ABSTRACT: United States academic medical centers (AMCs) have upheld their long-standing reputation for excellence by teaching and training the next generation of physicians, supporting medical research, providing world-class medical care, and offering breakthrough treatments for highly complex medical cases. In recent years, the pace and direction of change reshaping the American health care industry has created a set of new and profound challenges that AMC leaders must address in order to sustain their institutions.

University HealthSystem Consortium (UHC) is an alliance of 116 leading nonprofit academic medical centers and 276 of their affiliated hospitals, all of which are focused on delivering world-class patient care. Formed in 1984, UHC fosters collaboration with and among its members through its renowned programs and services in the areas of comparative data and analytics, performance improvement, supply chain management, strategic research, and public policy. Each year, UHC surveys the executives of its member institutions to understand the issues they view as most critical to sustaining the viability and success of their organizations. The results of UHC’s most recent 2011 member survey, coupled with a 2012 Strategic Health PerspectivesSM Harris Interactive presentation, based in part on surveys of major health care industry stakeholders reveal the most important and relevant issues and opportunities that hospital leaders face today, as the United States health care delivery system undergoes a period of unprecedented transformation.

For decades, the United States health care system had been on an unsustainable trajectory of rising costs, with fewer and fewer Americans able to afford health care insurance coverage. It had been clear for quite some time that the world’s costliest health care system was in need of fundamental change. American medical centers (AMCs)’ leaders understood the need to make high quality patient care more accessible and affordable. As a result, AMCs across the country advanced various strategies for best practices in the delivery of quality, accountable and efficient care for patients. Given the highly complex United States health care system, politicians, academics and industry experts have had varying opinions, ultimately leading to heated debates regarding the scope and type of change required to bring about lasting, necessary improvements. Intervention eventually came with the creation of the Patient Protection and Affordable Care Act (PPACA). The PPACA was passed by the United States Congress and then signed into law by President Obama on March 23, 2010. On June 28, 2012 the Supreme Court gave a final decision that upheld almost all of the provisions of the health care law (http://www.HealthCare.Gov).

The UHC 2011 member survey asked AMC leaders to describe what they thought would be the most pressing challenges facing their organizations over the next two years. While responses were sought from various C-suite administrators, this review focused primarily on feedback received from CEOs, who hold ultimate accountability for the long-term success of their organizations. The key issues most frequently identified by the CEO survey respondents can be broadly classified into four categories:

- Finance and operations;
- Care delivery system;
- Academic mission;
- Market dynamics.

A summary of each of these issues is as follows:

### Finance and operations
- Given the growing deficit in budgets at the federal and state levels in the United States, the primary concern voiced by respondents was related to reductions in reimbursement for services, particularly Medicare and Medicaid, which account for a sizeable proportion of most AMCs’ payers mix. Furthermore, administrators expect declining reimbursement from commercial insurance sources which have traditionally offset lower reimbursement levels from government.
- CEOs understand how vital it is for them to rethink the way their institutions manage costs and core processes. New approaches are needed to gain the efficiencies that will allow their
organizations to not only break-even on reduced reimbursement levels, but earn the margin necessary to sustain their operations and fund future investments. The ongoing challenge faced by CEOs to build and reinforce the need for changing long-held status quos is also of particular note.

Another major concern for many AMCs is the reduced access to capital that has been experienced across most industries as a result of the global economic downturn. Many institutions with ageing facilities struggle to remain competitive in markets where newly constructed inpatient units have set a higher standard for private patient rooms with improved aesthetics and amenities for patients and family members alike. At the same time, changing market reimbursement incentives are creating greater demand for outpatient services located within community settings versus the complex maze of facilities that comprise many AMC campuses. These factors, in addition to balancing ongoing demands to fund new medical technologies and research initiatives, place additional pressure on AMC institutions to identify available sources of capital funding.

Lastly, having already heavily invested in information technology infrastructure, some CEOs remain concerned about the cost associated with sustaining and advancing these systems as a prerequisite for maximizing future reimbursement.

**Care delivery system**

As the United States health care system transitions from a fee for service reimbursement model to an accountable care model, reimbursement will eventually be tied to the quality and outcome of patient care, cost management optimization, and overall population health. This evolution requires tight integration between all those who influence the continuum of patient care, with physician and hospital alignment being a primary component. In this instance, AMCs may face greater challenges than many general acute care hospital providers given the complexity of their organizations and the longstanding referral patterns that exist among their affiliated physicians.

One of the greatest challenges AMCs face is how best to manage through the tipping point of these fundamental changes in care delivery and reimbursement models. AMCs and other providers across the United States must carefully steer their organizations’ course of action so that they are not putting their short-term financial performance at risk while making the fundamental changes required for long-term success.

Given the emerging United States payment model, AMCs are striving to achieve greater clinical integration by aligning the incentives between their organizations, affiliated physicians, and other providers throughout the entire continuum or episode of care. The objective behind these varied efforts remains the same: realize high quality, low cost care with superior patient outcomes and satisfaction levels. Incentives tied to the Health Information Technology for Economic and Clinical Health (HITECH) Act enacted in 2009, spurred AMCs to take the lead in promoting the adoption and meaningful use of health information technology to better manage patient care and clinical outcomes. While these significant changes and improvements are taking place, hospital executives are keenly aware of the need to carefully straddle two distinct realities: Both the existing and emerging care delivery and reimbursement models must be managed, knowing that fee-for-service care delivery still plays a significant role in financial performance for the time being.

A 2012 Strategic Health Perspectives presentation also identified several transformational trends taking shape:

- Significantly larger, more complex health care organizations:
- Moving from caring for “sickness” to maintaining “wellness” and viewing admissions as a failure of the ambulatory model;
- Lean-focusing effort to weed out over-utilization;
- Use of comprehensive data that captures information from the entire continuum of care in order to redefine the delivery model.

Presently, AMC administrators and their physician partners are working with a “shared savings” model that aligns incentives, so that both the institution and affiliated physicians have the opportunity to realize margin potential with limited risk by providing the right care, at the right time and in the right setting for their patients. This approach, however, is largely viewed as transitional until providers and systems find a better way to be organized around a model where full risk is managed.

**Academic mission**

AMCs are unique among health care provider organizations in their three-fold mission: providing excellence in patient care, conducting medical research, and training the next generation of physician leaders. Being able to adequately fund these missions is particularly challenging for AMC executives given the existing uncertainty on how and when the new care delivery and reimbursement models will be fully established. Managing through this transition and the resulting economic consequences weighs heavily on the minds of AMC chief executives who must find ways to align their medical center with their schools of medicine so that both can be adequately funded. Given that AMCs have undergone a period of generally strong financial performance, the anticipated market changes will require leaders to accelerate from a standing start as historic pressures to actively reduce costs that have largely been absent. In particular, schools of medicine will be increasingly accountable for their share of the academic mission and reduce their dependence on AMC funds flow. This may require difficult decisions to be made regarding consolidation and restructuring of academic programs to reduce expenses (2012 UHC Research Report). The health care industry will require revisiting longstanding institutional priorities in the light of new market realities, challenging organizational culture and calling for significant rethinking of historic frames of reference. AMCs and their affiliated schools of medicine will need to give serious thought and consideration as to how they will rationalize and modify their funds flow based on emerging market dynamics.
Market dynamics
As health care providers across the United States anticipate the delivery system’s transformation, ongoing consolidation is disrupting historical AMC referral sources and patterns. Yesterday’s competitor may likely become tomorrow’s partner, requiring an integration of differing cultures, processes and systems to effectively and efficiently manage patient care. Many AMCs are aggressively expanding their regional presence in an effort to increase their scale and better leverage the resources that are required to form an accountable care model. The changing market paradigm has already resulted in heightened competition, making it ever more difficult to maintain brand awareness and preference among the physicians that AMCs may wish to recruit and retain, the patients they aim to serve, and the payers on which they rely. Effectively managing these evolving provider entities, their affiliated physician practices, and associated business partners through the health care system’s migration is a clear priority for AMC administrators during this dynamic period of change.

Concluding thoughts
Recognizing the unprecedented changes sweeping the United States health care industry, AMC CEOs understand the imperatives at hand. Transitioning from a volume-based delivery system to a value-based model focused on providing the highest quality patient care in the most efficient manner will require tremendous foresight, focus, fortitude and risk-taking. Those institutions that successfully adapt to the market’s transformation will look radically different in ten years’ time. Throughout this transition, it is critically important for AMCs to remain flexible within the context of their missions and adapt their strategic plans and organizational cultures to reflect the demands of the market’s emerging new reality.

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