THE Field Guide to Hospital Partnership and Affiliation Models

**CLINICAL Affiliation**

Agreement for organizations to collaborate on an initiative or to provide a specific service together; may involve local, regional, or national partners

**Benefits:**
1. Allows for co-branding of clinical services
2. Supports mutually beneficial exchange of referrals
3. Enables shared investment in expensive resources including staff and equipment

**Drawbacks:**
1. If forged with local competitor, creates significant risk of competition for volumes
2. Partnership is limited to specific focus of agreement

**Examples:**
- Evergreen Healthcare with Virginia Mason, Mayo Clinic Care Network, Cleveland Clinic Affiliates Program

**Cost:**
Varies depending on clinical area of focus, may require investment in staff or IT infrastructure

**REGIONAL Collaborative**

Flexible umbrella structure for partnering on specific initiatives and building the foundation for potential future integration; often encompasses many independent organizations in a common geographic area

**Benefits:**
1. Offers low-risk, low-investment model
2. Opens communication with other providers, enabling exploration of additional partnership opportunities
3. Supports large number of partners to expand best practice sharing economies of intellect

**Drawbacks:**
1. Lack of formal legal or financial integration limits ability to hold partners accountable
2. Loose nature of affiliation enables partners to easily dissolve partnership

**Examples:**
- Allspire Health Partners, Stratus HealthCare, BJC Collaborative, Noble Health Alliance, Health Innovations Ohio

**Cost:**
Varies depending on partnership goals; best practice sharing networks require little more than an investment in time, whereas shared IT or operational functions require capital investment

**ACCOUNTABLE CARE Organization**

Independent entity formed for entering into risk-based contracts; owned by constituent organizations, creates shared accountability among participating providers

**Benefits:**
1. Enables joint contracting with private payers by sharing risk
2. Supports participation in public payer ACO programs
3. Facilitates development of shared quality incentives
4. Allows for shared investment in population health infrastructure

**Drawbacks:**
1. Requires costly and time-consuming integration of IT, staff, and clinical processes
2. No guarantee of success under risk-based contracts

**Examples:**
- Quality Health Solutions, Arizona Care Network, Accountable Care Alliance

**Cost:**
Significant start-up investment and ongoing operating cost to succeed as population health manager

**CLINICALLY INTEGRATED Hospital Network**

Collection of hospitals that enter into joint payer contracts to improve care coordination and clinical outcomes; modeled after physician clinical integration networks

**Benefits:**
1. Enables joint contracting with private payers
2. Facilitates some degree of clinical integration
3. Establishes performance-based incentives

**Drawbacks:**
1. Has potential for significant regulatory scrutiny
2. Limited legal precedence or guidance is available

**Examples:**
- Long Island Health Network, Vanderbilt Health Affiliated Network

**Cost:**
Significant administrative and capital costs to meet baseline thresholds for IT and physician integration, although costs vary with degree of clinical integration desired

**MERGER or ACQUISITION**

Formal purchase of one organization’s assets by another, or the combination of two organizations’ assets into a single entity

**Benefits:**
1. Enables joint contracting with private payers
2. Facilitates balance sheet consolidation, debt refinancing
3. Supports consolidation of governance structures
4. Centralizes authority to make difficult decisions around consolidation and rationalization

**Drawbacks:**
1. Elevates risk of lost time and resources if deal doesn’t close
2. Requires difficult and time-consuming integration of processes and culture
3. Limits ability to use network membership as performance incentive

**Examples:**
- Baylor Scott and White, Community Health Systems/Health Management Associates, Trinity Health/Catholic Healthcare East, Tenet/Vanguard

**Cost:**
Significant legal costs to bring deal to fruition; significant administrative costs to effectively integrate organizations after deal closes

**STRATEGIC FRAMEWORK** for Partnership Decisions

1. What strategic aims do we want to advance through partnership?
2. What are the specific elements of integration that must be in place for your partnership to achieve those aims?
3. What other organizations are the most attractive partners given your goals and the required elements of integration?
4. Which legal structure offers the most appropriate environment for pursuing meaningful integration?