involved in a merger most recently.
- Nearly half (49%) of hospitals were most recently involved in a contractual relationship that did not involve a merger or acquisition.

WHAT DOES IT MEAN?

Health systems are more involved than hospitals with acquisitions, with most having the resources and skills to invest in integration. Further, Figure 1 shows that expanding geographic coverage is the financial objective mentioned most frequently by health systems, who may find that their present strength in existing markets makes organic growth difficult.

DATA SEGMENTATION TOOL
Click on these icons to dig deeper
VIEW BY SETTING
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VIEW BY NUMBER OF SITES
VIEW BY NET PATIENT REVENUE
VIEW BY REGION
MAIN CHART AND TAKEAWAYS

BUYING POWER REPORT SAMPLE CHARTS Click here to order!

FIGURE 3 *(continued)* | Merger/Acquisition/Partnership Activity

Q | Considering your most recent M&A and/or partnership activity, was it ...

BUYING POWER

Who controls the money? Click on the icons to learn how they think

Click on these icons to dig deeper

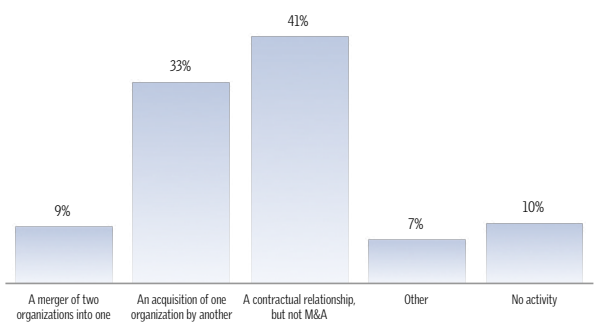
VIEW BY PRODUCTS/SERVICES
Indicates the type of goods or services the respondent is involved in purchasing

VIEW BY INVOLVEMENT
Indicates the role of the respondent in making purchasing decisions

VIEW BY DOLLARS INFLUENCED
Indicates the total dollar amount the respondent influences

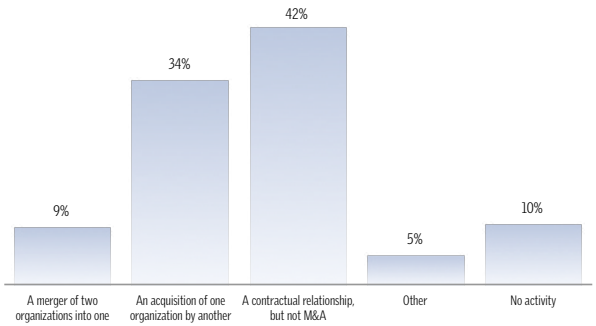
PRODUCTS/SERVICES

Information technology



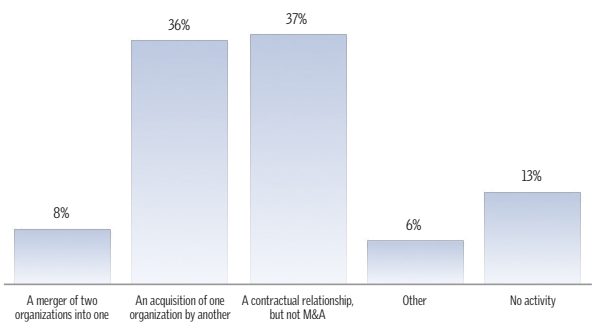
Base = 184

Clinical products



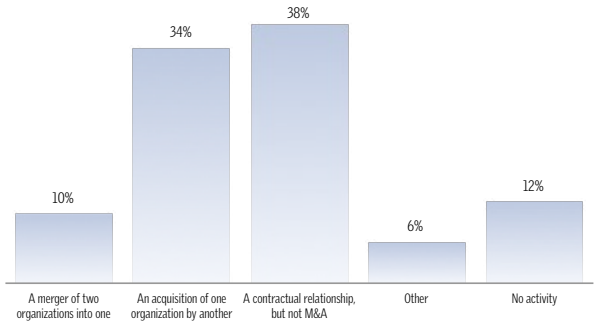
Base = 172

Financial services



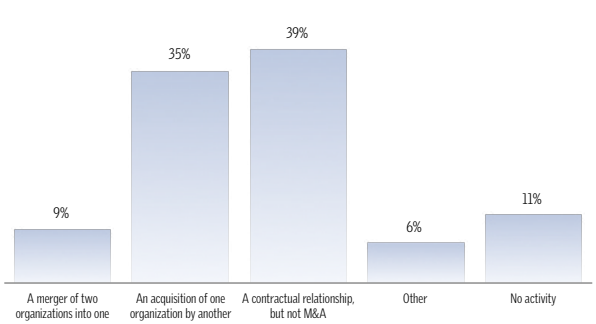
Base = 112

Executive search



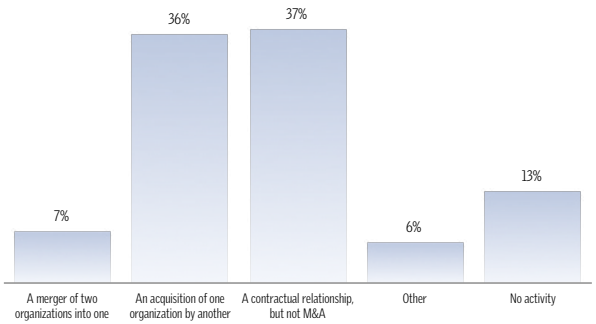
Base = 119

Consulting services



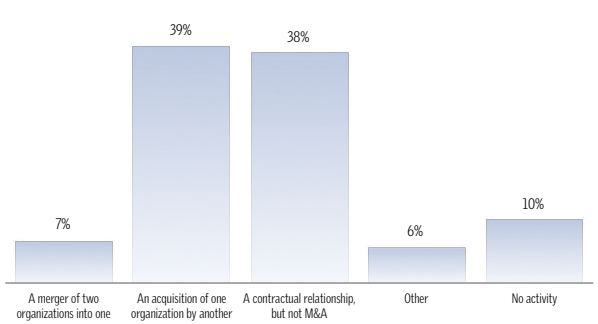
Base = 171

Outsourcing services



Base = 121

Legal services



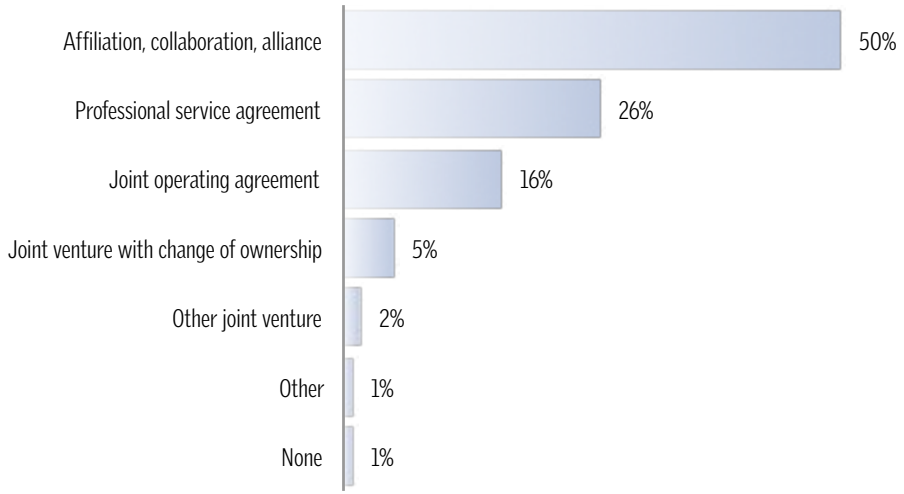
Base = 87

PREMIUM REPORT SAMPLE CHART Click here to order!

FIGURE 5 | Description of Contractual Relationship

Q | Which of the following best describes that contractual relationship? (Among those with a recent contractual relationship.)

Total responses



TAKEAWAYS

- An affiliation, collaboration, or alliance is the most frequently mentioned contractual relationship (partnership), cited by 50%.
- Nearly two-thirds (61%) of hospitals whose most recent MAP activity involved a non-M&A contractual relationship say that that arrangement was an affiliation, collaboration, or alliance.
- Health systems take on more complexity: 34% of partnerships entered into by health systems were joint ventures or joint operating agreements, compared to 14% of hospital partnerships.

WHAT DOES IT MEAN?

In most cases, a contractual relationship is easier to join and leave, therefore requiring less commitment than a merger or acquisition. In addition, contractual relationships do not face the same regulatory scrutiny that mergers or acquisitions do. And among the many forms of contractual relationships, an affiliation, collaboration, or alliance may be the simplest. Perhaps because they need arrangements that have more structure, more health systems (34%) than hospitals (14%) were involved in a joint venture of some kind for their most recent partnership activity.

DATA SEGMENTATION TOOL
Click on these icons to dig deeper
VIEW BY SETTING
VIEW BY NUMBER OF BEDS
VIEW BY NUMBER OF SITES
VIEW BY NET PATIENT REVENUE
VIEW BY REGION
MAIN CHART AND TAKEAWAYS

Access.
Insight.
Analysis.

Council

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healthcare intelligence community

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Gain insight from your peers
Shape the direction of the industry

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