

Appendix 1: Assessing your hospital as an ACO partner

I. Compatibility and alignment

- A. History of successful partnering with physicians on clinical and financial initiatives
- B. Openness to physician-driven leadership
- C. Degree of current interdependence between hospital and physician group
- D. Past responsiveness to physician initiatives
- E. Open communication concerning strategic and administrative initiatives
- F. Compatible leadership styles as to transparency, inclusiveness, action orientation
- G. Compatible and positive market perception of quality
- H. Compatible EHR
- I. Compatible benefits, cost and staffing ratios
- J. Significant medical staff presence in governance
- K. Strategic plan which values physician service capabilities and outpatient services
- L. Physicians holding executive positions in the hospital or system

II. Financial strengths

- A. Strong balance sheet with significant cash balances
- B. Low debt to equity ratio
- C. Leadership in regional market
- D. Positive net margin
- E. Success in outpatient service ventures
- F. Excellent facilities
- G. Excellent primary care base
- H. Quality of managed care contracts and supply contracts

III. Management strengths

- A. Trusted and effective CEO and senior management team

- B. Efficient and effective operations
- C. Demonstrative ability to recruit and retain primary care and specialty physicians
- D. Strong culture of compliance
- E. Strong communication skills and track record of good decision making
- F. Excellent clinical managers and medical staff leadership
- G. Ability to retain quality administrators
- H. Ability to demonstrate and be compensated for quality with third-party payers
- I. Independence and quality of the hospital's boards
- J. Strength of independent directors or trustees
- K. Free standing or part of a hospital system
- L. Track record of successful innovation and support of physician practices
- M. Excellent patient satisfaction results and clinical outcomes
- N. Effective use of technology

IV. Perceived synergies

- A. Potential for expense savings due to improved purchasing, economy to scale, enhanced employee benefits and elimination of duplication
- B. Improved margins through more efficient use and consolidation of ancillary services
- C. Opportunity to expand market share
- D. Efficient access to capital
- E. Increased collaboration with hospital-employed physicians
- F. Learning curve savings on EMR, quality measurement systems and practice integration
- G. Assistance in recruiting new physicians
- H. First mover in advantage for building centers of excellence

- I. Commitment to building medical homes and increasing access
- J. Innovative contracting with managed care payors regarding total cost of care or quality

V. Other considerations

- A. Potential to access new software and benefit from compliance, managed care contracting, capital markets and reimbursement expertise
- B. Effect on current referral sources both within the hospital and outside the hospital's medical staff and physician groups and other competing hospital affiliations
- C. Costs and risks associated with antitrust, regulatory compliance, licensing and state prohibitions with respect to corporate practice of medicine
- D. Cost of integration
- E. Challenges in integrating administrative and clinical teams
- F. Receptivity of independent medical staff and currently employed physicians
- G. Willingness of both parties to educate, discipline and terminate physicians who do not comply with ACO and other delivery policies
- H. Number of primary care physicians who are NCQA certified at various levels