

# MISSISSIPPI BUSINESS JOURNAL

## **UMMC/HMA hospital alliance could help educationally, financially**

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### **Partnership between state's academic medical center and for-profit hospital group could help keep more paying patients in state**

In response to rising healthcare costs and the uncertainty of federal healthcare reform, health care providers nationwide are consolidating, and academic medical centers and for-profit hospitals are entering into partnership agreements.

The University of Mississippi Medical Center (UMMC) has announced it is exploring a partnership with Florida-based Health Management Associates Inc. (HMA), which owns 10 hospitals in Mississippi.

UMMC and HMA hope to reach a definitive agreement in spring 2012. Although both parties say it's too early to speculate on what type of arrangement could be made, the goals of increased training opportunities for doctors and more access to tertiary (or acute) care for HMA patients would fit what is called a "clinical agreement." These partnerships usually do not involve financial integration. In other models where academic health centers and for-profit providers merge, the for-profit can assume responsibility for hospital operations.

David Whelan, a principal at healthcare consulting firm Stroudwater Associates in Atlanta, said such arrangements nationwide range from clinical agreements to mergers and everything in between.

Some examples are: Hospital Corporation of America operates the transplant center at the University of Oklahoma Medical Center and is a joint owner in the Tulane Medical Center in New Orleans; Tenet Healthcare operates the Saint Joseph Hospital at Creighton University Medical Center in Nebraska; the Duke University Health System has formed a joint venture with LifePoint Hospitals called Duke LifePoint; and, in May of this year HMA formed an alliance with the University of Florida's academic medical center called Shands in Gainesville.

"Every deal is different depending on the objectives of the parties," Whelan said. With the high cost of equipment and IT operations, for example, sharing resources makes financial sense.

As far as drawbacks go, one could be the "issue of cultural fit," he said. "The issue of whether both parties are entering into the agreement understanding what the other party needs and wants.

Academic medical centers provide teaching, research and care to underserved populations. The for-profit objective is to provide high-quality services, get paid and make a profit. You've got to bring competing objectives together. Good partnerships do that."

HMA's Mississippi hospitals include five in the Jackson area — River Oaks and Woman's hospitals in Flowood, Crossgates River Oaks in Brandon, Madison River Oaks in Canton and Jackson's Central Mississippi Medical Center. HMA also owns hospitals in Amory, Batesville, Biloxi, Clarksdale and Natchez.

### **Education and access**

Dr. James E. Keeton, UMMC's vice chancellor for health affairs and dean of the medical school, said HMA approached UMMC four months ago regarding the discussion of a potential partnership, showing UMMC the model HMA is using at the University of Florida in Gainesville.

"From our standpoint the biggest issue is education," Keeton said. "We have got to get more doctors and change healthcare disparity."

Mississippi ranks lowest in the nation for the number of active physicians per capita, according to the Association of American Medical Colleges.

To increase the number of doctors in the state — from 135 to 165 and eventually 200 students per year — UMMC needs more clinical settings for training, which HMA can provide. (The medical center also needs a new \$55 million medical building, for which UMMC has seed money and is seeking state bond money, Keeton said.)

But no merger is on the horizon, according to Keeton: "We will not do a full merger. We're a state institution, and they're a for-profit private, but it will be a very strong relationship where we maintain our identities but 'cross pollinate,' so to speak, with each other."

Keeton notes that partnering with HMA would not limit its involvement with other hospitals. "We're willing to partner with anybody" for physician training or collaboration of care, he said. UMMC has relationships with Baptist Hospital, St. Dominic's, Northeast Mississippi Medical Center and other hospitals across the state.

Kace Ragan, a marketing manager with HMA's Mississippi division, said access to physicians and giving Mississippi patients access to more care inside the state was the impetus for discussions with UMMC.

"We're still talking about it. There are so many possibilities to try to narrow it down to just a few would not do it justice. This kind of affiliation is happening all across the country. It works well for groups like HMA because we have so many hospitals stretched out over a large area, it allows the patients to have maybe even more specialists in their communities. That was the thing that started this whole conversation: Getting more specialists in those markets so Mississippians won't have to leave Mississippi. We want to give them the opportunity to stay close to home," Ragan said.

HMA would benefit from the organ transplant services, Level 1 trauma (acute emergency room) services and also Blair E. Batson Hospital for Children, for examples, if partnered with UMMC.

Through HMA's alliance with the University of Florida's academic medical center, it gained access to improved cardiac and stroke emergency services at for its regional hospitals in central Florida.

### **Serving the underserved and staying in operation**

In addition to the education aspect, another benefit to partnering with HMA would be financial. Most academic medical centers are also safety net hospitals for the uninsured, and uninsured patients eat into a hospital's bottom line. Hospitals generally operate on razor-thin margins and need insured, paying patients to stay afloat. With the nationwide economic downturn, the uninsured population has increased, and that population is pushed toward academic medical centers.

Keeton said that the nation's academic medical centers provide about 5 percent of total healthcare but provide 40 percent of the healthcare to the underserved, or uninsured.

UMMC only gets 11 percent of its \$1.3 billion budget from the state.

In its adult hospitals UMMC provided \$115 million in free care last year, Keeton said. Government programs provided reimbursement for a lot of it, but the hospital was left with \$35 million or more in costs. "We cannot take care of every uninsured patient in Mississippi," he said.

Academic medical center budgets if: employment — and the private insurance that often accompanies it — increased; other area hospitals would help bear some of the load of the uninsured; the medical centers can pick up paying patients.

HMA referrals could help bring new insured patients to UMMC.

Steve Weylandt, a senior advisor with BDC Advisors, LLC in Houston, said consolidation in the medical industry, even between non-profit and for-profit entities, is "not uncommon" right now.

A partnership of a hospital group like HMA, which has learned to manage community hospitals well in rural areas, and an academic medical center would be a marriage of complementary skills.