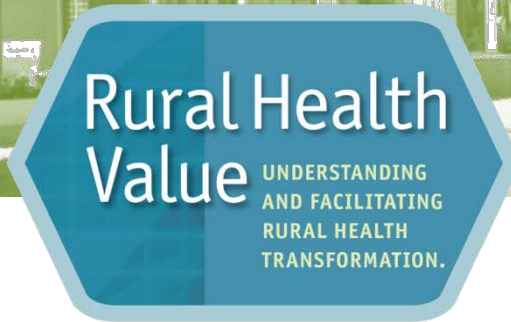




RURAL POLICY RESEARCH INSTITUTE
Center for Rural Health Policy Analysis



January 2018

Rural Innovation Profile

Affiliation Partners Sought to Prepare Small Hospital for Value-Based Care

What: A rural hospital sought affiliation partners so it could prepare to participate in risk-based reimbursement models.

Why: Health care is transforming from volume-based care to value-based care. Small rural hospitals often lack the scale and skill sets needed to take on payment risk.

Who: Grinnell Regional Medical Center, Grinnell, Iowa.

How: GRMC followed a robust due diligence process to seek affiliation partners.

Key Points

- Stand-alone rural hospitals may have a difficult time participating in risk-based reimbursement models, if they lack financial strength and other resources.
- Partnerships allow organizations to share quality data and standardized best-practice treatment protocols across the continuum of care.
- *AffiliateWell* is a comprehensive set of tools designed to educate board trustees about strategic affiliations and assess the right long-term approach for stand-alone hospitals.
- Clear affiliation goals guide decision making during planning and negotiations.

Cooperative Agreement funded by the
Federal Office of Rural Health Policy:
1 UB7 RH25011-01

On the go? Use the adjacent QR code
with your smart phone or tablet to view
the RuralHealthValue.org website.





OVERVIEW

Grinnell Regional Medical Center (GRMC) is a private, nonprofit, non-tax-supported medical center with 49 beds. GRMC serves more than 47,000 residents in six rural counties. With about 50 physicians and advanced practice clinicians, 400 employees, and 200 volunteers, GRMC is the largest hospital in Iowa between Des Moines and Iowa City.

In October 2017, the GRMC board of directors unanimously voted to authorize the medical center to finalize an affiliation agreement with UnityPoint Health – Des Moines in partnership with University of Iowa Health Care. GRMC will be the fifth hospital in the Unity Point – Des Moines health care system.

Enhancing specialty services, telemedicine, research, and educational opportunities, as well as introducing direct-to-employer programs, were GRMC's goals in the affiliation. The anticipated partnership will allow the three organizations to share quality data and standardized best-practice treatment protocols across the continuum of care.

“The most compelling reason for us to look at affiliation was simple. As we continue this march to value, there's no way we'd ever have the size, the scale, or the skill sets to take on risk.”

Todd Linden, GRMC president and CEO

DESCRIPTION

Todd Linden, GRMC president and CEO, understands that health care reimbursement is moving from volume based to value based, and stand-alone rural hospitals will be challenged to participate in value-based contracts as independent entities. The GRMC service area includes several self-insured, large employers with sophisticated health plans and wellness offerings. Linden anticipated that these health plans were likely to evolve to include risk-based services, and he wanted to position GRMC to participate in these value-based payment models. Like most small hospitals, GRMC is financially fragile, and changes in payment policy could easily cause serious financial distress.

Located halfway between Des Moines and Iowa City, the Grinnell area is surrounded by large health care provider organizations. Without proactive organizational planning, Linden also anticipated competitors entering its rural community to offer outpatient facilities and services, such as a free-standing surgery center. To have the resources for GRMC to actively participate in value transformation and to better control its financial future, Linden knew his medical center needed to associate with a larger, more experienced organization that offered the scale and skill sets needed to accept financial risk.

PLAN FOR AFFILIATION

Linden used Larry Walker's *GovernWell* toolkit, www.governwell.net, to guide planning for hospital governance practices, performance, and leadership development. Among its tools is the *AffiliateWell*





module for evaluating affiliation with a compatible organization. GRMC used these tools to educate board trustees and other stakeholders about affiliation, explore the hospital's financial and strategic position, and drive its approach to identify affiliation partners. The tools helped GRMC develop an effective request for proposal (RFP) for potential affiliates, define the appropriate data for affiliation deliberations, and bring together the right stakeholders to discuss the future of the hospital and health care in the community. GRMC also hired a consultant to provide affiliation process insights and serve as a sounding board during negotiations.

A key first step was establishing GRMC's goals for affiliation. The goals covered vision, values, culture, and other elements that GRMC felt were fundamental to a good relationship. These organizational and operational factors served as guideposts throughout the planning and negotiating process, and were included in the RFP.

AFFILIATION TASK FORCE

GRMC created an Affiliation Task Force whose members included board and medical staff representatives, administrative staff, and a project manager. Each member served as a communication conduit with their peer group within GRMC. The group was responsible for making recommendations to the board about whether, how, and with whom to affiliate. It gathered as much information as possible for GRMC's fact finding, reviewed the draft RFP, studied the proposals, and attended onsite presentations by affiliation candidates.

GRMC was transparent with its employees and the community. Linden was responsible for communicating with the public and GRMC's community stakeholders, such as large employers, various service groups and clubs, and other key community members. GRMC wanted its stakeholders to be aware of changes potentially impacting the future of health care in their community and be sure the stakeholders had a voice in the affiliation process. This engagement helped potential affiliates see that they would be welcomed into the community.

MEDICAL STAFF INTEGRATION TASK FORCE

After the board approved an affiliation recommendation, GRMC established a Medical Staff Integration Task Force. This group sought the voice of medical staff to identify what was most important to them in a new agreement. GRMC hired a facilitator to support the group. The task force studied the various employment relationships physicians currently had with hospital systems and educated the medical staff about employment options, such as direct employment, contracting, and a limited liability corporation inclusive of all medical staff members.

For medical staff, the two most essential elements in a new agreement were to retain options for either employment or private practice (half had employment agreements with GRMC and the other half were





in private practice) and assurance that there would be no big, immediate changes, such as an ICU closure or discontinuing obstetrics.

During agreement negotiations, the Medical Staff Integration Task Force was responsible for making sure that the medical staff thought about the different ways they might relate to GRMC under a new affiliation relationship. During onsite presentations from the RFP finalists, the full medical staff was invited to participate and ask questions.

AFFILIATION REQUEST FOR PROPOSAL

After tailoring the *AffiliateWell* RFP template for its needs, GRMC sent its RFP to three health care systems in Iowa most likely to have interest in affiliating. All three responded with proposals. GRMC was also asked if it would entertain a joint proposal from two of the respondents. This became a fourth option for GRMC's consideration.

As part of due diligence to demonstrate their value and fit with GRMC, qualified strategic partners participated in a series of onsite presentations: one with the medical staff and board together, and two others with the Affiliation Task Force. These onsite events provided an opportunity for everyone to ask questions about the four final proposals. In addition to the legal and structural elements, cultural fit was observed and assessed. GRMC took note whether potential affiliates

- included their board members in negotiations,
- engaged their physicians to talk with GRMC physicians, and
- seemed interested in the conversations during on-site presentations.

NEGOTIATING TEAM

A Negotiating Team was formed with representatives from the board, medical staff, and the administrative team to negotiate an affiliation agreement with UnityPoint Health – Des Moines in partnership with University of Iowa Health Care. A joint venture between the two large systems was deemed too complicated. Ultimately, GRMC remained a nonprofit corporation, with UnityPoint Health – Des Moines as the single corporate member. University of Iowa Health Care was a party to that agreement, and will help strengthen health care in the Grinnell service area, bringing the unique resources of a large, academic medical center. The agreement was designed to drive mutually beneficial decisions. The affiliation consultant offered guidance as GRMC looked at the agreements and considered the onsite presentations, and provided lessons learned from other similar mergers.

The Negotiating Team had to consider how much control GRMC was willing to relinquish to develop and participate in new at-risk products. The single-member model offers a great deal of local control while enjoying the benefits of being part of a much larger organization. The team kept some reserve powers by retaining GRMC's local board. It also ensured that the GRMC Foundation remained intact and that





every dollar it raised would stay local. GRMC agreed to a three-year window during which local services could not be downgraded.

Both sides made concessions, though each ended up with an agreement that met their most important, respective goals. The goals for GRMC included the following:

- Ensure strong medical community support
- Enhance service excellence
- Strengthen patient quality and safety
- Improve the health of the community
- Ensure long-term financial viability
- Participate in value-based health care and population health activities
- Build abilities for consumer-driven health care and e-health services
- Reduce costs and improve organizational efficiency
- Access capital and invest in a new electronic medical record
- Treat employees fairly and as valued team members
- Improve employees' professional skills
- Ensure local input and appropriate decision making

Each step in negotiations brought the organizations into greater alignment, until they were thinking similarly. Linden attributes GRMC's robust RFP process and proposal analysis for simplifying negotiations.

AFFILIATEWELL

AffiliateWell is one of 11 modules included in the full GovernWell toolkit, available for purchase. GovernWell is a single source for governance programs, white papers, templates, and tools that enable hospital boards to practice better governance and ensure better health care for their community. For more information, go to <http://www.governwell.net> or email [Larry Walker](mailto:Larry.Walker).

(January 2018)

For more information about the Rural Health Value project, contact:
University of Iowa | College of Public Health | Department of Health Management and Policy
www.RuralHealthValue.org | cph-rupri-inquiries@uiowa.edu | (319) 384-3831

