WHAT IS STRATCENTER?

Although the Internet offers rich resources, it has some important limitations when used as a tool for strategy research. Web sites are usually designed to communicate information to prospective customers, providers, and investors. As such, the student of strategy must take care to sift through material on web sites, discounting the more purely public relations type of information. For instance, many of the posted mission statements are designed for public consumption, rather than to reflect serious strategic intent. Most importantly, the web does not organize information in ways that make conducting specific strategy investigations easy. This is where StratCenter comes in. StratCenter allows students, executives, teachers, and anyone interested in strategy to do the following:

- **Study markets and competitors in real time.** Having the most current information is crucial in learning, analyzing, or even planning healthcare strategy, particularly given the complexity and the pace of changes in this industry. This information enhances a strategy analyst’s prospects in tapping into new ideas and emerging trends.
- **Study many markets and organizations simultaneously.** StratCenter enables the strategy analyst to study many systems, observe patterns of competition across many markets, anticipate and project future environmental and market trends, and project strategic responses by competitors.
- **Compare and contrast markets and systems.** Strategy analysts can easily become victims of tunnel vision or viewing their markets as isolated and unique. StratCenter is a great prescription for this ailment because it presents comprehensive data on a multitude of markets and systems. It allows analysts to compare markets and systems, which enable them to identify strategic commonalities and differences. Called “strategic group analysis,” this approach is especially important in healthcare because healthcare organizations have just started to aggressively pursue strategy.

**Strategy Data**

StratCenter is specifically focused on the hospital sector. Undoubtedly, the intensity of competition and the concomitant need to formulate strategy are greatest for hospitals and hospital systems than for other types of provider organizations. The hospital sector is composed of many large, often very powerful, and highly active competitive units. Hospital companies clearly play the lead role in shaping the structures of healthcare delivery locally; regionally; and, in some cases, nationally.

A unique feature of StratCenter is its database on hospital chains. In tracking hospitals and the hospital systems, the database highlights three important entities:

1. **Multihospital chains:** companies that own or manage two or more acute care general hospitals.
2. **Urban hospital clusters:** combinations of two or more hospitals that are members of the same multihospital chain but are located within the same urban market.

3. **Urban markets:** focused on the federally defined metropolitan areas—the core-based statistical areas (CBSAs), the new term the government is now using instead of the term metropolitan statistical areas.

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**Multihospital Systems**

The rapid movement (through merger and acquisition) of hospitals into multihospital chains is one of the most important strategic shifts that occurred in healthcare in recent years. (StratCenter identifies just under 400 of these systems.) The chains, which range in size from two to nearly 200 hospitals, have dramatically changed the competitive landscape of healthcare. This is clearly reflected in the fact that the average 4-firm ratio (the sum of market shares for the top four firms in individual markets), an important indicator of market concentration, is now at 93 percent, averaged across urban markets. This high number suggests that a very significant level of consolidation has occurred in this sector as a result of hospitals and hospital systems having aggressively built up organizational mass at the local level. Today, more than 50 percent of acute care general hospitals are members of multihospital chains. That percentage rises to 67 in urban markets.

Many chains, mainly many of the smaller ones, are located within only a single market. This is true, for example, for ScrippsHealth, a five-hospital chain located exclusively in the San Diego market. Other chains spread across multiple markets. For example, the North Shore-Long Island Jewish Health System has hospitals in two major markets—New York (mostly in the Staten Island borough) and Nassau. Of course, others are far larger—notably, HCA, which is in nearly 80 different markets across the country.

**Urban Hospital Clusters**

The Scripps and North Shore examples point to the second important organizational unit tracked by StratCenter—the *urban hospital cluster*. These clusters come in one of two forms:

- single-urban market chains (Scripps)
- local combinations of hospitals that are members of multimarket chains (the two North Shore hospital clusters).

Many of these clusters have already emerged as the lead players in many markets across the country.

**Urban Markets**

In addition to focusing on hospital systems, StratCenter provides detailed information on the often very competitive *urban markets*, which include all 331 of the federally
defined CBSAs. StratCenter presents information on the local competitors, market structures, and other important market characteristics for each of these markets.

StratCenter also tracks hospitals in nonurban markets, but it does not provide market structure detail on them per se. StratCenter does, however, identify the nonurban hospital members of multihospital chains, and it accounts for non-urban markets when adding up the markets in which each chain is located. Notably, StratCenter treats the whole of the nonurban areas within individual states as single markets (e.g., all of the nonurban areas in Illinois are counted in StratCenter as one market).

**HOW IS STRATCENTER DESIGNED?**

Upon entering StratCenter, the user will have a number of choices. Most importantly, there will be a choice between markets (CBSAs) and companies (the multihospital chains). Choosing one of these choices, the user will then see either a list of CBSAs or of companies. From these, the user will be able to sort among the CBSAs (e.g., by population size, region, state, or other market characteristics) or companies (e.g., by size, ownership type, dispersion pattern, or other company characteristics), form strategic groups (by selecting the “Advanced Search” option), or go to individual CBSAs or companies to look for more specific information.

The individual CBSA pages contain information on the local competitors (a competitor is either a freestanding hospital or a local cluster of hospitals, if two or more of a company’s hospitals are located in that market), which are rank ordered by market share. The CBSA pages also contain market structural information such as the Herfindahl Hirschman Index and the 4-firm ratio, physician/population and bed/population ratios, market growth, and other strategically relevant information. From an individual CBSA page, users can hot link to the company web page for those competitors (freestanding or cluster) that are owned by a multihospital chain. The individual company pages are similar in that they provide information on the hospitals owned by the companies, various structural features of the companies, ownership, and so on.

StratCenter allows CBSA strategic group comparisons using four variables:

1. market size (seven size categories for markets ranging from 50,000 and more in population)
2. large regional categories (four regions in the country)
3. small region categories (nine regional categories)
4. state (which allows comparison of markets within a give state)

If a user goes to Advanced Search and chooses the market button for “huge” markets, for example, a list of 25 CBSAs with populations of two to six million will appear. These can then be rank ordered by market size, percent of aged, the Herfindahl Index, and other market structure variables. Again, a similar format is available for creating strategic groups for comparing companies (multihospital chains).