



# Strategies for Cooperation among Institutions

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- Strategies developed in other sectors are generally based on **competition**.
  - However, the health sector is different from other sectors.
  - The society expects health institutions to take action toward cooperation, both to meet health requirements and to reduce duplications of services.

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- Cooperation must be examined from two perspectives:
  - 1) Resource dependency
  - 2) Strategy for growth and marketing

# Resource dependency

- Resource dependency is when an institution is not able effectively supervise its use of environmental resources that it feels are necessary needed in order to be able to continue its enterprises, or being dependent on other institutions in terms of these resources.

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- It may be said that health institutions show a high degree of resource dependency.
  - Some uncertainties exist in the inputs of health institutions (materials, work force, money, etc.)
  - For these reasons, health institutions must apply cooperation (mergers, consortiums, strategic unions, membership in joint administrative boards, etc.)

# Strategies for Growth and Marketing

- Cooperation between institutions not only solves the problem of resource dependency, but also plays a role in the presentation of the services produced to the public.

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- For example, a hospital cooperating with a home care institution in order to reach more patients and produce new services may be seen as a part of the strategy of marketing.

# Dimensions of cooperation among institutions

- Horizontal integration
- Vertical integration



# Horizontal Linkage/Integration

- This is the cooperation among similar health institutions.
- It is very common especially among small hospitals.
- It is carried out with the purpose of reducing competition and increasing the channels of presenting of services.
- Multi-hospital systems are health institutions which appear as the result of horizontal linkage.

# Vertical Linkage/Integration

- It occurs among institutions which offer different services (like a hospital and a home care institution)
- Vertical linkage may also happen between a hospital and a pharmaceutical company or a research center.
- There are two types:
  - 1) Upward vertical linkage
  - 2) Downward vertical linkage

# Upward Vertical Linkage

- It is when a health institution approaches institutions which provides the inputs it uses in order to carry out its essential functions, or cooperates with these institutions.
- For example, a hospital which does organ transplants cooperating with institutions which supply organs.

# Downward vertical linkage

- It is a cooperation approach that serves to increase the production volume of a health institution and widen the channels of the services it provides.
- For example, a hospital cooperating with a nursing care center, a home care institution or a terminal patient care center.

# Strategies for cooperation among institutions

- Strategies for horizontal and vertical linkage may be considered in 2 groups:
  - 1) Mutual cooperation strategies
  - 2) Purchasing strategies

# Mutual cooperation strategies

- Are grouped in 3:
  - a) Cooptation
  - b) Coalition
  - c) Joint ventures

# Cooptation

- It is a strategy for achieving cooperation and accord.
- The upper level administrator or administrators of a health institution take on duties in the administrative organs of the institution with which cooperation is being carried out.
- It is a flexible and easily applied form of cooperation.
- In this form of cooperation, the health institutions preserve their own characteristics.

# Coalition

- It is the joint use of resources by two or more health institutions.
- Institutions which carry out coalition are said to be loosely coupled.
- Health institutions preserve a large degree of their own identity and characteristics.
- Health institutions where coalition is most commonly practiced are those in areas of small habitation.



# Which conditions make coalition necessary ?

- 1) Economic limitations
- 2) Technical limitations (purchase of CT, MR, etc.)
- 3) Informational limitations (to carry out health education, advertising, etc.)
- 4) Regional limitations (coalition may be applied in places where health services are insufficient)

# Joint ventures

- It is the cooperation among health institutions in order to bring about projects or enterprises which they are unable to achieve by their own means.
- Success depends on the contributions of the cooperating institutions.
- Institutions do not lose their legal status.

# Joint ventures

- Example: A hospital, a specialist doctor group, a nursing care center and an insurance agency come together and create a managed care plan.

# Joint ventures

- As well as occurring among similar health institutions, joint initiatives may also be found among different health institutions.
- Institutions which practice joint ventures, may turn out to be a health institution that is different from its legal entity.
- With joint ventures, the risk of failure is shared and costly investments are made easier.

# Purchasing strategies

- 1) **Acquisition:** the purchase by another institution of all or most of the shares of an institution.
- 2) **Merger :** A new health institution with a new name is created from two health institutions.
- 3) **Purchasing the licence power:** A health institution purchases the right to use products or procedures developed by other institutions.

# Advantages of cooperation between institutions

- 1) Economic
- 2) Personnel
- 3) Institutional

# 1) Economic advantages

- Costs decrease
- Advantages occur in production
- Productivity increases
- The level of use of the production capacity rises
- The number of personnel decreases
- Opportunities for entering capital markets easily and finding loans increase, etc.

## 2) Personnel advantages

- Medical and administrative personnel are easily acquired.
- Medical and administrative personnel are retained.
- Clinical and administrative skills are developed.
- The level of quality of services rises.



# Institutional advantages

- Institutional growth occurs.
- The existence of the institution is able to be continued.
- A greater degree of political power is obtained.