

STRATEGIC OPTIONS: UNDERSTANDING THE RISKS

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Across the country, community hospital boards and leadership teams are grappling with the structural and operating challenges brought on by new reimbursement models, new care models, changing patient demographics, increasing migration of services to ambulatory settings, and other industry challenges. Traditional operating strategies that sustained community hospitals in the past will not sustain them into the future. Where do community hospital boards and leadership teams go from here?

The best strategy depends on your healthcare organization's strategic positioning in the marketplace, current operational and financial health, and the shared vision and desired outcomes of well-thought-out strategic initiatives. There is no "risk free" strategic path. There are **operating risks** associated with forging ahead independently and there are **partnering risks** associated with pursing alignment strategies. The following graphic highlights how to minimize risk no matter the optimal strategic path:



How do you minimize Operating Risk?

- Accountability and coordination around strategic objectives between the board, the management team and the medical staff
- Create access to a robust primary care base
- Maintain annual operating cash flows at least equal to debt service plus 120% of depreciation expense
- Achieve required value metrics re: quality and cost and selectively assume risk
- Invest in a distributed and efficient ambulatory network

How do you minimize Partner Risk?

- Design a well-structured affiliation process with clear objectives
- Select a strategically aligned partner
- Vet alternative affiliation structures for fit with your strategic objectives
- Craft key terms to be contractually enforceable
- Involve key stakeholders from the beginning and emphasize communication
- · Make candidates earn the right to be your partner

Adept in using analytics and objective study to help clients appreciate the menu of strategic options available, Stroudwater Associates can help build consensus around a shared strategic vision. Partnering with a strategic advisory firm, and not simply a transaction-oriented advisory firm, allows clients to explore strategic options without bias to outcome. Each healthcare organization is unique and its charted path to success should reflect that. Our team at Stroudwater meets you where you are and will help you and your community succeed—through pursuit of either operational improvement opportunity or partnership opportunity.