

HEALTHCARE ORGANIZATIONS: EXPLORING GROWTH OPPORTUNITIES IN TIMES OF DRASTIC CHANGE

By Mark L. Cluster

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There is enormous pressure on hospitals and healthcare institutions to embrace change in order to spur growth, innovation, and be financially sustainable.

A variety of factors are driving change and are contributing to heightened competition between traditional and emerging healthcare institutions, including sweeping policy reforms, the adoption and integration of new technologies, and the need for greater data sharing while managing privacy concerns.

Traditionally, hospitals have relied on mergers and acquisitions to navigate changing industry dynamics. Having been involved in many hospital mergers, it is important to keep in mind that there are many other options available to boards and management teams to propel an organization forward. Strategic alliances can help drive the implementation of best practices, or two hospitals can enter into a

partnership that is shaped more narrowly around particular areas of expertise and experience. Other ways to spur growth are to seek out affiliations or to join forces for specific deal opportunities.

Hospitals would do well to more often explore these types of arrangements as they are less likely to impact hospital governance, leadership, and an organization's financial independence. For example, as Chairman of the board of the North Shore-LIJ Health System, I have seen affiliations like ours with Maimonides Medical Center help expand the hospital system in Brooklyn and New York City limits. Maimonides took on a role as a regional teaching center and is a major teaching affiliate of SUNY-Brooklyn, the New York College of Osteopathic Medicine, and St. George's University. Today, in addition to its graduate medical education affiliation, Maimonides is also an active allied health education center, training physician



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assistants, pharmacists, physical therapists, radiologists and nurses.

The recent partnership between North Shore-LIJ and Boca Raton Regional Hospital in Florida has helped create new opportunities for the hospital system in patient care, clinical development, research and education. In fact, this was the first partnership of its kind between an independent healthcare provider in the New York area and one in South Florida. The move permits our organizations to collaborate and share best practices in seeking out new and better ways to serve our communities while upholding our mission.

While these collaborations as well as traditional mergers can promote change, they all come with specific challenges. Combining the cultures of two organizations remains one of the biggest hurdles to overcome. Another challenge can be that individual hospital boards and leadership teams may not be ready to loosen the reigns of control -- until they absolutely must. The reality is that you have to be prepared to take risks and can't let doubts about potential culture clashes stand in the way of deals and partnership opportunities that could be additive. Leaders of healthcare organizations have to be open to doing things differently while remaining nimble.

At North Shore-LIJ, we have seen the positive impact collaborations can have on our growing organization, which now has more than 19 hospitals, 400 outpatient physician practices, and about 54,000 employees.

As the healthcare industry is undergoing drastic change, keeping an open mind with respect to exploring solutions that support growth in a dynamic, competitive market environment will be key to positioning your organization as a tomorrow's market leader.

Mark L. Cluster is the President of Carl Marks & Co. and a partner of Carl Marks Advisors. In addition to his responsibilities as Chairman of North Shore-LIJ Health System, he serves on the executive committees of Lenox Hill Hospital and Staten Island University Hospital. Mark Cluster can be reached at mcluster@carlmarks.com or 212-909-8400.

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