

NOBLIS INSIGHTS PANEL SURVEY RESULTS

Growing Interest in Affiliation as a Strategic Response to Challenging Market Conditions

Health Innovation

Kathleen Henchey, *Principal*
Anita Iyenger, *Senior Consultant*
Jessica Ross, *Consultant Associate*

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In April 2009, Noblis surveyed members of the *Noblis Insights Panel* about their interest in affiliation with other organizations.

SURVEY PROFILE

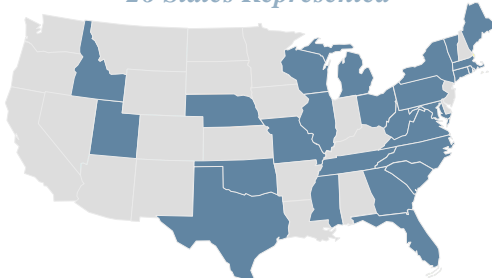
84 Total Participants

37	44%	CEO/COO/CFO/CNO
20	24%	Vice President
5	6%	CMO/VPMA
21	25%	Manager/Director
1	1%	Other

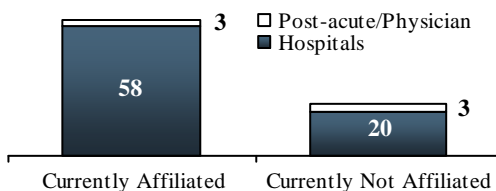
93 Percent Are Hospitals¹

Hospital	78
Post-acute Provider	3
Physician Organization	3

26 States Represented



73 Percent of Surveyed Organizations Are Currently Affiliated



KEY FINDINGS

- Nearly a third of hospitals are “much more interested” in affiliation than a year ago.
- More than half of respondents indicate they are likely to pursue affiliation in the next year.
- While C-Suite executives report similar levels of interest in affiliation as their colleagues, only 44 percent think their organizations will actually pursue affiliation in the next year compared with 63 percent of other respondents, perhaps in recognition of the difficulties involved in affiliation strategies.
- Interest in affiliation is highest among organizations with existing affiliations or organizations with deteriorating operating margins.
- Organizations with existing affiliation relationships are more likely to have operating margins at break-even or better.
- Improving contracting leverage and access to capital are identified as the top two benefits for an affiliation by currently independent organizations, while access to new geographic markets, contracting leverage, and decreasing outmigration are primary benefits sought for those already affiliated.

INTEREST IN AFFILIATION ON THE RISE FOR MANY



Nearly 30 percent of hospitals are “much more interested” in affiliation than a year ago



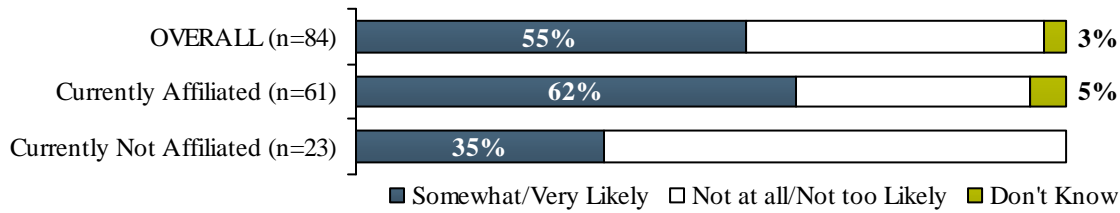
Two-thirds feel their organization’s interest in affiliation is the same compared to a year ago



Only two organizations reported lower interest

¹ Participants could choose multiple options to the question, “My Organization is...” (acute independent hospital, multi-hospital system, AMC (academic medical center), a post-acute provider, a physician organization, for-profit, not-for-profit, faith-based, and other). Noblis grouped the organizations into three main categories: Hospital, Post-acute Provider, and Physician Organization.

OVER HALF ARE LIKELY TO PURSUE AFFILIATION IN THE NEXT YEAR – ORGANIZATIONS THAT ARE ALREADY AFFILIATED ARE MORE LIKELY THAN THOSE THAT ARE UNAFFILIATED



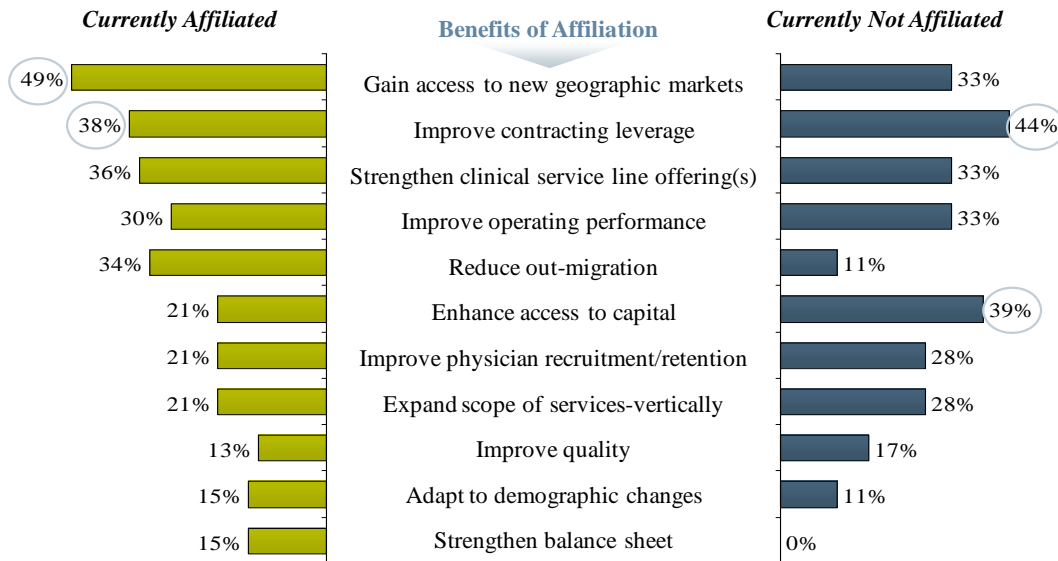
AFFILIATED ORGANIZATIONS HAVE BETTER OPERATING PERFORMANCE

Current Affiliation	Current Operating Margin		
	Better than Break-even	Essentially at Break-even	Worse than Break-even
Not Affiliated (n=23)	43%	22%	25%
Affiliated (n=61)	71%	19%	10%
	90%		

ORGANIZATIONS WITH DETERIORATING OPERATING MARGINS ARE MORE LIKELY TO PURSUE AFFILIATION

Change in Operating Margin Versus Last Year	Likelihood of Affiliation		
	Not at All/Not too	Somewhat/Very Likely	Don't Know
Better Than/Same As (n=52)	46%	52%	2%
Worse Than (n=27)	37%	63%	0%

ACCESS TO CAPITAL IS MORE IMPORTANT FOR THE UNAFFILIATED WHILE GEOGRAPHIC REACH IS MORE IMPORTANT FOR CURRENTLY AFFILIATED



Respondents were asked to pick 3 benefits.

AUTHORS

- Kathleen Henchey, *Principal*
 - Anita Iyenger, *Senior Consultant*
 - Jessica Ross, *Consultant Associate*
- Noblis Health Innovation**

The *Noblis Insights Panel* consists of more than 150 healthcare executives across the U.S. Please contact healthinnovation@noblis.org with any questions about this study, suggestions for future surveys, or to become a member of the *Noblis Insights Panel*.