

CASCADE VALLEY HOSPITAL AND CLINICS
ISLAND HOSPITAL
SKAGIT REGIONAL HEALTH
AFFILIATION ASSISTANCE AND SUPPORT

DRAFT REQUEST FOR PROPOSALS

I. Introduction

Cascade Valley Hospital and Clinics (CVH), Island Hospital (IH), and Skagit Regional Health (SRH) (collectively, the Interlocals) are working together to further their unified mission of providing high-quality healthcare to the North Puget Sound region. To this end, as a collective group, they are issuing this Request for Proposal (RFP) to seek a system partner that will support them in enhancing and expanding patient care access, quality, and efficiency in the region. The Interlocals have agreed to the procedures/criteria described below for the RFP process.

1. One RFP is being issued on behalf of the Interlocals.
2. The Interlocals:
 - a. Will select the same partner at the same time.
 - b. Have agreed to both a shared vision and minimum terms for any partnership. There may be some variability in these relationships, as the Interlocals will individually negotiate the specific terms of their respective integration relationships with the partner.
 - c. Will sign/finalize their partnership agreements at the same time, following board approval.
 - d. Will strengthen the relationship among the three district hospitals, concurrently with the partnership planning process.
3. The Interlocals will not merge into a single health system prior to negotiating the affiliation terms with a regional partner.

II. RFP Instructions

In developing a response to this RFP, please:

1. Submit one electronic and four hard copies of your proposal.
2. Deliver the proposal no later than 5 p.m. (PDT) on April 26. It should be sent to:

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Senior Manager
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3. Include a one-page executive summary in your proposal.
4. Keep proposal length to 30 pages or less. Address all of the specific items below. Respondents are encouraged to include additional information that will be useful for the Interlocals' evaluation of the proposals.

III. About the Interlocals

The Interlocals are located in the North Puget Sound region within a 30- to 50-minute drive of each other. As three key acute care hospitals in the region, they have worked together on many healthcare initiatives.

A. Current Scope of Services

An overview of the Interlocals is included in ATTACHMENTS A and B.

B. Current Relationships Among the Interlocals

Because of their close proximity, desire to expand service capabilities, and forward-thinking management teams, the Interlocals have found a number of ways to work together to improve healthcare services in the region. Examples include:

1. *Managed Care Contracting* – The Interlocals currently collaborate, through an Interlocals agreement, to negotiate commercial contract rates.
2. *Cascade Skagit Health Alliance* – This new primary and specialty care clinic in Smokey Point is a joint venture that includes numerous physicians and ancillary services and has required close collaboration (clinically and operationally) between SRH and CVH to develop and operate.
3. *Urology* – IH and SRH recently partnered on the acquisition of Northwest Urology. Through an Interlocals agreement, services are provided in both communities, and the two hospitals jointly support the practice.
4. *MIN-NS* – Both IH and SRH were founding members of MIN-NS, a regional HIE focused on integrating the North Puget Sound communities, with plans to connect to larger networks.
5. *Call Coverage* – In 2009, SRH and IH collaborated to develop call coverage agreements with Northwest Orthopaedic Surgeons and Skagit Island Orthopedic Center.

6. *Physician Services* – Employed physicians of SRH practice in Arlington and Anacortes and are active members of the medical staff at the respective hospitals.
7. *Residency Program* – Residents from SRH perform rotations at CVH.

IV. The Partnership Vision

The Interlocals are seeking a partner that will assist the organizations with improving quality, physician recruitment, information technology (IT), and long-term viability, among other areas. The Interlocals have outlined key components of their vision for a partnership in the subsections below. The key attributes of the desired affiliation relationship are summarized in three categories: Service Integration and Enhancement, Management and Governance, and Financial Performance.

A. Service Integration and Enhancement

Improving healthcare access and quality is a key goal for each of the Interlocals' boards. The Interlocals wish to improve services by:

1. Becoming part of system service line continuums that will provide better access, expertise, and integrated care. Specifically, the Interlocals seek a partner that will enable them to:
 - a. Identify a designated site for tertiary and quaternary referrals, with a seamless return of patients to the local community for follow-up care.
 - b. Have subspecialists rotate through the communities on a routine basis and improve telemedicine opportunities and capabilities.
 - c. Extend service line models (e.g., cardiology, oncology) and resources to the local hospitals as appropriate.
2. Supporting the Interlocals' efforts to consolidate clinical services, while ensuring that vital community services are preserved.
3. Sharing the partner's proven quality-improvement capabilities, including dedicated resources to drive quality-improvement initiatives and reporting tools.
4. Becoming involved in ACO-like structures that will enable value-based contracting.
5. Providing and funding a best-in-class IT platform, including the requisite hardware and implementation assistance to integrate the Interlocals onto a common IT platform.
6. Obtaining additional support for physician recruitment and retention, such as receiving financial support to offer competitive compensation and obtaining access to the infrastructure (management and physician) to both support recruitment efforts and create an environment that is attractive to physicians.

B. Management and Governance

The Interlocals are interested in moving to a model with a high degree of integration both regionally and with the partner.

1. The district boards will at a minimum maintain key reserve powers, including:
 - a. Any significant change in clinical services, consolidation, or competitive actions (such as opening a competing clinic) taken within the Interlocals' region.
 - b. Local administrator appointment.
 - c. Changes in off-campus clinics.
 - d. Sale of district assets or any changes to the operating agreement between the hospital and partner, such as real estate.
2. The Interlocals are interested in developing further integration between the three hospitals.

C. Financial Performance

The affiliation should improve the financial performance of each of the hospitals comprising the Interlocals by bolstering revenue opportunities and maximizing cost savings. Furthermore, the affiliation will make capital resources available to the Interlocals to ensure continued strong performance. To achieve these objectives, the affiliation partner will:

1. Make a commitment to future capital investments in the hospitals for both routine and strategic purposes, beyond the cash flows of the individual hospitals.
2. Consolidate services only when there will be a positive net benefit for the Interlocals' communities, taking into account direct financial savings, community impact from centralization of jobs, and any change in quality/customer service.
3. Enable cost-savings efforts and improve economies of scale at the Interlocals, including optimizing purchasing contracts, making central resources available to the Interlocals, and streamlining other programs (e.g., benefits).
4. Support the Interlocals' efforts to enhance revenue by increasing the number of programs/services offered; improving the competitiveness of current services; and enhancing the Interlocals' relationships with payors, including Interlocals' participation in new payment models and contracting networks.

V. RFP Questions

Please address the questions outlined below in your proposal to the Interlocals.

A. Strategic Vision for the Interlocals

Describe your 3-year strategic plan for your organization and for the Interlocals.

1. Describe your organization's strategic vision.
2. How do you envision positioning the Interlocals to remain competitive in their respective markets?
3. To position the Interlocals for growth, what services or programs do you envision growing or adding?
4. How do the services and geographies of the Interlocals support or augment your organization's current capabilities? How do they align with your organization's strategic plans?
5. What marketing initiatives would you intend to implement?
6. How does your organization intend to brand the three Interlocal hospitals?
7. How do you envision supporting the Interlocals' efforts to become more integrated?
8. How would you support/enhance current GME and teaching efforts at the Interlocals?
9. Are there any services provided by your organization or an affiliate that conflict or overlap with the Interlocals' service offerings? If so, how do you plan to address this issue?

B. Health Reform and Related Strategies

1. Explain your organization's strategic vision for how it plans to participate in new payments models, population health management, etc.
2. How would the Interlocals fit into this vision and help your organization to achieve its goals?
3. Explain your organization's current initiatives related to payment reform.
4. Does your organization have any risk-sharing contracts with payors? If so, please explain what types of arrangements you have developed.

C. Affiliation Structure

1. Describe, in as much detail as possible, your proposed affiliation structure (e.g., joint operating agreement, joint venture, long-term lease) for achieving the mutual objectives of the Interlocals and your organization, including implications related to debt restructuring.

2. In addition, indicate your openness to evaluating alternative models or structures, and identify the potential alternatives your organization would be willing to consider.
3. The Interlocals desire to create a high degree of integration among the three hospitals; please describe how your organization's proposed affiliation structure will support this initiative.
4. List any specific concerns or opportunities related to creating a partnership with the Interlocals that may have differing levels of integration and separate agreements.
5. Please identify whether you believe that there are any potential antitrust concerns with the proposed affiliation model. What are your plans to mitigate any potential antitrust issues?

D. Commitment to Future Capital Investment in the Region

1. Describe your organization's willingness/ability to commit capital for both routine and strategic purposes. What is the process that your organization would use to arrive at a decision surrounding capital investment for each facility?
2. How much capital does your organization intend to invest in each Interlocal hospital over the next 5 years? How would this vary by hospital?
3. What portion of the cash flow (before management fees or comparable corporate overhead expenses) generated by the relationship would your organization be willing to reinvest in the Interlocals?

E. Local Governance

1. Describe how your proposed affiliation structure(s) would offer accountability to and input from the community and public hospital districts.
2. Provide a current organizational chart, including a description of the management structure and reporting relationship for any campus administrators.
3. Indicate your organization's willingness to allow the public hospital district boards the following reserve powers:
 - a. Approval of any significant change in clinical services.
 - b. Approval of local administrators appointed by your organization.
 - c. Reduction in off-campus clinics.
4. Indicate your organization's willingness to receive input from the public hospital district boards regarding the following:
 - a) Annual physician recruitment plans.

- b) Plans to expand/enhance clinical services.
 - c) Annual capital and operating budgets.
 - d) Strategic plans for the region and campuses.
5. Describe your organization's process for providing updates to the public hospital district boards regarding:
- a. Quarterly financial performance.
 - b. Clinical quality performance.
 - c. Plans to join another organization or participate in other strategic affiliations.
6. How would the local board have influence on and provide input to your organization's board on matters that affect the local community?

F. Clinical Excellence

- 1. The Interlocals are evaluating options with regard to the formation of Centers of Excellence to increase specialization within their hospitals. If these centers are formed, how would your organization support these models? Does your organization have any history of developing Centers of Excellence?
- 2. Does your organization currently operate any regional or multi-campus service lines? If so, please describe these services. How would the Interlocals be incorporated into the service lines? How would this impact the services offered at the Interlocals?
- 3. How would the relationship enhance measurable levels of clinical quality and patient satisfaction, including successful patient outcomes? What resources and processes can your organization contribute to clinical performance improvement?
- 4. How is your organization equipped to deal with the management of clinical measures from organizations such as CMS, TJC, DNV, and AHA? What are your publicly reported clinical results, and how do they compare with regional, state, and national norms?
- 5. Describe and give specific examples of how you provide continuing education and staff development within your organization.

G. Local and Regional Services

- 1. How would the relationship improve local access to care and attraction of patients to locally provided services? What specialty clinical services would you propose adding or augmenting?
- 2. How would the relationship enhance the position of the Interlocals as community hospitals?

3. How will you help the Interlocals educate the community regarding the value of the affiliation?
4. What type and level of services do you believe are essential to the regions the Interlocals serve?
5. How will you commit to substantially sustaining and enhancing the same types and levels of services as currently offered?
6. Please describe how your organization would augment or support the Interlocals as they move forward with consolidating services.
7. In addition, how would your organization support the Interlocals in making decisions about clinical consolidation?

H. Physician Recruitment and Alignment

1. How would the relationship support the Interlocals' ability to align effectively with members of their medical staffs and improve their ability to recruit physicians?
2. Describe your experience with and strategy for physician recruitment and employment/other physician integration models.
3. How would this relationship result in an increase in the nucleus of North Puget Sound-based physicians? Provide your organization's experience and success in physician recruitment and retention.
4. Describe the physician management resources your organization would make available to the Interlocals.
5. What is your organization's vision for the Interlocals' medical groups? What opportunities would the Interlocals' medical groups have to participate in clinical leadership, training, or other provider development activities?

I. Support Services

1. What, if any, support services would you envision consolidating?
2. If support services are consolidated, what services would be consolidated regionally (within the Interlocals) versus within the larger health system?
3. Describe the process that you would propose using to identify and select the services to be consolidated.
4. What would the proposed timeline be to actualize the consolidation?

J. Information Systems

1. The Interlocals are looking for a partner that will provide integration services to migrate to a leading-edge, shared IT platform. Is your organization willing to provide that as part of the partnership strategy?
2. Please provide an estimated timeline to transition to a shared IT platform.
3. Provide a description of your current and planned IT systems and your strategy for integrating with other healthcare providers.
4. Indicate how the Interlocals and their physician communities could be integrated with your IT systems.
5. Provide any experience integrating other organizations with your IT system.
6. What decision support or other business systems would be available to the Interlocals?

K. Financial Resources and Revenue Enhancement

1. Please provide a copy of your most recent 3 years of audited financial statements and the most recent rating agency reports, if applicable.
2. Describe the ability and capacity of your organization to access capital through cash flow, debt, and/or equity.
3. How will your organization assist the Interlocals in negotiating third-party contracts, including for both the hospitals and their employed physicians?
4. What resources will your organization bring to improve revenue and operating efficiency and enhance the profitability of the Interlocals? (Address payor contracts specifically.)
5. The Interlocals have aggressively pursued several financial initiatives such as 340B Drug Pricing Program and Medicare Dependent Hospital status. How do you imagine furthering these initiatives to create additional value for the Interlocals and/or with hospitals that you currently operate?

L. Commitments to Employees

1. Describe your organization's human resources (HR) philosophy.
2. Please describe your working relationship with organized labor.

M. Experience

1. Indicate your organization's affiliation partnerships with other community hospitals. Provide the following details regarding each of these affiliations:
 - a. Name of the hospital and year that the formal affiliation was initiated.

- b. Affiliation structure.
 - c. Level of clinical integration/relationship.
 - d. Level of financial integration/relationship.
 - e. Accomplishments.
 - f. Challenges and opportunities for improvement.
2. Please describe the experience of your senior management in developing, implementing, and managing new affiliation relationships.
 3. Identify, based on your organization's experience, the most critical factors or obstacles in successfully developing new affiliation relationships.
 4. Describe your specific experiences and understanding of success factors for working with public hospital districts.

N. Access Regardless of Ability to Pay

1. Please describe your organization's current policy and programs regarding access to care for indigent and uninsured residents, including your organization's specific experience.
2. Describe how you determine charity care as opposed to bad debt.
3. Describe your organization's current efforts to monitor and improve community health in your service area.

O. Religious Issues (if applicable)

1. Please describe your position regarding when policies implementing Ethical and Religious Directives (ERDs) apply to affiliate secular organizations. What ERD-related policies are implemented in your secular organizations?
2. How will you work with the community to ensure there is adequate knowledge regarding policies? Provide relevant examples of how you are addressing these issues in current/recent affiliations.
3. Is there a secular option in your organization? What does that mean? Elaborate further on any current secular arrangements or options that would be available to the Interlocals.

P. Summary Benefits

Give a brief summary of the benefits to the Interlocals of affiliation with your organization.

VI. Timeline and Contact Information

A. Proposed Timeline

1. Anticipated RFP release date: March 20.
2. Visits to the Interlocals (subject to change): March 25 – April 5.
3. Due date for all proposals: April 26.
4. Oral presentations: May 6 – May 17.
5. Boards' selection of preferred partner: TBD.

B. Contact Information

Please direct any questions regarding the RFP to:

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