

Academic Health Focus

Why Strategic Networks Make Sense for Academic Medical Centers

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Academic medical centers (AMCs) have many unique attributes that distinguish them from other hospitals. These same attributes make them ideal partners within a strategic network that comprises community hospitals, rural hospitals, or both. This article looks at reasons an AMC may want to consider partnering with community and rural providers, as well as how to determine the best partnership model.

The AMC's Unique Attributes

The threefold mission of the AMC—focused on clinical care, research, and teaching—is the attribute that most distinguishes AMCs from other hospitals and health systems; from this flow other distinct attributes. AMCs typically have some relationship with a university, which may serve as the AMC's parent, with close financial and governance ties, or as more of a contractual partner. The academic focus means that AMCs have faculty plans and departments similar to a university, with the multiple viewpoints and distributed decision making found in other academic settings.

As centers of medical research and teaching, AMCs support a much wider range of clinical specialties and sub-specialties than a typical hospital or health system. The

Key Board Takeaways

AMCs' attributes can provide unique benefits to community and rural health partners, but these attributes also create challenges for the AMC that partnerships can help mitigate. As boards and senior leaders think through partnerships or building networks with community or rural hospitals, they should consider the following:

- Rationales for building a strategic network include expanded access to AMC services, enhanced quality of services at partner organizations, reduced total cost of care, support of the AMC's growth strategy, and enhancement of the AMC's research and academic stature.
- Partnership models range from fully integrated models to looser forms of affiliation or targeted joint ventures or partnerships. The best model will be determined by strategic rationale and partner needs.
- Development of a strategic network strengthens the "hub and spoke" relationship of AMCs with other regional providers.

research and expertise represented at AMCs often gives them strong brand recognition in their communities. Demand for the AMC's services means that AMCs often have high occupancy rates. Typically located in urban centers, AMCs also serve a disproportionate share of financially disadvantaged and Medicaid patients; the Association of American Medical Colleges estimates that while AMCs represent only 5 percent of the nation's hospitals, they provide 31 percent of all charity care and 25 percent of all Medicaid hospitalizations. This, combined with the AMC's staffing needs, leads to high operating costs.

Taken together, these attributes mean that AMCs can offer unique

benefits to community and rural hospital partners, but also face unique challenges that these partners can help to mitigate.

Reasons for Partnering with Community and Rural Providers

Depending on the AMC's geographic location, networks might extend to urban and suburban community hospital partners, to partners in rural areas, or to both. The broader rationale for partnership is often the same, although the partnership structure may differ based on the specific strategic goals related to any individual partnership.

Improve Access to the AMC's Services

As noted above, the AMC's strong brand creates demand for its services, but access may be difficult for patients in suburban or rural locations if the AMC is situated in an urban center. Network expansion can bring the brand to partner locations where there is demand for the AMC's services, as well as the ability to keep care local at a lower cost setting.

In turn, the AMC expands the patient population needed to support its specialty and sub-specialty services. To the extent the AMC can move lower-acuity services to community hospital partners, it can also ease occupancy pressures and free up access to higher-acuity services at the AMC.

Enhance Quality and Breadth of Care Offered by Partner Facilities

As part of their research efforts, AMCs will often have designed care protocols and other clinical best practices that community hospital partners can adopt to elevate quality of care. New service lines can also be started at partner facilities, supported by the AMC's specialists.

The possibilities of telehealth and other virtual care delivery models continue to expand. Virtual consultations or second-opinion programs for regional partners can enhance the breadth of service offerings and quality of care. At rural facilities, telehealth support can help stabilize patients at their local facility, reducing the need for transports in lower-acuity cases.¹

¹ For example, the Medical University of South Carolina (MUSC) aligned with Hampton Medical Center to bring specialty services via telehealth to the rural hospital; see Katherine Wildeman, ["MUSC Makes Another Move into Rural SC with Hampton Regional Deal,"](#) *The Post and Courier*, February 13, 2020.

Reduce Total Cost of Care

Community hospital partners typically will have lower operating costs than the AMC. Moving lower-acuity procedures to these facilities, as appropriate, can reduce total cost of care for the AMC. This can help the AMC's performance under current or potential risk-based contracts or facilitate partnerships between payers and the AMC-led network at a competitive lower cost point. Similarly, partnerships with focused operating companies—such as for labs or ambulatory surgeries—can deliver high-quality services with a much lower cost structure.

Regional health systems with a provider-based health plan might be particularly attractive partners for an AMC, helping it gain capabilities in managing total cost of care under risk-based or population-health-focused initiatives.

Drive the AMC's Growth Strategy

Partnerships with non-academic providers can serve as mechanisms for the AMC to enter new markets or service lines. Alignment with non-faculty physicians can be an important driver of growth, enhancing existing or creating new service lines. Partnerships with providers that have specialized expertise in services such as post-acute or behavioral health can allow the AMC to focus its efforts on its core mission and areas of greatest strength.²

Enhance the AMC's Research and Academic Stature

By extending its brand to community or rural hospital partners, the AMC can enhance its name recognition within its market and community perception of the AMC as a provider of a wide range of services, not just high-acuity or specialty care. At the same time, the AMC gains access to a broader patient population for clinical trials. Partnerships also open possibilities for new residency programs in community or rural health settings, where appropriate.

Partnership models should be matched to strategic rationale.

Determining the Best Partnership Model

Partnership models should be matched to strategic rationale. In some instances, a highly integrated model such as an acquisition may be best—for example, if the AMC wishes to fully own and operate a community hospital. In other instances, looser forms of affiliation such as targeted partnerships or joint ventures around a health plan, service lines, or new facilities (ambulatory surgery centers, for example, or a rural or suburban microhospital³) will be more appropriate. Also, in certain cases where state ownership of assets has affected the partnership structure, joint operating agreements have

² For example, Beaumont Health and Universal Health Services partnered to build a new mental health hospital that will enhance mental health services in Michigan; see ["Beaumont Health, Universal Health Services Break Ground on New Mental Health Hospital"](#) (press release), December 16, 2019.

³ For example, Froedtert Health is building microhospitals in Wisconsin to expand its presence in more suburban areas; see Alia Paavola, ["Froedtert Health Bets Big on Microhospitals,"](#) *Becker's Hospital Review*, February 10, 2020.

been used. These agreements can be structured to be tightly or loosely integrated and cover a broad or narrow scope of assets.

Partner needs will also help determine the appropriate partnership model. A rural health partner, for example, may not wish to be acquired, but views a telehealth affiliation as a model that can help it retain more patients for care in a local setting.

Conclusion

AMCs have long served a role as regional health hubs. Strategic growth of a network through partnerships with community hospitals and rural health providers solidify the AMC's role as a hub, while strengthening the spokes that connect its services and expertise with providers throughout the region it serves.

The Governance Institute thanks Dawn Samaris, Managing Director in the Strategic and Financial Planning practice, and Deborah Pike, Senior Vice President in the Partnerships, Mergers, and Acquisitions practice, at Kaufman, Hall & Associates, LLC, for contributing this article. They can be reached at dsamaris@kaufmanhall.com and dpike@kaufmanhall.com.

