



## CONSOLIDATION A 'GAME CHANGER' FOR ACADEMIC MEDICINE

### MEET THE CHALLENGES

Academic medical centers (AMCs) face many unique challenges in this new environment. The greatest challenges will fall on those not actively participating in the current wave of consolidation.

#### NEW ENVIRONMENT—NEW CHALLENGES

##### Changing Referral Patterns

Alignment among competitors will dampen referral streams to AMCs, except for the most complex and expensive patients.

##### ACOs Favoring Less Costly Solutions

As accountable care organizations form and assume risk for populations, underlying incentives will drive participants to solutions other than AMCs given their higher costs.

#### KEY CHALLENGES FOR AMCS

##### Fewer Dollars

AMCs will feel pressure to reduce costs given declining reimbursement and moderation of payers' willingness to pay for clinical education.

##### Difficulty Aligning with Physicians

AMCs will face difficulty aligning with key community physicians without academic pedigrees, who will align more naturally with community organizations.

### SELECT THE ALTERNATIVES

There is no single solution in addressing the challenges of consolidation. The most likely need is a combination of operational strategies that position an organization for success. AMCs have unique attributes to leverage in remaining viable. How best to build on these attributes depends upon circumstances specific to the organization.

#### RESPONSES TO GROW UNDER CONSOLIDATION

**Re-differentiate the AMC:** Return the AMC to its roots as a specialized entity where discovery and technically-difficult care take place to become a favored destination for patients with unique needs.

**Grow Market Share with Ambulatory Placement:** Place substantial ambulatory facilities out into the community to redefine your market boundaries and move market share back to the AMC.

**Pursue Clinical Service Line Linkages:** Connect with community hospitals to support their clinical service line capabilities in select specialties and establish pathways back to the AMC for complex cases.

**Leverage Other Academic Resources:** Draw on other resources within the larger university setting (e.g., public health, nursing, pharmacy, allied health) to gain an advantage in managing population health, etc.

**Become a Consolidator of Hospitals:** For those able to take part in market consolidation, become a consolidator of hospitals with dedicated resources for growing and managing the community-based portion of your business.

**Assume Risk:** Transform your AMC into a value-producing entity by participating in development of an ACO, forming nontraditional alliances and bringing together unlikely partners to get to the right mix of services.

**Consider the Integration of Key Services:** Seek opportunities to align service components along the care continuum not currently owned by the AMC to better manage quality and cost of care.

**TRG Healthcare** understands the complexities of academic medicine. For more than a decade, we have assisted AMCs with respect to a variety of strategic, financial and transactional issues and have built a solid track record developing innovative solutions to help them grow, change and achieve excellence.

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