



healthcare financial management association hfma.org

analytics for assessing partner fit

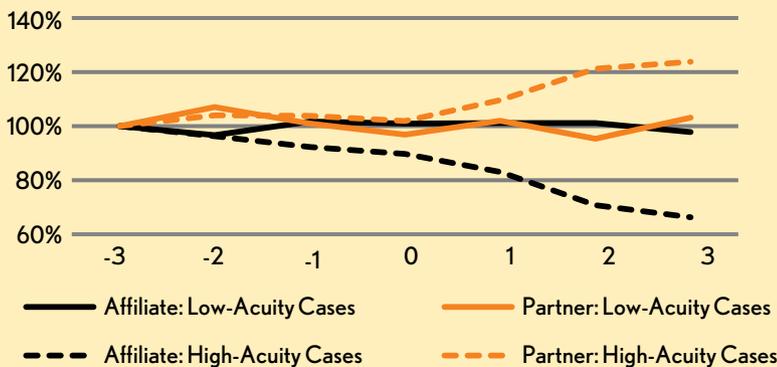
One of the crucial questions that influence the success of an affiliation is that of partner risk: Will potential partners do what they say, and can the partners deliver on the promises they make? In addition to the usual due diligence, organizations contemplating an affiliation should perform objective analyses to evaluate these potential partner risks.

Many potential partners eschew the “hub and spoke” label, where the partner represents the “hub,” out of concern for organizations worried that their new partners will strip them of volume and resources. It is relatively easy to ascertain how a potential partner’s prior affiliations have played out in this regard by looking at historical market share data. In the two exhibits on this page, for example, the performance of two potential partners in their prior affiliations is compared by normalizing market share data within hospital service areas, where year zero is the year the affiliation was completed.

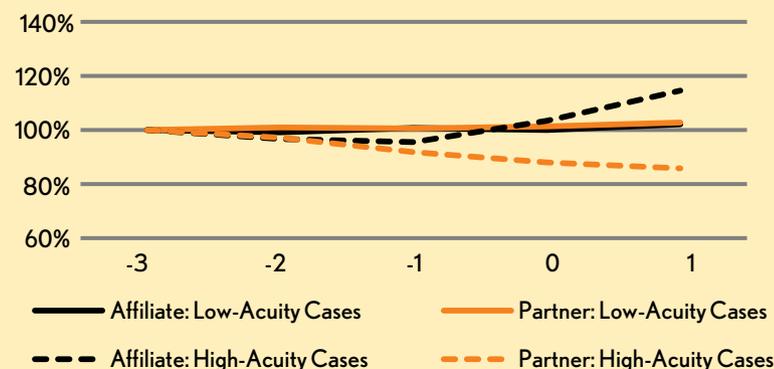
It is clear from these exhibits that after the affiliation, Partner A’s market share for both low-acuity and high-acuity cases increased, while its affiliate’s market share decreased across both types of patients. In Partner B’s affiliation, its affiliate increased its market share of high-acuity patients and maintained its share of low-acuity cases, while Partner B’s own market share of high-acuity cases decreased. These data suggest that Partner A is more actively utilizing a hub and spoke model than is Partner B.

Another common question concerns whether a potential partner will deliver on the value proposition required for value-based purchasing and population health. In the new paradigm, it is critical for healthcare providers to exhibit both high quality and efficiency. These metrics can be analyzed using data from the Centers for Medicare & Medicaid Services (CMS). The exhibit on page 2 shows a sample analysis in which the vertical axis is quality as measured by core measures and HCAHPS scores

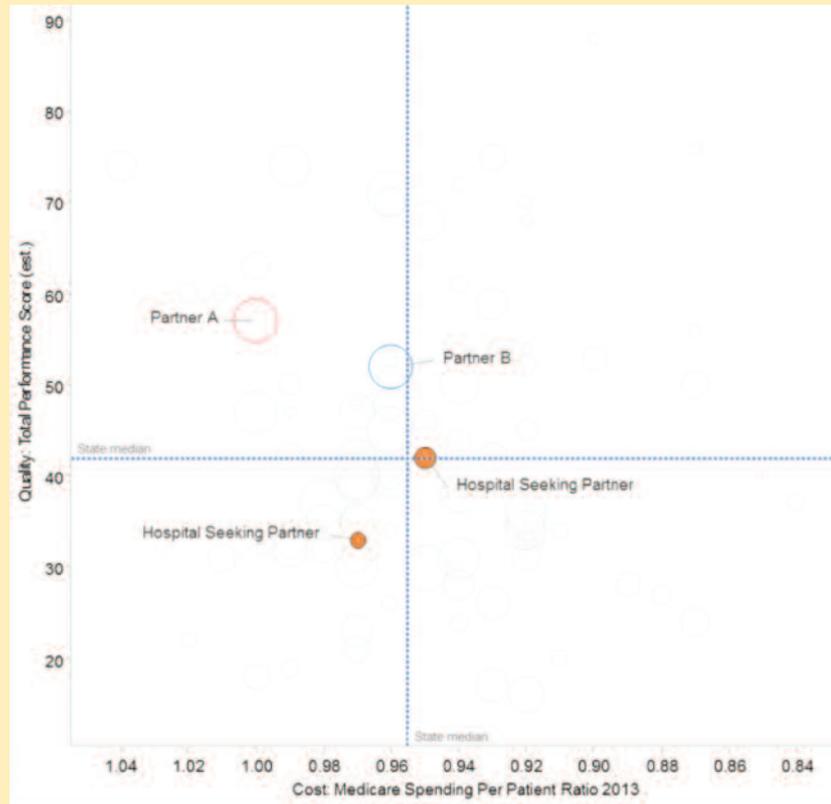
PARTNER A: AFFILIATE AND PARTNER MARKET SHARE BY ACUITY, BEFORE AND AFTER AFFILIATION



PARTNER B: AFFILIATE AND PARTNER MARKET SHARE BY ACUITY BEFORE AND AFTER AFFILIATION



ANALYSIS OF POTENTIAL PARTNERS USING CMS QUALITY AND COST DATA



(unfortunately, CMS outcome data are not available yet). The horizontal axis represents CMS’s average cost per discharge. Each circle is a hospital in the particular state. The size of the circle represents the acute bed capacity of each hospital.

Providers of all types and sizes should seek to be in the upper-right-hand quadrant: high quality and high efficiency. To demonstrate its capacity to enhance an affiliate’s value proposition, a prospective partner should deliver improved performance on these metrics. In this case, Partner B is more efficient, but also exhibits slightly lower quality than Partner A based upon the CMS metrics available. Both partners are better positioned than the affiliate hospitals on quality scores, whereas Partner A operates less efficiently than the affiliate.

To be clear, there are other important quantitative and qualitative factors that should be included in any analysis of prospective partners, including the specific terms of the proposals received, how well a prospective partner addresses the strategic objectives of the affiliate, the track record of potential partners in driving performance improvement at affiliates. The two sets of analyses described here provide an objective basis on which to evaluate two key elements of partner risk: Are the prospective partner’s actions aligned with the potential affiliate’s objectives? And how well-positioned is the prospective partner to enhance the performance of the partner-seeking organization on critical quality and efficiency metrics? ●

This analysis was prepared by Jeff Sommer and Susan Stowell, directors, and Melissa Lin, senior consultant, Stroudwater Associates, Portland, Maine. For more information, please contact Jeff Sommer at jsommer@stroudwater.com.