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 (M&As) 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 (see appendix for examples). 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 leaders to regularly evaluate existing partnerships in the context of changing market conditions and their evolving strategy. In most cases, health system leadership has greater visibility into partnerships with significant strategic or economic impact; however, systems may not 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 range of affiliation arrangements and can also be used by multiple parties seeking to jointly evaluate a new partnership.

The level of investment and dependency placed on partnerships requires health system leaders to regularly evaluate existing partnerships in the context of changing market conditions and their evolving strategy.
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 alternative 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 payor partner in our Medicare Advantage product. What can we do to reinvigorate the partnership through new market, product or economic models?

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 relationships between and among the partners; and

- 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. Future requirements for success as well as current gaps in relation to those requirements should be highlighted.

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, leadership should update the goals and the criteria for evaluating the partnership’s future success. If the original goals are still valid, leadership should identify options to strengthen the partnership and make it more beneficial and successful in relation to those goals. Opportunities to expand upon the original objectives should be highlighted. 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, leadership should consider ways the 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. An adjustment to the financial expectations or the economic model for the partnership may also be considered. 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 should reaffirm 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 health system leadership. A formal partnership review process should be incorporated into each organization’s planning cycle; the review should be 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.
Appendix

The Growing World of Healthcare Partnerships

The recent expansion of partnership activity is characterized by a broadening of the range of relationships being formed, many moving beyond traditional health system mergers or affiliations to expand geographic reach and develop new capabilities. When reviewing the range of existing partnerships, health system leaders often are surprised by the large number of partnerships in place and the lack of clarity regarding the original goals and current performance of each partnership. Examples of different types of partnerships include:

**Merger/New System Creation:** CommonSpirit Health (national merger of Dignity Health and Catholic Health Initiatives); Beth Israel Lahey Health (regional merger of Beth Israel Deaconess Medical Center, New England Baptist Hospital, Mount Auburn Hospital, Anna Jaques Hospital and Lahey Health).

**Expanded/Local Access:** Allegheny Health Network and Emerus micro-hospital joint venture; Hartford Healthcare and GoHealth Urgent Care joint venture.

**Service Line Comprehensiveness/Continuum:** Hackensack Meridian Health - Carrier Clinic merger to expand behavioral health facilities and services; Intermountain Healthcare and Lifesprk joint venture for home care services.

**Research/Academics:** Michigan Medicine’s affiliations with Trinity Health Michigan, Sparrow Health and MidMichigan Health.

**Digital Health Capabilities:** Partners Healthcare and Teladoc Health partnership for urgent care video visits; InTouch Health, Mission Health and Jefferson Health virtual care model partnership.

**Data and Analytics:** Apple and 100+ health systems/clinics for EHR access; Adventist Health, Montefiore Health System, Cope Health Solutions and Heritage Provider Network joint venture for risk/cost tracking.

**Health Plan/Payor-Provider Ventures:** Capital BlueCross and WellSpan Health strategic partnership; Allina Health and Aetna jointly owned regional health plan.

**Social Determinants of Health:** Kaiser Permanente and Community Solutions partnership for housing/homelessness; Ascension and Lyft partnership for non-emergency transportation services.

References

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