Health Center Collaborations

A STRATEGIC OPTION IN CHANGING TIMES

With the health care sector inarguably in the midst of major shifts, nonprofit providers can be certain of only one thing: the need to deliver quality care in an environment of uncertainty. Further, as Faith Mitchell, President and CEO of Grantmakers in Health, reminds us, it is not merely health policy that is in flux, but the very definition of health and wellness, as the social determinants of health (i.e. how income, housing, education, and other factors impact health incomes) become more widely recognized.

The philanthropic community is rapidly embracing a social-determinants view of health, with funders such as the Robert Wood Johnson Foundation, The California Wellness Foundation, the Kansas Health Foundation, and numerous others integrating this holistic definition into their grantmaking priorities and/or special initiatives.

For nonprofit health centers, collaboration is one option for meeting business model challenges posed by policy changes, as well as for tapping opportunities to offer a more robust continuum of integrated services. This brief article highlights some of what we've learned in our work with community health centers and related organizations in exploring, negotiating, and forming such partnerships.

Why collaborate?

Each organization approaches collaboration with a unique set of needs, interests, and expectations. However, some types of health and health-related organizations are likely to share similar motivations.

- Health centers licensed as Federally Qualified Health Centers (FQHCs) may be seeking to scale their enterprise for greater financial stability and/or operational capacity, to expand their scope of services, or to access new patient populations or geographic service areas. For example, says Bob Harrington, Partner at La Piana Consulting, "There is growing interest in integrating behavioral health with primary medical care. FQHCs may partner with a community-based behavioral health organization to bring those services to their patients."
- For nonprofits providing behavioral health, advocacy for survivors of domestic or sexual violence, senior services, or other programming supporting health and wellness, partnering with an FQHC or hospital may present opportunities for referral agreements, co-located services, and/or fee-for-service contracts. For a closer look at such partnerships, read how Meals on Wheels and Senior Outreach Services is working with Kaiser Permanente, in *Generations: Journal of the American Society on Aging*, Spring 2017, Supplement 1, pp 34-38.
- Non-FQHC health centers may pursue partnerships with FQHCs in order to gain FQHC status, which confers financial benefits, such as cost-related reimbursement for services and discounted drug pricing, that enhance financial sustainability.

Business Model Implications for FQHCs

FQHCs operate in an increasingly competitive landscape, vying with hospitals, commercial clinics, and other FQHCs for medical and administrative personnel as well as patients. Shortages of primary care and specialty physicians are especially acute in rural areas, as is the need for experienced executives. These forces, and others, are forcing FQHCs to think more like businesses.

A 2017 survey report by health care strategy, technology, and marketing firm Sage Growth Partners identifies six key trends facing FQHCs, including six major challenges and one area of opportunity:

1. Growing competition
2. Elusive financial growth
3. Slow transition to value-based care
4. Gaps in leadership teams
5. Ineffective marketing efforts
6. Opportunities for collaboration

FQHCs serve more than 24 million people, so the stakes are high, but so is the potential for impact.

What are some of the special issues health centers must consider?

These kinds of partnerships can involve a range of questions, from regulatory issues to concerns about organizational culture and identity. Examples include:

- HIPAA privacy rules must be complied with, raising operational dilemmas related to sharing information, cross-referrals, and recordkeeping while maintaining patient confidentiality.
- FQHCs must seek approval from HRSA for any operational deviation from the norm. Some specific requirements relevant to partnerships relate to governance and structure:
  - FQHCs must have 51% consumer representation on their board of directors
  - FQHCs cannot be controlled by another corporation (e.g., as in a merger)
- Contracts with public entities may not be transferable, which could require that an organization retain its independence or risk a loss of funding.
- Partnerships between health centers and other community-based organizations may surface differences in organizational culture, such as philosophy of care, staff professionalization, authority, advocacy, etc.
- Merging an organization employing union personnel with a non-union health care provider poses unique issues in the integration of human resources.

How can health centers be better prepared to effectively address these issues? What supports or expertise do they need?

Health centers that have deeply examined their motivations and readiness for partnership will be better positioned to explore opportunities with potential partners. This is best achieved by engaging board and staff leadership in a candid assessment of what the organization seeks from a partnership (including any must-haves or deal-breakers), what it brings to the table (both its strengths and potential liabilities), and its appetite for what is likely to be a time-intensive partner identification and negotiation process.

What questions should health center leadership ask before considering a partnership? See: Seven Questions for Nonprofit Executives Considering Strategic Restructuring.

Armed with that self-knowledge, organizational leaders will be better prepared to recognize and initiate exploratory conversations with potential partners. (For a helpful guide, see *Meeting Your Match: How to Identify Assess, and Engage a Potential Merger Partner*.)

Once mutual interest is identified, the organizations should consider engaging a consultant or other skilled third party to help guide the process. This is critical for designing an effective process, providing neutral facilitation for what will be sensitive conversations, and contributing expertise on issues to be addressed in negotiating and implementing an agreement to partner. Expert financial and legal due diligence will need to be sought for mergers. For FQHCs, guidance in addressing HRSA requirements will be key. (As a starting point, basic information is available online for affiliations as well as mergers.)

What are the benefits of a partnership, once formed?

In some cases, health center collaborations ensure the ongoing provision of services that would have been lost had one (or more) partner organization been unable to sustain itself on its own. In other examples, partnerships result in significantly expanded services, such as serving more people or offering an existing patient base more comprehensive services. Often, the outcome is a blend of the two: the partnership creates a more stable or sustainable foundation for the provision of care that also makes improvements and/or expansion possible. (For examples, see *Merging Ahead: Case Studies in Clinic Consolidation*.)

A call to action

Collaboration is just one strategy among many a health center might use to address challenges and opportunities in today's highly fluid operating and policy environment. To give these organizations, which play such a critical role in the fabric of our health care landscape, the best chance to thrive and succeed, it is incumbent on board and staff leadership to be aware of the collaborative options available to them and to make this a part of their ongoing strategic conversations and decision-making. Finally, to those health centers that have already forged strategic partnerships: please share your stories — you are the best teachers and your experiences are of great interest and value to the field.