

Blog Series: No. 2 - Taking a Look at a Deal in Depth

Anatomy of a Deal: Thinking Strategically About the RFP Response

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The search for a partner typically begins with a request for proposals (RFP). It's a process designed to solicit interest from other organizations and narrow the field to two to three candidates that could prove to be a good fit.

For health systems that respond to an RFP from an independent hospital, the goal is to be one of the few organizations to make it past the RFP process. In doing so, leaders can engage in deeper discussions with the hospital that issued the RFP, exploring whether a partnership is possible. To get there, leaders must be strategic in developing their response, going beyond the stated questions to appeal to the organization's fundamental needs.

The challenge: These needs typically aren't stated outright. The questions in an RFP typically cover eight to 10 areas of concern, from operations to technological capabilities to financial strength, culture, and more.

This is where leaders who are responding to an RFP must take on the role of healthcare detective, reading between the lines of the RFP and assessing the organization's current standing to determine its biggest pain points and goals. It is also important to understand this potential partner's market, which may reveal clues to important needs. From there, leaders craft a narrative that not only answers the questions directly, but also addresses how the respondents could address the organization's deepest needs while leaving room for negotiation. They also must probe deeper, whether through the question-and-answer portion of the RFP process or via their responses, to understand the organization's intent.

In our experience, RFPs issued by independent hospitals seeking a partnership, where partnership is defined loosely, typically result from three primary needs.



Primary Need No. 1: Financial support. When an independent hospital issues an RFP, it is almost always due to financial reasons. In the situation we introduced in [Part 1](#), Independent Hospital (IHX) knows that it will need an infusion of cash and resources to keep up with the increasing healthcare needs of a growing population. The hospital also has struggled financially under the weight of the pandemic, despite emergency funds received through the CARES Act.

Leaders for Regional Health System (RHS), a not-for-profit system responding to IHX's RFP, have some understanding of IHX's financial troubles through news articles and rating agency reports. They also are aware that IHX has an aging facility, that its population is growing, and that the hospital may be challenged in creating a digital front door for tech-savvy consumers who gravitated toward virtual care during the pandemic. In its response, RHS is careful to state that it has resources it can commit to modernizing IHX without pledging a specific amount of capital funding. However, RHS also is very specific about the digital health capabilities it would bring to IHX, the strength of its telehealth specialty care bench, and the ease with which these capabilities could be integrated with IHX. This approach piques the interest of IHX while leaving room for negotiation.

Primary Need No. 2: Help in bolstering clinical service lines. Independent hospitals often find it difficult to recruit physicians in high-demand specialties, especially if they are [located in rural areas](#). A partner could provide a crucial link to specialty services, whether through a merger, acquisition, affiliation, or a service line-specific collaboration.

In this instance, RHS knows that IHX's population is growing rapidly, with a high proportion of older Gen Xers and Baby Boomers. Based on its review of IHX's market demographics and its medical staff as well as the questions in the RFP, leaders for RHS surmise that the hospital would benefit from its deep expertise in cardiology, oncology, neurology, and behavioral health. They are smart to do so: Discussions later in this process will reveal that IHX faces a need for cardiology and oncology support.

Primary Need No. 3: Assistance in entering the digital age. With so much of healthcare shifting to virtual care out of necessity during the first months of the pandemic, consumers now expect digital convenience in their healthcare encounters—and not just at the point of care. To compete in a post-COVID environment, hospitals must provide digital entry points that make it easy to schedule and access care as well as the infrastructure for consumers to manage their conditions, ask questions about their health, retrieve healthcare information, and pay their bill, all at the touch of a smartphone. This is an area where independent hospitals with competing needs and a weak capital position could falter in the year ahead, and it threatens their ability to attract and retain patients.

RHS knows that this capability will be crucial to IHX's survival, even if IHX's RFP doesn't specifically ask for a rundown of the health system's digital capability. Leaders weave in the strength of its technology infrastructure, including proficiency with and RHS's capital

commitments for digital health, throughout the RFP narrative, providing a topic for discussion if RHS were to be selected for the next stage of this process.

Next Step: An Invitation to Meet

Two to three organizations usually emerge from the RFP process with an invitation to continue the conversation with leaders from the issuing organization. Regional Health System Y is successful in its bid to make it to the next round of this process. Now comes the interesting part: negotiating a deal.

Find out more in part three of our series. ●