The Hospital Joint Venture Handbook

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About the Publication

This publication is based off of a three-part article series that examined the advantages of joint ventures, the process of developing a joint venture, and expected trends related to these transactions. This series was published in the September 2014, November 2014, and May 2015 issues of The Governance Institute's E-Briefings newsletter.

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Preface

This joint venture handbook is based upon a series of articles that we began writing for The Governance Institute in the summer of 2014. One year later, many of the "new frontiers" in hospital joint ventures that we outlined have continued to evolve at a rapid rate, and new forms of creative partnerships are announced on a regular basis. We hope that this handbook will serve not only as a marker of a unique time of change in the hospital space, but also as an inspiration for further creativity as health systems around the country endeavor to deliver services in an efficient and patient-centered way.

The Rise of the Hospital Joint Venture

Since the enactment of the Affordable Care Act (ACA) in 2010, more and more hospitals and health systems have entered into some sort of affiliation, whether through acquisition, membership substitution, joint venture, or clinical affiliation. This trend is a result of the mounting pressures hospitals and health systems face in the current healthcare environment. Yet, fundamental change in the makeup of the hospital market also paves way for innovation, which includes new ways that organizations may partner to confront these challenges. The joint venture structure is one such innovation.

For those hospitals and health systems that are financially sound and have sufficient capital, entering into an affiliation allows them to best position themselves for future success—to thrive rather than just survive. Evaluating strategic alternatives from a position of strength allows the board of a hospital or health system to take its future into its own hands and identify affiliation partners that complement and enhance its operations, capitalization, compliance, and quality functions. Exploring a range of joint venture alternatives has been found by many systems to be a "best of both worlds" approach—combining the installed market presence and reputation of a non-profit system with the scale, access to capital, and management expertise of an investor-owned company.

Most hospital and health system boards are aware of the trend of consolidation; however, many fail to appreciate the full range of strategic alternatives that may exist (including the joint venture structure) and the processes and tactics that can identify and realize the board's desired outcomes. This publication examines 1) the potential advantages of joint ventures; 2) expected trends and future developments with joint ventures; and 3) how to go about the process of exploring a joint venture, including selecting a joint venture partner.

Table 1: Challenges and Emerging Opportunities

Challenges Posed by Industry Changes	Emerging Opportunities
• Reimbursement cuts year over year • Increasing costs and expenses for information technology in connection with electronic health records, meaningful use, and collection of data for quality metrics comparison, all key elements of successfully managing population health • The requirement for effective compliance programs and, in the event of noncompliance, being subjected to repayments, penalties, and other sanctions • Increasing challenges in financing capital expenditures, and continuing or increasing pension funding challenges	• Vertical integration, where health systems may vie to "control the premium dollar" rather than being a price taker from insurance companies • New ways of developing and sharing clinical protocols to reduce variation in outcomes and improve quality • Make capital investment decisions on a regional basis, across all elements of the health system

Advantages of Joint Ventures

Hospitals and health systems are looking to joint ventures for a number of reasons, many that are common but others that may be unique to potential partners. Some of the most common factors are:

- **Governance**: One of the key areas that many boards find attractive about joint ventures is that the current organization remains an owner and is directly involved in the governance of the venture. While gaining access to increased capital and opportunities, the local board remains very much "at the table" in managing the organization. There is, however, no standard model among potential partners, and both the legal structure and the day-to-day realities of decision making must be carefully explored and negotiated.
- **Investment potential**: A second potential advantage in a typical non-profit/investor-owned joint venture is that the non-profit corporation retains an equity stake in the business, which it will expect to increase in value over time. In addition, as a charitable organization, it will be able to diversify its holdings with the sale of an interest in its current business, reducing its overall portfolio risk.
- **Access to capital**: The capital needs of a hospital or health system are extraordinary. A hospital that enters into a joint venture has the benefit of additional sources of capital. A financially healthy partner can share the burden of capital investments, whether for working capital, routine, or strategic capital projects. Even with a fairly healthy financial position, many organizations find themselves facing limits to their debt capacity or significantly underfunded pension plans. These liabilities can often be eliminated as part of the joint venture transaction.
- **Enhancement of quality**: In the evolving healthcare environment, the hospitals that provide the best quality of care will be rewarded, while those that do not meet the requisite standards will face consequences. Specifically, the ACA includes a value-based purchasing program, which rewards hospitals that exceed quality measures and penalizes underperformers with payment cuts. Partners that have a history and reputation of clinical and quality excellence, as well as access to highly specialized medical services, will provide the

assistance to ensure not only that patients are receiving the best quality of care, but also that, as a result, the hospital is rewarded financially for providing excellent care.

- **Physician recruitment, retention, and alignment**: Another way a joint venture can strengthen a hospital or health system is through physician recruitment and retention. Partners that have strong physician networks and a proven ability to attract and retain physicians will continue to be critically important to the success of a hospital. Partners that can provide resources to aid physicians and caregivers in skills development and career plan development of staff at all levels of the organization will be attractive to hospitals. In addition, investments in a significant infrastructure of recruiting, the sourcing of specialists and practice management experts, and support for promoting practices and retaining quality physicians will be instrumental in ensuring success. A final, psychological point cannot be underestimated: physicians, particularly in an employment situation, want to "join a winner" that can offer them the potential for a secure professional and financial future.
- **Efficiencies and bargaining leverage**: With the implementation of the ACA, the cost of doing business has increased, while reimbursement has decreased. This has placed increased pressure on hospitals and health systems to find efficiencies and engage in cost-cutting efforts. Through joint ventures, healthcare organizations can find synergies in various aspects of the operations, such as back office, management, and administrative functions. They also may have more leverage in negotiations with suppliers and payers. In addition, the larger scale may provide for better terms with respect to health and welfare benefits, as well as insurance policies.
- **Continuation and expansion of services**: The continuation and expansion of healthcare services is critical to the success of hospitals and health systems. A joint venture with a strong partner can solidify the ability of the organization to provide existing services and in many cases provide additional specialty services that are not currently offered at the hospital. With the addition of a joint venture partner, the hospital also may be better positioned to offer additional ancillary services, such as diagnostic, laboratory, and pharmacy services. By ensuring the continuation and expansion of services, the patient is more likely to seek care within the local community.

Hospitals and health systems across the nation are faced with challenges unlike ever before. We have provided here a brief overview of the advantages that many hospitals are finding in joint ventures and other affiliations. In the following section, we speculate as to the future direction of hospital joint ventures and solutions it may provide to the healthcare industry.

A Glossary of Hospital and Health System Transaction Structures

Below are the key structures seen in recent partnerships announced by hospitals and health systems:

- **Seller joint venture:** Seller joint ventures (SJVs) are typically, but not always, formed between a community hospital and an investor-owned company. The investor-owned company acquires a majority interest in the hospital (usually 60–80 percent). However, local control is preserved for the community via 50 percent hospital representation on the joint venture board. In these arrangements, the hospital gains access to needed capital while maintaining a collaborative culture, and the investor reaps returns if and when the hospital partner grows its market share. *Example: LHP Hospital Group's joint venture with Portneuf Medical Center in Idaho.*
- **Buyer joint venture:** Buyer joint ventures (BJVs) combine the respective expertise of a clinical partner or a system with a regional presence with an investor-owned system. The clinical partner holds a minority of the equity interest (typically 3–20 percent) and is responsible for overseeing medical safety and quality or providing regional services. The investor-owned partner provides capital (typically 80–97 percent), management capabilities, and economies of scale to run the community hospital. These partnerships have been very successful and appealing in recent years. Together, the BJV goes out to acquire hospitals and health systems. *Example: Duke LifePoint's joint venture that acquired Conemaugh Health System in Pennsylvania.*
- **Shelf joint venture:** In order to be ready to compete effectively for acquisition opportunities, it may be advisable to structure the BJV before there is an actual target available. Typically a letter of intent is signed between the prospective joint venture partners, which is then made binding simultaneously with the closing of the acquisition. A shelf joint venture is a strategy for forming a partnership in advance of a partnership opportunity.
- **Consolidation transaction:** A consolidation occurs when two parties combine to create a new parent company with a self-perpetuating board. Consolidation transactions are difficult to execute but typically double the size of the individual partners, quickly achieving scale. This was a very popular structure in the 1990s and has seen a revival post-health reform. *Examples: Advocate Health Care in Chicago, Banner Health in Phoenix, and Sentara Healthcare in Virginia.*
- **Membership substitution:** A membership substitution is the most common structure between merging non-profit hospital systems. The seller transfers its membership to the non-profit acquirer, which becomes the new "owner." The structure is used in non-profit transactions where the seller wants its corporate structure to remain intact post-closing, or the buyer wants to assume, rather than retire, the liabilities. *Example: Meriter Health System joining UnityPoint Health.*
- **Asset sale:** The typical structure for an investor-owned acquisition of a non-profit. The buyer acquires the assets (working capital, fixed assets, intangibles) and excludes most liabilities, which the seller then retires. Remaining funds are used to establish a local community foundation that can be used for various charitable purposes, including promotion of healthcare in the community. *Examples: Sale of Marquette General Health System to Duke LifePoint and sale of Guthrie Medical Center to Mercy Health.*

Note: For a more in-depth look at the various structures, see Jordan Shields and Rex Burgdorfer, "The Expanding Range of Strategic Alternatives in Hospital System Mergers and Acquisitions," *BoardRoom Press* Special Section, Vol. 25, No. 4, The Governance Institute, August 2014.

New Frontiers in Hospital Joint Ventures

In this section, we speculate as to the directions this flexible yet complex organization structure may take in the future and solutions it may provide to the healthcare industry. We also cite some recent examples of joint ventures and other affiliations and assess the circumstances under which success is more likely than not.

Seller and Buyer Joint Ventures

There are many examples of hospital joint ventures. These are often referred to as "seller JVs," where a hospital that otherwise would have been sold retains a minority stake in a new company. These JVs usually involve a non-profit as the minority partner and an investor-owned company as the majority and managing partner. The benefit to the "seller" is that it remains involved in the governance of the JV and has an ongoing financial stake and potential return, as well as receiving a cash payment for value of the assets contributed to the JV.

A more recent phenomenon is the "buyer joint venture," in which two parties team up to acquire a hospital. The most prominent of these has been Duke LifePoint (DLP), the joint venture between Duke Quality Network, a North Carolina non-profit corporation, and LifePoint Hospitals, a publicly traded hospital company. DLP has acquired through acquisitions or joint ventures a total of 11 hospitals since its inception in 2010.

These arrangements are becoming more mainstream, as is demonstrated by Watertown Regional Medical Center's recent decision to create a seller JV as the first for-profit conversion in the state of Wisconsin.

The Next Big Thing

More recently, a number of creative JVs have been announced that are structured to enable hospitals and health systems to manage populations, collaborate more effectively with managed care providers, and better respond to the compliance demands and reward structures placed upon health systems by the ACA. These structures, five of which are described below, could be precursors to fully integrated health systems, which many believe will be the dominant financing and delivery model of the future.

We've witnessed an increase in the number of multi-party JVs, which adds significantly (some might say exponentially) to the complexity of both negotiating and operating the resulting organization.

The transactions listed below range in their complexity from true joint ventures to more of the "vertical" joint ventures that involve payers and large employers:

- **Tenet, Ascension, and Dignity Health**: The three-way JV between Tenet, Ascension, and Dignity Health in the Tucson, Arizona, area is an example of parties with different strengths, expertise, and resources joining forces to become a more efficient and effective provider. Dignity Health will invest $30 million in cash and hold a minority interest in a proposed joint venture with Tenet Healthcare Corporation and Ascension Health. Tenet will hold a 60 percent ownership interest in the venture, which will operate Carondelet Health Network, a subsidiary of Ascension Health. Dignity Health and Ascension will each hold a 20 percent ownership interest. Carondelet Health Network includes three hospitals, two medical groups, and other assets. While creating a JV with three partners is usually significantly more complex than it is with two partners, the logic in this example is that all partners get to spread their risk while also having the opportunity to pursue additional new business opportunities. Such arrangements usually work best when the parties are reasonably comparable in size, sophistication, and financial strength, and when all benefit to a similar degree from the JV.
- **Stratus Healthcare**: Possibly the largest recent multi-party arrangement is Stratus Healthcare, a 16-system (which owns and operates 30 hospitals) JV in Georgia that formed in order to pool resources, coordinate information, and manage population health in the region. The new organization is a not-for-profit limited liability company and was conceived as a way for providers to collaborate while remaining independent. As with most such organizations, two of the Stratus members took the lead in its formation in 2012, and then brought the others along a year later. The leap to a change of ownership or full integration is too large for many organizations to make in one step, particularly those that are doing reasonably well financially. "Testing the waters" in this way while gaining some benefits of scale works for both the smaller hospitals and the larger ones leading the charge—that tend to prefer to get to an ownership stake sooner rather than later.
- **Vivity:** Anthem Blue Cross and seven health systems in Los Angeles and Orange County have created a joint venture to offer a narrow-network product in that region—Anthem Blue Cross Vivity (Vivity). The partners plan to share data and seek economies of scale to offer higher-quality, lower-cost products than their competitors. Profits and losses are to be shared equally among the partners. Vivity will initially target large employers in the Los Angeles market, and the "narrow network" Vivity plan is designed to align the financial risks and rewards of providers and payers through population health management in a manner that will (hopefully) be an appealing alternative to the high-deductible plans many large employers offer their employees. On its face, Vivity appears to be well positioned to facilitate Anthem's and its hospital affiliates' ability to provide an alternative to payers such as Kaiser and providers of healthcare services in the Los Angeles area. There are still many questions to consider as we evaluate partnerships like Vivity. For instance, will the hospital systems be both willing and able to share information and expertise with one another while implementing the population health management tools? How will the Federal Trade Commission and state agencies react to hospital systems potentially sharing competitive information outside the admittedly murky framework of clinically integrated organizations?
- **Puget Sound High-Value Network**: This network of eight hospitals (including those of CHI Franciscan Health and Virginia Mason), more than 160 clinics, and almost 3,000 specialty and primary care providers will contract directly with employers in an effort to offer higher-quality, lower-cost benefits to the self-insured market. Marketed specifically to self-insured employers with 50 employees or more, the network offers competitive rates by selecting

network providers that are committed to services at reduced unit costs, while still maintaining a focus on quality through the development of ongoing clinical initiatives. Similar to Vivity in its goal of providing a narrow(ish) network model to the market, this is quite distinct in that the network is a direct-contracting model without a health plan. As such, it may be a more applicable model for providers in other markets that do not have a health plan market but do have the data and care-management skills to successfully take on capitation-like risk.
- **Advocate Health Care**: Based in Chicago, this system has developed an innovative model, not dissimilar to its clinical integration program, for use in aligning with non-owned hospitals. The strategy is to use Advocate's know-how to improve quality, lower costs, and increase efficiency, and potentially allowing affiliated hospitals to be included in Advocate's managed care contracts. Blue Cross Blue Shield of Illinois has recently decided not to extend its contract with Advocate to hospitals that are part of this affiliation, so the contracting advantages of the structure may not be as strong as hoped. Nonetheless, the quality and cost benefits to the affiliate would remain in any case.

We expect to see an increasing number of these "vertical" joint ventures in coming years as trying to balance quality, access, and cost control becomes ever more central to hospitals' success. The "glue" provided by a corporate structure like the joint venture will be important as employers and government programs seek stable partners to minimize their healthcare costs over time.

When to Consider a Joint Venture

Whether a joint venture is the appropriate corporate structure for a given activity is a matter of the facts and circumstances in each particular situation (see **Table 2**). Form should follow function.

Table 2: A Joint Venture May Be the Most Appropriate Structure If…

Circumstance	How to Address
• Your organization lacks the skills or resources to undertake the activity on its own.	• Be sure your partner actually has the skills/resources, and has deployed them in a similar situation in the past.
• Speed to market considerations preclude you from "growing" the service or activity.	• Do a classic buy vs. build assessment; do not underestimate the complexity of either approach.
• The proposed venture is outside your organization's risk tolerance, and so you wish to spread the risks in exchange for sharing the potential rewards.	• Losing half as much as you otherwise would, with the same probability of doing so, is not much of an improvement; you should be convinced that the odds of failure are significantly lower with your partner than without.

JVs have progressed significantly over the past several years, to where they are a viable option to help organizations provide services or enter markets they would otherwise be unable to access. They have progressed from a way to align with physicians, to a means for building hospital systems, and now to a potentially revolutionary approach to population health.

Building a Hospital Joint Venture: A Blueprint for Success

Here we explore the "nuts and bolts" of considering and creating a hospital JV, which will allow us to bring the hypothetical and theoretical into the practical. If you are a hospital or health system considering forming a JV, there are some important factors to think through before embarking on this complex process.

Hold It Right There—Before You Even Get Started…

JV partnerships have the ability to address many challenges faced by hospitals and health systems today. However, it is easy to "default" to a joint venture structure without thinking deeply about whether that is in fact the best way to organize collaborative activities. On the surface, a JV may appear to represent the "best of both worlds"—it can bring together the strengths of two or more organizations to create a new "super organization" (for example, the capital and community hospital operating expertise of an investor-owned company with the clinical prowess and brand appeal of a non-profit system or academic medical center). It is, however, important to not lose sight of what is driving the exploration of a potential JV formation. What are you trying to achieve as an organization? What problems are you trying to solve, and what outcomes are you seeking for your community? Do these goals align with those of your potential partners? While it's possible (and maybe even common) for partners to seek different objectives, it's also important for the structure of the JV to flow from these objectives. Form should always follow function.

All too often, potential JV partners will get deep into collaborative talks only to discover that the organizations have fundamentally different goals for pursuing a partnership. One may want to become a preeminent hub for medical research, while the partner may be more focused on creating a regional system in order to create economies of scale. One organization may want to better fulfill its charitable mission by creating a large locally governed foundation, while another partner may want to leverage the branding of the partner in order to fuel new acquisitions outside of the market. It is important to be up front with all potential partners and to clearly outline:

1. What the JV will allow you to achieve that could not be achieved alone
2. What you are willing to commit as an organization in order to fulfill these goals
3. What you are expecting your potential partner to commit

Only then can a JV structure begin to emerge that can help all parties meet these goals within existing constraints. And, who knows, perhaps the delineation of goals, expectations, and commitments will make it apparent that another new, unanticipated party should also be involved, or that a different form of relationship may be preferable. The front-end exploration of goals and form are vital to laying the groundwork for a successful partnership that will thrive far into the future.

A JV Doesn't Always Mean 50-50

A common misconception is that a JV involves two parties in a traditional 50-50 split. From the outside, this seems like the path to least resistance and the structure that will guarantee fairness and equality for both participants. However, sometimes goals will dictate unequal ownership and governance splits. It's important to consider how the ownership split should be arranged. For starters, consider these questions:

- Is one party committing more capital, expertise, time, or effort?
- Is one party exposed to more risk than the other(s)?
- Is the JV more important to one party's overall business success than it is to the other(s)?

It's important that the structure of the JV follow the level of commitment from each participant. A less-committed party (financially or strategically) can lead to the weakening of a JV—or worse, can do real damage to the other involved parties. Everyone needs a proportionate amount of "skin in the game."

Cultural Alignment: All That It's Cracked Up to Be?

One of the biggest buzzwords in hospital and health system business combinations is "cultural alignment." While it is crucial that the two organizations are culturally *compatible*, this is not the same as having cultures that are *identical*. For example, it is possible for each organization to highly value quality and employee fairness, but approach them in different ways.

A health system JV can be conceived of like an all-star team in sports. These "super teams" are made up of the best-of-the-best players from what are, usually, rival teams. While the players need to cooperate effectively on the team, they do not need to be the best of friends off the court. It is important that they have a common purpose and agree on the plan for achieving success, and be committed to the shared goal.

The Nuts and Bolts of a JV

Once a hospital/health system decides this is the path it wants to pursue, the following is an outline of how to start the process of forming a joint venture. This is written with the assumption that the organization has not yet identified a partner. If a partner has already been selected, many of these steps may not be necessary.

1. Prepare the Board and Management Team for the Process

Select an investment banker and counsel. Management and boards typically work with an investment banker to assess the needs of the market, outline strategic objectives, lead the request for proposals, set timelines, assist the parties with their negotiations, and more. A transaction advisor with experience working in this area will allow the board to take a step back, think more broadly, and may also assist in maximizing the competitive process to ensure the best partner is identified. In addition, counsel can be helpful in advising the hospital on the negotiation of the definitive agreement, assessing the potential risks and benefits of a joint venture, and assisting with regulatory approvals and other review processes.

Define objectives and review options. The process, and ultimately the partner selected, will be guided by answering some fundamental questions early. At this point, it's important to also compare a range of strategic alternatives, practical implications, and successful models. The board, management team, and investment banker should discuss the preparedness for the new healthcare environment and the expectations for overall size and positioning.

2. Arrange the Joint Venture

Sign a confidentiality agreement. By signing a confidentiality agreement, all parties involved ensure that all information exchanged will be kept quiet.

Execute an information memorandum. In the event the hospital decides to pursue the process and needs to identify the best joint venture partner, it will need to prepare an information memorandum. This document will set forth key information regarding the hospital and some basic guidelines as to the needs of the hospital and the potential strategic alternatives it is considering.

Issue a request for proposals. In order to solicit information from potential partners, the hospital (via the investment banker) will issue a request for proposals. This is an opportunity to find out the level of capital investment the prospective partner is willing to commit, its commitment to quality of care, and its historical financial performance or patient satisfaction information. In addition, assuming the hospital has identified its goals, the organization can ask specific questions to gauge the potential partner's ability to meet or enhance its goals.

Negotiate the term sheets and sign LOI. Once the hospital has identified its joint venture partner, the parties will want to work on a letter of intent or term sheet. The purpose of the document is to provide the prospective partner a chance to focus on the goals of the joint venture and make sure the partners are on the same page. Some of the following themes should be considered:

- **Leadership and governance**: The parties will need to determine what each organization will contribute to the joint venture and the ownership percentages of each. They will also want to determine which entity will control the day-to-day operations of the joint venture. Will there be equal representation on the board or will one party have majority control? Put impactful people on the board and into the management of the JV.
- **Charitable purpose**: In the event the hospital is a tax-exempt 501(c)(3) organization, it will want to ensure that its charitable purposes are being fulfilled through the joint venture's operation of the hospital. The hospital will want to confirm that the joint venture will conduct a community health needs assessment, adopt an implementation plan, and take other actions in order to comply with 501(r) requirements.
- **Financials**: An investor-owned hospital company likely will require that the financial statement of the joint venture be consolidated with the financial statements of the hospital. As a result, there may be tension between the goals of an investor-owned entity and those of a tax-exempt hospital.

- **Performance expectations**: The parties will want to identify key decisions that require approval of the parties or the governing body. If there were ever a deadlock, how would the partners resolve the dispute? For example, if the partners have made a good faith effort but cannot reach an agreement on capital or operating budgets or an additional capital contribution that may be required, do they want to have the ability for one partner to buy out the other?

3. Tell Your Story

Leadership must agree upon and communicate a well-planned, consistent, and truthful series of messages to all affected parties (employees, physicians, patients, elected officials, and payers) that accurately describes the hospital's operating environment and conditions, the available alternatives being considered, and, ultimately, the actions to be taken to accomplish the organization's goals. This step is crucial to execute prior to going to regulators, as you will want people behind you in this decision, not against you. Opposition can be your worst enemy as you head to regulatory bodies for approvals—particularly if you are considering a conversion from non-profit to for-profit in a state that has never done so.

4. Negotiate and Execute a Definitive Agreement

The partners will want to memorialize their understanding by entering into a definitive agreement, which will involve the following:

- **Contribution agreement**: This agreement provides for the contribution of capital to the joint venture. It also sets forth the ongoing capital commitments, continuation of services and requirements to maintain certain levels of indigent care, and includes the conditions required to consummate the transaction (e.g., regulatory approvals and no material adverse effect), as well as allocation of liabilities and obligations of the parties.
- **Joint venture governing document**: This agreement sets forth the rights and responsibilities of the partners. This agreement also sets forth the governance structure of the joint venture, key decisions that require approval of the members, and unwind events should the partners find themselves in a deadlock.
- **Management agreement**: In the event that the joint venture appoints a manager to run the day-to-day operations of the hospital, it will enter into a management agreement with the manager, defining their responsibilities and those of the governing body of the joint venture.

5. Gain Necessary Third-Party Approvals

The change of ownership of the hospital to the joint venture could be subject to state and/or federal approval processes, including state attorneys general for joint ventures involving a conversion from non-profit to for-profit, the Federal Trade Commission for transactions exceeding the Hart-Scott-Rodino thresholds, and Certificates of Need by the applicable Department of Health.

6. Close the Transaction

Once the previous steps are complete, the organizations will work towards a closing, which will finalize their new partnership. At this point, this is when the real work begins.

The successful execution of a JV begins in the planning stages. A JV's form must always tie back to its function. Only then can the mechanics outlined above properly solve for the challenges of tomorrow's healthcare landscape. Remember that while a JV can appear to be an easy solution on the exterior because it represents the "best of all worlds," its ultimate success will reside on clear vision and commitment from all participants.

Conclusion

In recent years, a growing number of hospitals and health systems have entered into joint ventures or other forms of creative partnerships in an effort to respond to mounting financial and competitive pressures as well as to drive innovation, efficiency, and growth in the industry.

Most hospital and health system boards are aware of the trend of consolidation; however, many fail to appreciate the full range of strategic alternatives that may exist and the processes and tactics that can be used to best position the health system for success. There are many potential advantages to joint ventures and many recent examples of successful arrangements, but the boards and executive management teams considering a potential joint venture structure should first become educated on the process prior to embarking upon this complex and creative endeavor. We hope this handbook can serve as a launch pad for this educational process, with the intent of helping board members to further the long-term success of their health systems.