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Perspective

Top Academic Medical Centers: Now "Leveraging Their Brands"

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Brand strategies are extending top med center reach into untapped local markets.

Introduction

In March, one of the country's leading academic medical centers and the second largest for-profit hospital chain by revenue announced a major alliance aimed at improving the quality of care while lowering costs at community hospitals across the US. The Cleveland Clinic will lend its expertise to more than 130 hospitals in 29 states run by Community Health Services (CHS), based in Franklin, TN.

The Wall Street Journal (WSJ) reported that the alliance represents "a sign of how prestigious medical centers are leveraging their brands to extend their reach into untapped local markets".

The nonprofit Cleveland Clinic includes eight hospitals in Ohio along with its flagship campus and facilities in Florida, Las Vegas and Toronto. Many of CHS' affiliated hospitals are in rural locations.

How Will The Alliance Work?

The WSJ offered that although alliances can take many forms, many "often resemble a sort of health care version of the franchise arrangements common in other industries – the leading center shares clinical protocols and advice, and the local hospital, which typically pays a fee, can publicize the relationship to prospective patients".

Specifically, CHS will gain access to a "quality alliance" already in place at the Cleveland Clinic that can electronically capture, report and compare data about patient outcomes; come up with predictive models for improving patient outcomes; and share those best practices across the CHS system.

The two organizations confirmed that the alliance does not involve an initial financial payment, but that each side would likely pay fees to the other for specific services. The Cleveland Clinic will work with some CHS hospitals on cardiovascular services, and also on efforts to integrate and improve the quality of physicians' work. The Cleveland Clinic and CHS will also likely join in future ventures that could include acquisitions.

What's The Motivation?

Top medical centers are being squeezed financially and are seeking new sources of revenue and referrals. These Centers feel that stronger branding will translate to increased revenue and referrals. For "name-brand institutions", affiliating with – or acquiring – a local hospital can formalize existing clinical relationships and allow them to capture revenue from patients who might not otherwise go to the home base.

Local hospitals are hoping that that their affiliation with a "name-brand institution" can attract patients who might otherwise have passed them by for a better-known facility. At the same time, local hospitals are trying to improve quality metrics – which are increasingly tied to government payments – and secure a marketing advantage as they compete in an increasingly consolidated local market.

Are There Other Advantages To Having A Strong Brand?

A strong brand provides national institutions with greater potential to participate in national contracts with large employers. A brand associated with high quality may increase the marketability of the system – and having a large geographic reach may also improve the appeal for employers.

As an example, Wal-Mart Stores announced that as of January 1, 2013, approximately 1.1 million people covered under its employee health insurance would be able to access cardiac and spinal surgeries at one of six health systems identified as "Centers of Excellence", including Cleveland and Mayo Clinics. Cleveland Clinic also has contracts with Boeing and Lowe's.

A strong brand may also increase negotiating leverage with payers, especially in a time of declining reimbursements. Payers remain motivated to retain national institutions as preferred providers.

Finally, having a strong brand may also assist with physician recruitment.

Which Other Top Medical Centers Are Doing The Same?

The Mayo Clinic created the Mayo Clinic Care Network in 2011 and now has 14 members. MD Anderson Cancer Center in Houston, which started its program in 2005, has 11 members in a growing network of affiliated oncology programs. Duke University Health System in Durham has been working with LifePoint Hospitals – a large chain of for-profit community hospitals based in Brentwood, TN – since 2011 to set up joint ventures to buy hospitals. To date, four have been acquired, including the most recent – Marquette General in MI, the largest in the Upper Michigan Peninsula.

What Are The Limitations?

A top medical centers brand can be negatively impacted by growing too fast or by affiliating with organizations that are simply not a good fit. A brand can develop negative associations for simply being “too big”.

In an effort to mitigate the risk, the “name-brand institutions” supposedly have thorough vetting procedures and processes in place. Although rare, affiliates could lose their status if they don’t meet certain benchmarks outlined by the “name-brand institution”.

In addition, top medical centers insist on “limits” to their promotional partnerships. Both Mayo and MD Anderson have separate logos for their affiliate networks – different from those of their main medical centers.

Will There Be An Impact On Physicians?

hysicians may find themselves working for – or competing against – a major national health system brand, no matter where in the US they practice.

Physicians who are not part of the affiliated systems may find themselves at a significant competitive disadvantage.

Conclusion

The top US Medical Centers have unique attributes that represent both opportunities to be leveraged in the emerging payment environment and challenges to be overcome as they move toward value-based business models.

When compared to stand-alone or rural hospitals, academic medical centers are relatively well positioned financially, allowing them to invest, take risks and potentially overcome mistakes.

One opportunity being aggressively pursued by the top medical centers is creating – or further strengthening – their brands. A superior brand provides these Centers with leverage in several ways including:

- Securing referral streams – and revenue – from other providers, especially in untapped local markets,
- Promoting strategic partnerships directly with self-insured employers,
- Assisting in discussions with payers, and
- Having "clout" with suppliers

For medical device manufacturers, conducting business with a top medical center also strengthens the device company's "brand". As leading institutions spread their reach to hospitals across the US, manufacturers are seeking to put together even more compelling value proposition offerings — allowing for healthcare systems/franchises to meet patient demand, control costs, and market their orthopedic services. With brand recognition now a part of the patient's experience, don't be surprised if device manufacturers determine that direct to consumer advertising becomes an increasingly important marketing tool for creating patient demand for their products.

Don Urbanowicz is Principal of Urbanowicz Consulting (UC), a medical device advisory firm with a musculoskeletal focus seeking to enable clients to achieve strategic and transaction-related goals by capitalizing on market opportunities. UC offers a unique perspective on how large global companies approach strategy, valuation, negotiations, due diligence and integration, and a thorough understanding of achieving success throughout all phases of the transaction process. Please learn more online at www.urbanowiczconsulting.com, and contact Don Urbanowicz at durbanowicz@du-llc.com.