

The Evolving Academic-Community Partnership: Part I

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Industry transformation requires major adaptations from healthcare organizations – to increase scale, enhance scope, and achieve differentiation, among others. Partnerships can be a key vehicle to facilitate and pursue these adaptations.

Partnerships between academic and community hospitals/health systems are a unique sub-set of healthcare provider partnerships. Academic providers aligning with their community counterparts is, of course, not a new phenomenon – what is changing is how and why these relationships are formed, and what this may imply about the

impact of broader industry transformation.

THE TRADITIONAL ACADEMIC-COMMUNITY PARTNERSHIP

The competitive advantages of AMCS (academic medical centers) - clinical and research excellence, distinguished faculty, relative size, prestige, and often, major university ties - have historically made them successful consolidators. Some major teaching and tertiary hospitals have effectively taken on this role as well. As consolidators, these organizations have brought less influential, and in many cases, financially unstable, community hospitals/systems into their network.



The primary purpose of these traditional partnerships, from the academic partner viewpoint, has been to secure and expand the referral base for tertiary and quaternary services. The community partner is largely interested in the security, specialty care resources, and brand of the academic organization. As the better-resourced entity in these traditional partnerships, typically with higher prestige, the academic partner is generally able to dictate structural terms and secure key leadership roles.

EXAMPLES OF TRADITIONAL ACADEMIC-COMMUNITY PARTNERSHIP MODELS

Partnership Model 1: The Large Scale Consolidator

Some AMC's have successfully positioned themselves as large scale consolidators (see below) and extended their presence across state lines, nationally, and even internationally. Though pursued in large part for traditional purposes described above, these partnerships have entailed conventional acquisitions as well as innovative joint ventures, networking models, and strategic alliances. Most of these AMC's are associated with nationally-renowned, top-tier Universities and/or medical schools – an attribute leveraged to sustain a robust stream of consolidation activity.



Partnership Model 2: The Regional Integrator

Other traditional AMC partnerships (see below) have focused on securing the greater regional market as the primary means to secure scale – mainly by acquiring or otherwise significantly aligning with multiple community hospitals and other provider organizations. Here, too, “brand-name” academic/teaching centers are common.



IMPACT OF THE NEW ENVIRONMENT

Even the AMC's and major teaching centers noted above face significant challenges in today's dynamic environment. Academic providers are typically more expensive and less efficient than community counterparts, tend to be fragmented, and disproportionately focused on high-complexity, acute care. In light of these attributes, and especially when one considers the simultaneous declines academic mission funding, flat fee-for-service reimbursement, and proliferation of value-based contracts, the historic academic provider value-proposition can be out-of-sync with new market realities.

At the same time, key characteristics of community-based providers –relatively low-cost, distributed access points, and an emphasis on primary care and management of chronic disease – are increasingly valuable qualities in today's environment. As a result, new academic-community partnership models have emerged and historically less common forms of affiliation have resurfaced. The nature of these partnerships reflect the above noted changes in the respective value propositions of academic and community providers.

EXAMPLES OF LESS TRADITIONAL ACADEMIC-COMMUNITY PARTNERSHIP MODELS

Partnership Model 3: The Proactive Collaborator

The “proactive collaborator” model has proven a successful academic provider strategy for adapting to new conditions. AMCs and major teaching hospitals that are “proactive collaborators” (such as those below) recognize the complementary and significant value of strong community hospitals and systems, and therefore bring these entities into partnership on equal, or almost equal footing. In Part II of this blog post, we will elaborate on how this model can take shape and what it can yield.



Partnership Model 4: The System Member

Some AMCs or major teaching hospitals, while large and reputable, may not have moved fast enough or were otherwise unable to adapt and evolve. For these, the most prudent approach may be to join an existing large system, accepting a less prominent membership role (as is the case for those shown below). While this approach inverts the traditional roles of the AMC/teaching hospital and the community provider, it may be the most effective path to sustainability.

