



Understanding the **AMC-University Relationship**

Results and Insights from Survey Data

Business Affairs Forum

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Executive Summary

Leaders of universities affiliated with academic medical centers (AMCs) are questioning whether their institutions are best positioned for an uncertain future. Recent mergers, acquisitions, and separations in the health care industry, often involving high-profile AMCs, have sparked anxieties about the “right” organizational model. Evolving health care legislation, expanding industry and regulatory pressures, and challenges to the payer mix have only exacerbated these anxieties.

Driven by member interest, EAB’s Business Affairs Forum has undertaken a study of the AMC-university relationship, with an eye to minimizing threats and maximizing areas of shared strategic interest. While each partnership has its own unique attributes, universities and AMCs must confront a common set of challenges—and opportunities—regardless of organizational model.

As a step toward understanding the AMC-university relationship, the Business Affairs Forum distributed a survey to Chief Business Officers and other finance and administrative executives of fifty universities with affiliated AMCs. The twenty-eight respondents varied in terms of the size, health, and level of integration of the AMC-university relationship. In advance of additional research on this topic, the Business Affairs Forum offers the following takeaways from the survey results.



Distressed AMCs not limited to one segment

Universities that described the financial state of their affiliated AMC as “distressed” span the spectrum of public/private, organizational structure, and number of beds. The healthiest AMCs tend to be larger (<1,000 beds) and fully integrated into the financial and operational apparatus of the university. As such, leaders express optimism about opportunities for ongoing collaboration. Yet even among these healthy AMCs, leaders report concern about long-term financial stability.



Optimism about partnerships remains high

Across organizational models and levels of financial health, university leaders believe that they share with AMC executives a strategic vision for balancing clinical, research, and educational mission. Both formal and informal methods of communication are common. The majority of university leaders expect their relationship model to either remain the same or become more integrated in the next five years.



Financial transfers an ongoing area of uncertainty

Almost all respondents report receiving financial transfers from the AMC that are often used to fund not only medical school operations and faculty salaries but also the general university budget and strategic initiatives. While some transfers are a product of a formula based on clinical activity or other agreements, a surprising number of transfers are based on either an unknown methodology or discretionary, “handshake” agreements—a potentially significant area of risk as health care partners confront their own declining margins.

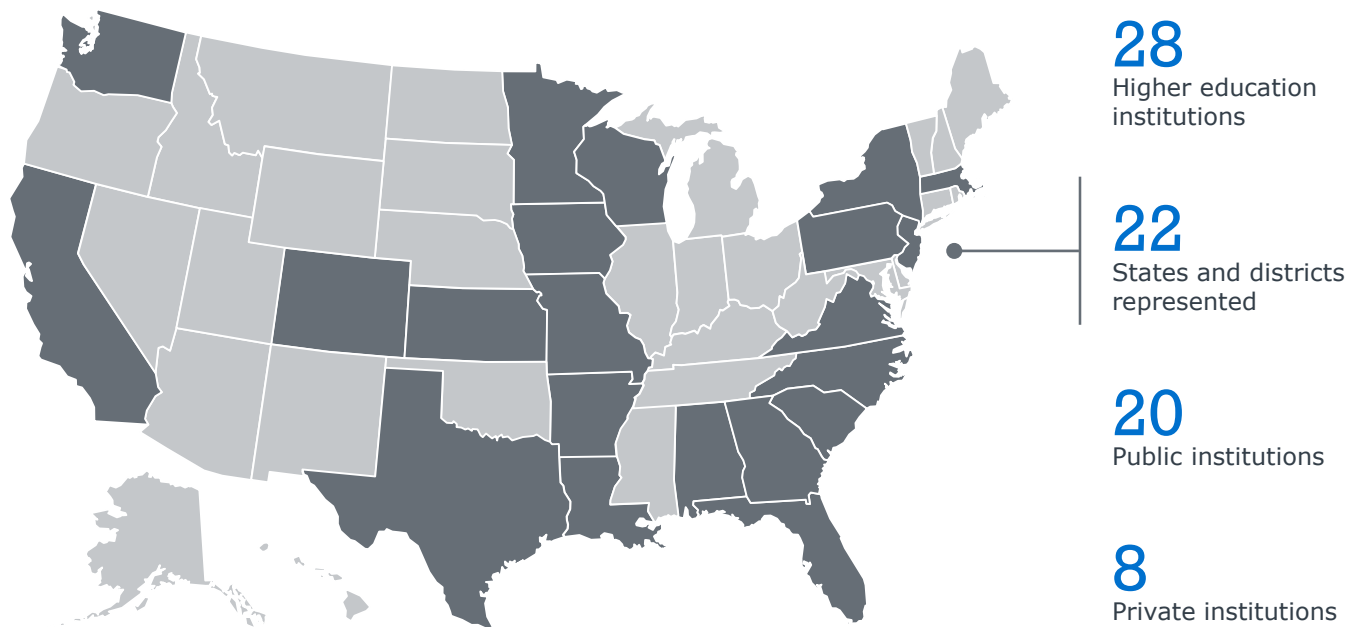


Opportunities for greater scale are rife

Even without delving into clinical operations, university and AMC leaders can leverage the large administrative footprint of their institutions to get to scale in their operations. Universities report success in consolidating and/or sharing systems, processes, and staff in IT, procurement, HR, research administration, facilities, and advancement functions.

Overview of Survey Respondents

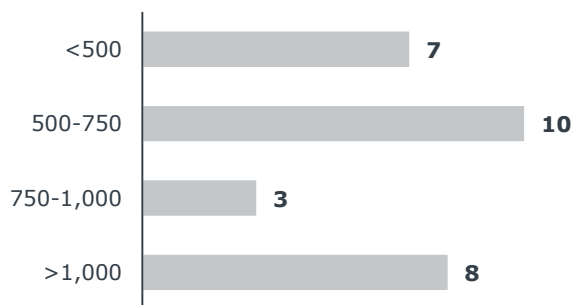
Participant Demographics



Shaded states include one or more survey respondents

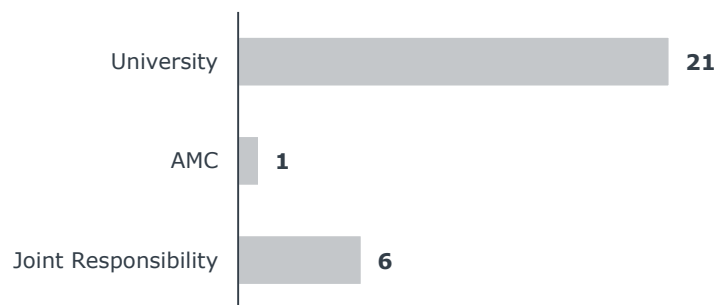
Respondents by number of beds in affiliated AMC

n=28



Respondents' area of primary responsibility

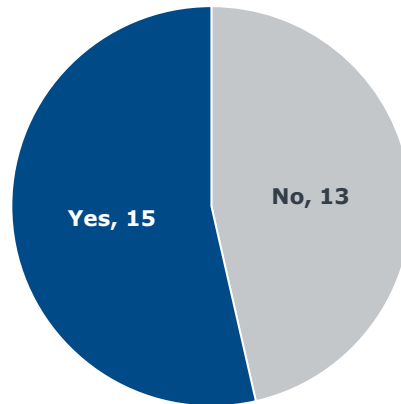
n=28



Relationship Models

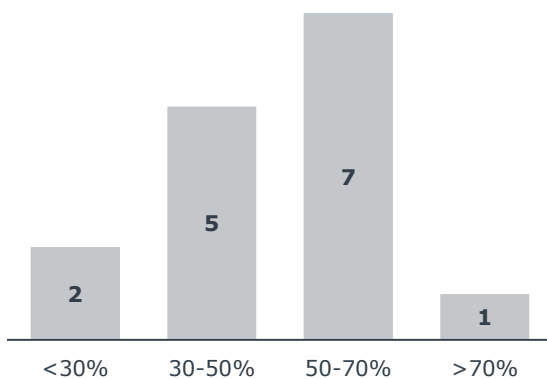
Does your university “own” your affiliated AMC?
(Is the AMC a constituent part of your university’s financial and organizational structure?)

n=28



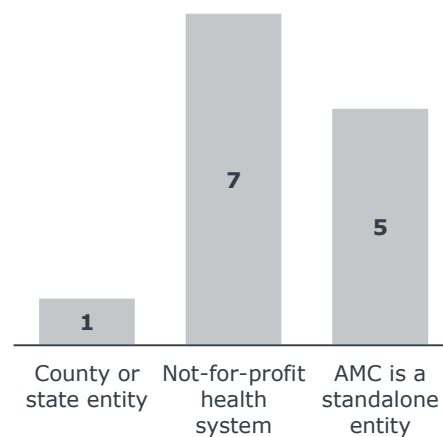
If “yes”, considering the revenues of the AMC and university together, what percentage comes from patient care?

n=15



If “no”, who ultimately controls the patient care enterprise of your affiliated AMC?

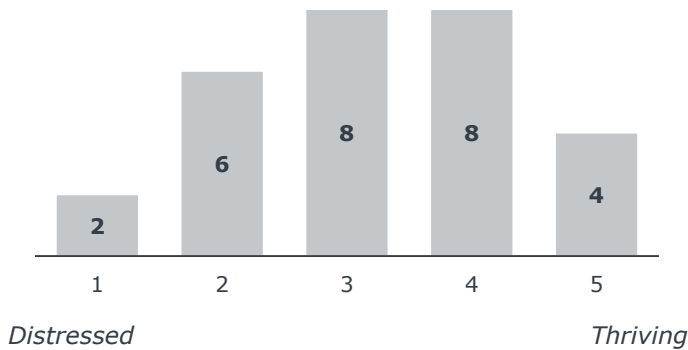
n=18



Financial Stability

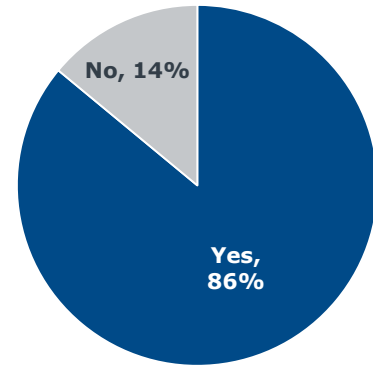
Using the scale below, how would you describe the financial state of your AMC today?

n=28



Are you concerned about the long-term financial stability of your AMC?

n=28

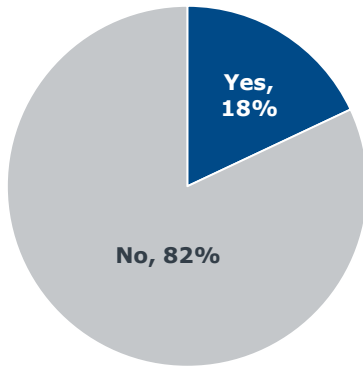


Most frequently cited areas of concern
Uncertainty about federal health care legislation
Increased compliance and regulatory requirements
Decreased research funding
Unstable payer mix; dependence on Medicare and Medicaid
Lower commercial reimbursements
Risky acquisitions of health care system partners
Inability to attain advantage in competitive market
School of medicine operating at a loss
Unstable affiliation agreements

Financial Transfers

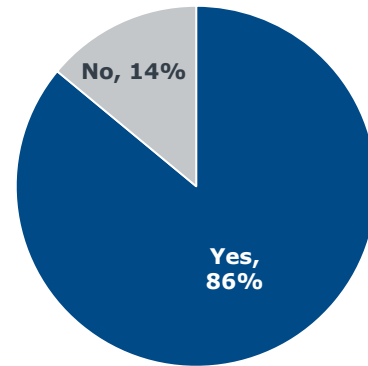
Do any AMC operations rely on financial transfers from the university?

n=28



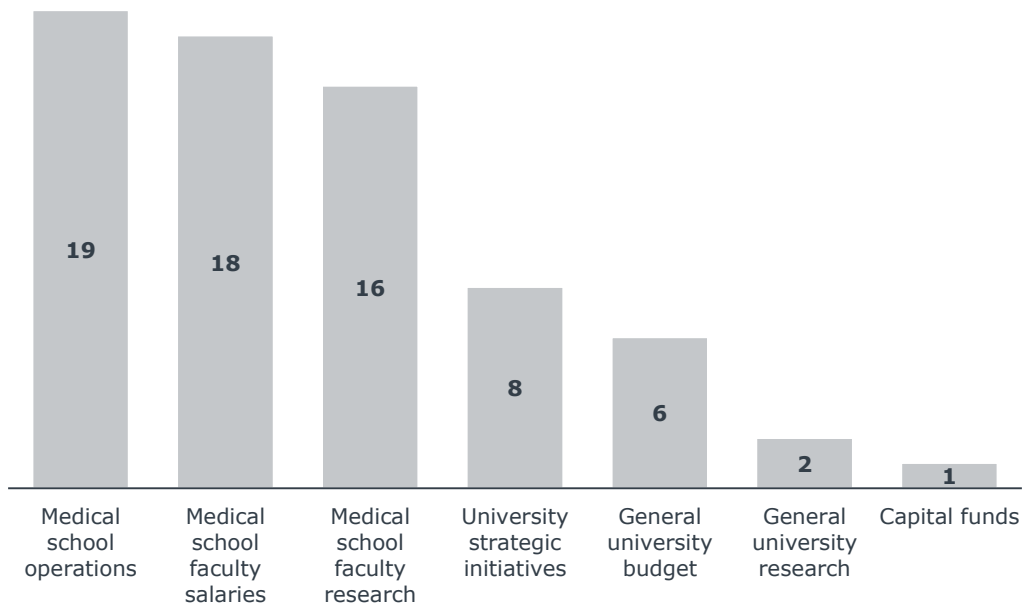
Does your university receive financial transfers from the AMC?

n=28



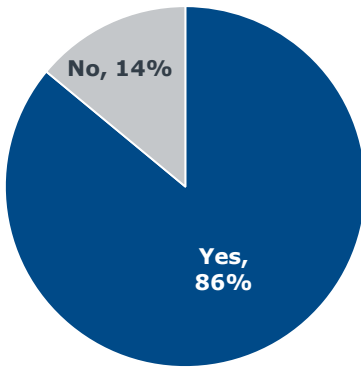
If "yes", which of the following are supported by financial transfers from the AMC?

n=24

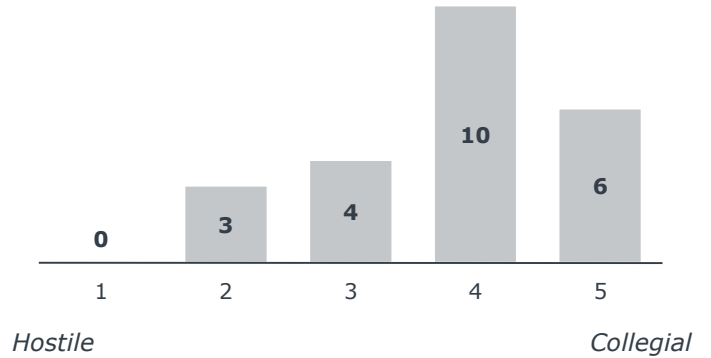


Working Relationship

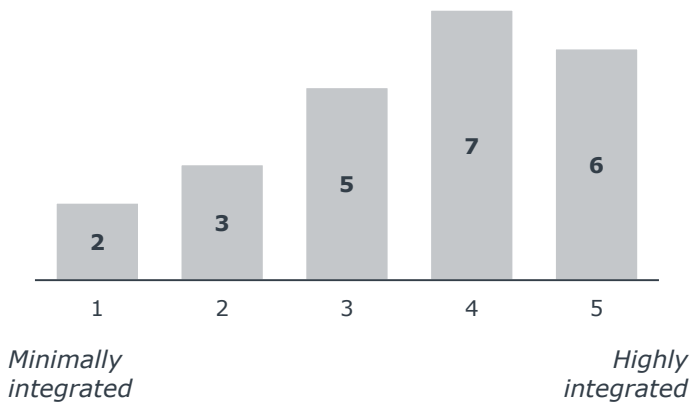
Do university and AMC leaders share a strategic vision for how to balance clinical, research, and educational components?
n=28



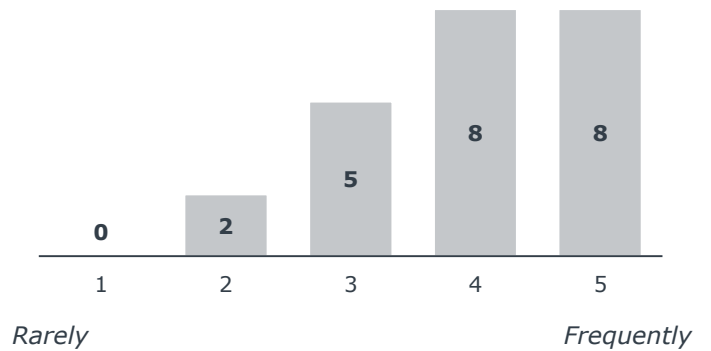
Using the scale below, how would you describe the working relationship with your AMC?
n=23



Using the scale below, how would you characterize the level of formal integration between your university and its AMC?
n=23

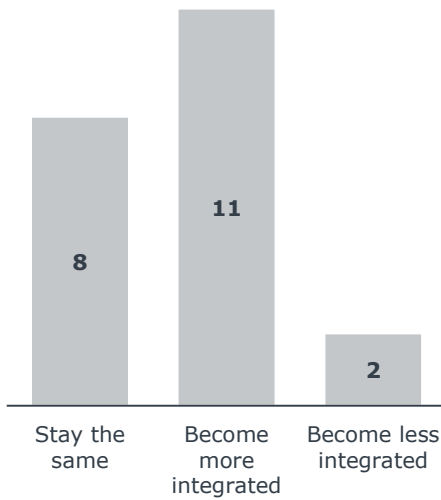


Using the scale below, how often do AMC and university executives informally interact, communicate, and collaborate?
n=23

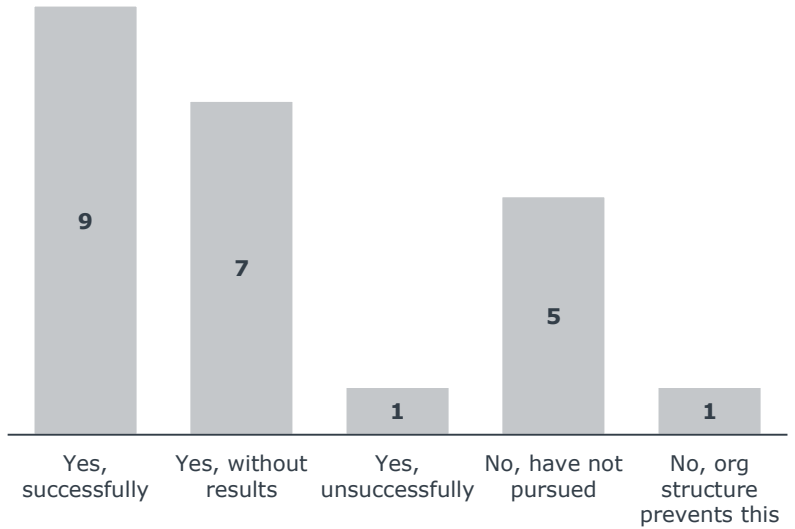


Strategic Partnerships

Over the next five years, how do you expect your AMC-university relationship to evolve?
n=21



Has your AMC-university partnership pursued any joint cost savings opportunities, such as shared services, IT systems, purchasing, etc.?
n=23

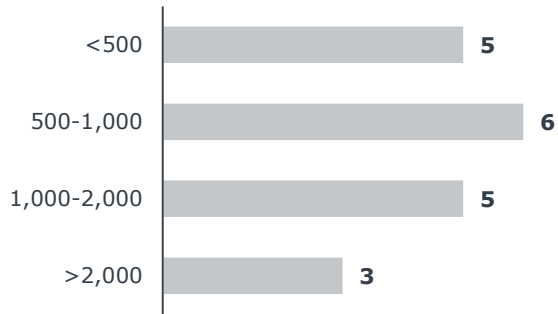


Examples of win-win AMC-university collaborations
Shared procurement and IT platforms
Consolidated HR teams
Shared administrative services
Collaborative chair recruitment
Joint advancement and procurement functions
Coordinated physical planning and community development

Faculty Practice Plans

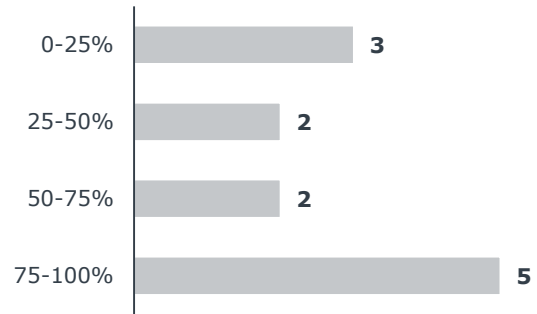
Respondents by size of affiliated faculty practice plan

n=19



Respondents by percentage of faculty-plan physicians teaching in the medical school

n=12



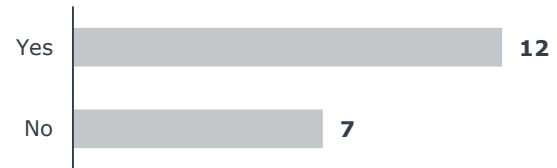
Do all faculty-plan physicians automatically receive an academic title?

n=19



Is the faculty practice plan integrated with non-faculty, community physicians?

n=19





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