

Academic Medical Centers 101: Running a mission-driven organization

The University of California (UC) Health System does not operate typical hospitals. Three missions drive its academic medical centers: caring for patients, training healthcare professionals, and advancing medical care through research. This three-pronged mission defines academic medical centers, which are generally large, multi-faceted organizations that include a medical school, one or more teaching hospitals, and satellite clinics. In California, the UC Health System operates five of the state's nine academic medical centers.

On any given day at an academic medical center, you'll find physicians treating patients, providing instruction to medical interns, and assessing the benefits of a clinical trial. Patients with complex healthcare needs, rather than those seeking primary care, generally receive care at academic medical centers given the capacity to deliver highly specialized healthcare services. As public institutions, UC's academic medical centers are firmly rooted in their communities and also provide high volumes of care to the publicly insured and uninsured.

Sustaining the Mission

Academic medical centers must operate as self-sustaining businesses just like private, for-profit hospitals – this means receiving sufficient payment for the healthcare services they provide and covering all operating expenses. If an academic medical center fails to do so, it will not survive in its competitive regional healthcare market. At the UC Health System, hospital payments come from private health insurance companies (55 percent), the Medicare program (23 percent), the Medicaid program (17 percent), local counties (2 percent), and individuals (3 percent).

However, the bar for academic medical centers is even higher. Sufficient resources are also necessary to cover education and training costs. This year, the UC Academic Medical Centers directed over \$120 million to support medical education, spent tens of millions of dollars on clinical training, and provided day-to-day structural support for training. In order to cover these costs, academic medical centers must secure sufficient reimbursement from private insurance plans,

control equipment and supply costs, respond to soaring labor and pharmaceutical costs, and collaborate with policymakers to ensure adequate Medicaid and Medicare reimbursements.

Balance and Efficiency

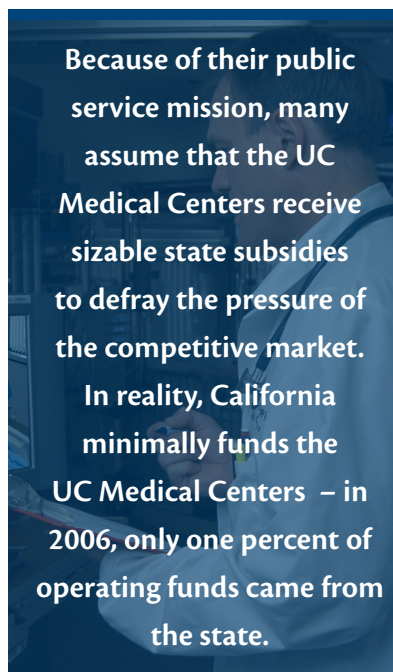
How do academic medical centers treat patients, train healthcare workers, and advance medical care – all while staying financially healthy? As with any complex organization, day-to-day management requires constant balance and great efficiency.

Success starts with daily synchronization of the academic medical center missions. This requires managing numerous teams of clinical faculty, researchers, and physician trainees and ensuring that they seamlessly work together. The sheer volume of individuals working under an academic medical center roof – and their attention to different components of the mission – must never compromise patient needs.

Balancing the mix of patients at an academic medical center is also critical. Because of a strong commitment to care for the medically vulnerable, academic medical centers must treat enough privately insured patients to cover the uncompensated healthcare costs of the uninsured and publicly insured. An academic medical center must also balance its role as a safety net provider with the need to treat patients with highly advanced medical conditions – if this balance is not struck, specialty and sub-specialty

physicians will not be adequately trained.

Great efficiency is required to cover academic medical center costs, which can be higher than a typical hospital given the specialized care provided. It's not surprising that advanced healthcare services require substantial infrastructure, technology, and human resources. Academic medical centers recruit highly specialized labor, often competing for a small handful of physicians (e.g., fetal surgery). These healthcare providers require up-to-date technology and state-of-the-art equipment to do their jobs – without these assets, academic medical centers cannot perform signature medical procedures such as organ transplants.



Because of their public service mission, many assume that the UC Medical Centers receive sizable state subsidies to defray the pressure of the competitive market. In reality, California minimally funds the UC Medical Centers – in 2006, only one percent of operating funds came from the state.

Vision

By their very nature, academic medical centers focus on the future – preparing the next generation of healthcare workers and charting a course toward better medical care. To fulfill the promise of a strong healthcare system, academic medical centers must have a clear vision of their own future.

At the heart of this vision is securing, and maintaining, the structural resources that patients, physicians, researchers, and trainees need. The UC Health System's future includes three brand new, seismically sound facilities – the Ronald Reagan UC Los Angeles Medical Center, a new UC Irvine Medical Center, and UC San Francisco at Mission Bay. Enhancements to existing facilities are also on the horizon for the UC Davis and UC San Diego Medical Centers. Within these facilities, up-to-date information technology systems will be necessary

in order to streamline patient care and link physicians and researchers. Also, the latest and greatest in technologically advanced medical equipment will be essential to providing high-end, cutting-edge patient care. Capital investments are by their very nature costly; as such, academic medical centers require sufficient operating margins to plan for the future. Academic medical centers completely reinvest margins back into operations.

At the core of every academic medical center's vision is enhancing the infrastructure to create and disseminate medical knowledge. First and foremost, this takes human capital. Attracting the best and brightest talent to the UC Health System, and retaining that talent, is the highest priority for the organization – it's our key to remaining a vibrant force in healthcare.