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Marilyn M. Mannisto

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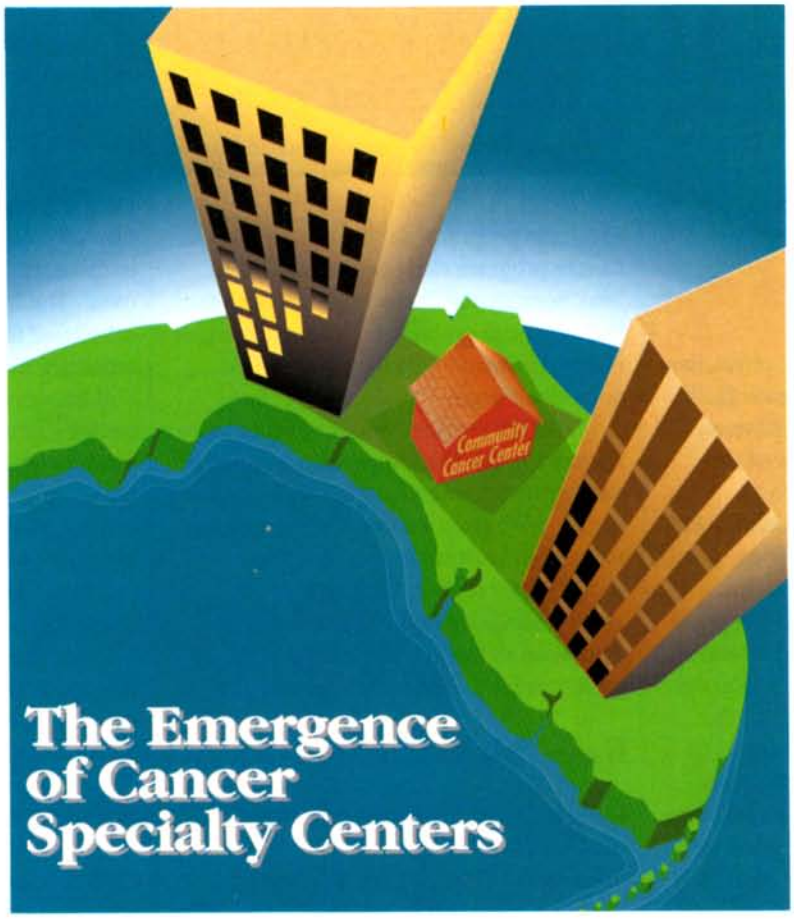
THE EMERGENCE OF CANCER SPECIALTY CENTERS

by Marilyn M. Mannisto

M.D. Anderson Cancer Center at the University of Texas, Houston, has developed a prototype agreement with Orlando (FL) Regional Medical Center that it plans to duplicate in other select areas of the country. Unlike the loose affiliations it has formed in the past, the two institutions will be joint partners in the construction and operation of a freestanding cancer center in the Orlando area. This article details the specifics of the agreement; the plans of a competing institution, Florida Hospital; and the potential for other major cancer centers to adopt M.D. Anderson's growth strategy.



Increased competition among community-based oncology programs has spurred a variety of affiliations with university-based cancer centers in the hope that the community programs will benefit from the university centers' "brand name" recognition in the marketplace. These affiliations have ranged from the simple use of a university cancer center's name in conjunction with continuing education programming, to more formal agreements that provide community-based physicians with access to new technology and sophisticated research studies.

Now, however, a new trend may be emerging between these two potential cancer care partners: a formal joint venture agreement that presents each party with equal risks and opportunities and a "brand name" over the door. More than two years ago, M.D. Anderson Cancer Center (MDACC) at the University of Texas, Houston, formed a separate not-for-profit Outreach Corporation to pursue the development, marketing, and operation of programs in partnership with select community-based institutions in other regions of the country. In March of this year, it announced its first formal agreement with Orlando Regional Medical Center (ORMC) to jointly construct and operate a freestanding cancer center in Central Florida.

According to Owen F. McCrory, Executive Vice President and CEO of the MDACC Outreach Corporation, the need to increase the cancer center's revenues and the results of market area studies and patient surveys led to the creation of the Outreach subsidiary. "An analysis of annual patient surveys showed that patients wanted to receive care closer to home, but to remain under the MDACC umbrella," McCrory reports. "We also analyzed relations with programs around the country where MDACC already had affiliations, such as Florida, and a study of that particular market area showed a favorable climate for such a venture," he says.

And there "clearly is widespread interest" on the part of other institutions in negotiating similar arrangements with MDACC, McCrory says. "We have received affiliation inquiries from more than 100 different health care institutions." The Outreach Corporation already is studying other markets where there is institutional involvement or interest in an affiliation with MDACC. "Over the next 3 to 5 years, we anticipate having 5 to 8 sites in other areas of the country," McCrory reports.

The Florida Prototype

The arrangement in Orlando is "likely to be the standard" upon which other affiliations are based, and the "basic principles of the Orlando agreement will be the same in any future agreements," McCrory says. However, he stresses that MDACC has no intention of using a "cookie cutter approach" in the development of other agreements. "Each community presents different opportunities and challenges" and, as a result, "there will be some variation from the Orlando prototype. We want each arrangement to be good for the community, good for both institutions, and built on a sound business relationship."

McCrory is quick to point out that the Florida agreement is a dramatic departure from MDACC's previous affiliations with organizations which, typically, he says, were educational in nature. "For instance, if an institution was interested in having speakers, we would send speakers." However, he says, "those institutions tended to play up the M.D. Anderson name. In many ways, those affiliations were a one-way street. Because of general changes in the health care environment, we began to look at such agreements closely." As a result, he says, "we decided to develop a program, not just loan out the M.D. Anderson name. We wanted a win/win situation."

McCrory is confident that the Outreach Corporation's strategy will meet that goal. In fact, MDACC is estimating that the Florida-based prototype program will produce upwards of $3 million per year for the joint venture affiliates over the next five years.

The Medical Staff

There will not be any MDACC physicians on the medical staff at the Orlando facility, McCrory explains. "We do have an arrangement whereby members of the medical staff in Houston will go to Orlando on a rotating basis, primarily for consultations, continuing education, grand rounds, and collaboration on specific research activities. M.D. Anderson physicians will also serve as back-up resources for the staff at Orlando," he says. On the flip side, medical staff members of the Orlando facility are required to travel to Houston for training on research protocols. The medical staff is also required to participate in tumor conferences and continuing education programs at Orlando. "Medical staff members must be willing to make a commitment to the program; that is, a multidisciplinary approach to cancer care," McCrory says.

Management

The Outreach contract with ORMC calls for MDACC to select the administrator, medical director, marketing director, and finance director for the cancer center. In the case of the Orlando program, "existing management essentially steps aside," McCrory says. But he contends that "the level of cooperation and enthusiasm

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> ***—M.D. Anderson's Owen F. McCrory***

about the program" on the part of current cancer program management at ORMC "has been strong." However, he admits that potential problems with such changes in management "tend to pop up when operations begin."

But the replacement of existing management in the Florida prototype is one of the factors that may vary in other agreements. "We must look at current management from location to location; their ability to put together this type of program," McCrory says. "Plus, this is an expansion of the current program and, as such, it entails a different approach."

Referrals to Houston

McCrory would not provide specifics on the situations in which patients would be referred to MDACC from the Orlando facility, saying that he would have to defer that question to the yet-to-be-appointed medical director, who would be "responsible for those decisions."

However, he did say that the "complexity of the interchange will be enormous." And, when questioned about a program such as bone marrow transplantation, he did not foresee such a program being established at the Orlando facility, at least in the short-term, because of the "resource base needed to support such a program. When it is needed, it's more likely to be done at the Houston facility," he predicts. In addition, he says that "other types of cases, where complexity or progression of disease call for highly investigational protocols, may also dictate treatment at MDACC, but that may be the exception rather than the rule."

Nevertheless, McCrory says that "because of [MDACC's] knowledge base, visibility, and enhancement" in the Orlando community, an increased volume of patients is expected at the Florida facility, and a byproduct of that anticipated influx of patients will be "an increased number of patients at Houston."

The Competition

When MDACC's Outreach Corporation first began to study the Florida market, McCrory says that it was invited by "two separate, competing institutions" in the Orlando area to discuss possible affiliations. The other institution was Florida Hospital which, in September, announced plans to construct a $25 million comprehensive, freestanding cancer center of its own. The MDACC/ORMC facility is scheduled for completion in 1993, although, in the interim, the joint program will be serving patients on the ORMC campus, and Florida Hospital plans to have the groundbreaking for its facility in the same year. According to MDACC Outreach Corporation's market research, both centers will be competing for the estimated 9,000 new cancer cases per year in the six-county Central Florida area. And, no doubt, both hope to capture the estimated 25 percent of those cancer patients who sought treatment outside of the area last year.

Florida Hospital also announced an agreement with the Duke Comprehensive Cancer Center that will provide Central Florida residents with access to Duke's treatment protocols, on-site consultations and second opinions by Duke's cancer specialists, and the development of cancer education, prevention and detection programs. However, while Duke will have a "presence" in the institution's new cancer center, "it will be Florida Hospital's Cancer Center," says Wendy Henry, administrator of the cancer program.

Henry is confident that the institution can hold its own in what may amount to head-to-head competition with the MDACC/ORMC cancer program. The local media is making it sound like a "cut-throat" competitive situation, Henry says,

"but it's not mean, it's business." In fact, Florida Hospital was having discussions with both Duke and M.D. Anderson about a possible arrangement back in 1988. "Our goal was to bring more state-of-the-art care to an area that lacked a university-based cancer center and which had an elderly population that did not want to leave the area to receive its care," Henry explains. "To be fair, MDACC also talked to ORMC and, in the end, wanted all of us to form a venture together," Henry says. "But we felt our focus was different and chose to affiliate with Duke."

The decision not to affiliate with MDACC was heavily weighted by Florida Hospital's medical staff which, according to Henry, preferred the Duke arrangement. "We are a private practice-based, not a faculty model yet," Henry explains. "Our private physicians drove our final decision. And it wasn't just the oncologists we consulted, but the entire medical staff." In specific, Henry says, "we didn't forget our primary care physicians, who are our bread and butter. The Duke affiliation will provide many cancer detection and prevention protocols that the primary physicians can participate in."

Other factors that influenced the hospital's decision were issues of "exclusivity" and "control," Henry says. "We didn't want someone telling us how to spend our money or managing the cancer program from a distance," she explains. Henry also believes the Duke arrangement will provide broader access to clinical trials "for both inhouse and outlying physicians. All members of our medical staff have access to clinical trials if they are active staff and are either board certified or board eligible; they don't have to refer their patients to a small cadre of physicians."

Moreover, Henry says that "Duke was not interested in having a presence in Orlando or in pulling business out of the area. Its primary focus was to increase accrual to its cancer research protocols and it had some interest in fund-raising efforts. In fact, its goal is to have 97 to 98 percent of the protocol patients treated here, with the exception of patients who are on complex investigational protocols or require a bone marrow transplantation." And, according to Henry, increasing their access to clinical trials was a primary goal of the institution's cancer program. Prior to the Duke affiliation "we had arranged to have access to protocols of the Radiation Therapy Oncology Group through an affiliation with Johns Hopkins," she says, "but the hospital had never been a member of a cooperative group."

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> ***—Wendy Henry, Florida Hospital Cancer Center***

The Duke affiliation provides Florida Hospital with access to CALGB protocols, as well as Duke's inhouse protocols. And the institution plans to join a number of other cooperative groups, which, according to Henry, "is facilitated by being under Duke's wing. For instance, they helped us to establish a protocol office."

Henry is also wary about an arrangement that could result in the displacement of current management. "There is a long-term bond of trust between the medical staff and management, particularly with senior managers. Over the years, we've helped their practices grow. It's my understanding that the MDACC arrangement will be primarily run by physician managers, while we have a mix of people."

Finally, Henry points to the benefits of the Duke affiliation for the hospital as a whole and not simply the cancer program. "It was an opportunity to form a link with a major medical center and medical school that could be of benefit to the entire

medical staff, which made for a broader, more appealing relationship."

Marketing Strategies

Although MDACC has released little information about its agreement with ORMC, Henry is philosophical about the future. "We really don't know their plans," she says, "but one of our thrusts for next year will be developing a new affiliation with Loma Linda University Medical Center." (The affiliation provides Florida Hospital patients with access to the medical center's new proton beam accelerator program.) "We also plan to add to our clinical trial base and to develop a very aggressive cancer prevention and control program," Henry says.

In terms of marketing, Henry says they will be focusing their dollars on "health promotion programs, screening programs, seminars, and other special events." They will also be heavily promoting their telephone-referral information services. All in all, their strategy, according to Henry, is to focus on their ability to provide services to the community. In Henry's experience, the "bigger and better type" of advertising doesn't work. "Our former attempts at that type of advertising didn't generate the kind of response we wanted. I think people respond better to a softer approach."

Henry admits, "You're always scared going into a new relationship, but I can't say enough about how well this arrangement is going. I know we've made the right decision."

A Future Trend?

Are we likely to see other "brand name" cancer centers forge agreements similar to that of MDACC? "It seems to me that major cancer centers face an enormous task as we compete for scarce resources,"

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> ***—Owen McCrory***

McCrory says. The Florida program is "based on the enormous resources of MDACC," he points out, as well as a "50-year history and reputation [in cancer care] that few other places have achieved. Whether or not other cancer centers are prepared to make such a commitment remains to be seen."

McCrory also points out that MDACC's model was not "easy to develop." The prototype agreement with ORMC took "over two years of negotiations and planning," he says. "And it took another nine months to develop a letter of intent and to complete detailed negotiations" before the agreement was actually signed on March 1.

However, McCrory believes that "a loose affiliation that doesn't necessarily impact a program is nothing more than marketing." MDACC is no longer interested in entering into "loose affiliations in exchange for our name and in the hope that some good comes out of them," he says. "We plan to produce a quality product under the M.D. Anderson name." And "quality," according to McCrory, is the bottom line. "If we can't provide quality care, the program won't last," he says. "Ultimately, the only business rationale for cooperative programs is whether or not they are good for the cancer patient."

Outside of the cancer center arena, Mayo Clinic is opening satellite clinics outside of its home base. Although the Mayo Clinic Scottsdale provides a wide variety of medical services, it is actively pursuing patients for treatment on cancer protocols, and oncologists were transferred from Mayo's Minnesota clinic to the Arizona facility. But David King, M.D., an oncologist at Good Samaritan Medical Center, Phoenix, says that to date, the effect on other cancer programs in the area has been spotty. "They're providing care on an ongoing basis for some cancer patients in the eastern valley area, but overall, they're not having a tremendous impact," he says. However, that "may fit in with the fact that the population here is growing." As a result, King says, "they may be slowing our growth, but they haven't noticeably reduced our market share."

So, it remains to be seen if the "brand name" technique of marketing that is being promulgated by the Mayo Clinic and MDACC will have a significant impact on the cancer programs of competing institutions.

Nevertheless, MDACC's Outreach Corporation is forging ahead. Community cancer programs that find themselves in the areas targeted by MDACC as sites for future joint ventures will have to determine what programs, services, and marketing strategies can prevent their programs from being lost in the shadow of the M.D. Anderson name. ■

Marilyn M. Mannisto is Managing Editor, *Oncology Issues*.