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How **synthetic scaling** can help healthcare nonprofits achieve national scale



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Two massive segments of the healthcare ecosystem operations — nonprofit health systems and nonprofit health insurance companies — have struggled to achieve operations at the national level.

These organizations consistently find it difficult and time-consuming to merge, and as a consequence, neither has achieved national scale. This situation compromises nonprofits' capacity to generate operating economies and create value for their customers.

The strongest healthcare nonprofits dominate regional markets but have difficulty extending their geographic footprints. Meanwhile, national for-profit companies consolidate easily and have dominant market positions within industry verticals, including commercial insurance, pharmacies, life sciences, drug wholesaling, device manufacturing and niche providers.

The rise of AI and aligned platforms offers nonprofit organizations a novel solution for achieving national scale and operating economies. *Synthetic* consolidation, where independent organizations use the same underlying intelligence platform, creates a path for nonprofit providers and payers to align their operations without the burden of formally merging.

THE AGONY OF NONPROFIT MERGERS

Several factors complicate formal mergers between nonprofit organizations. Most notably, the parties cannot negotiate on purchase price and organizational control the way for-profit companies do. Being unable to exchange stock and cash proceeds, nonprofits negotiate over issues such as organizational name, board seats, leadership positions and corporate-headquarter locations.

Organizational pride and bruised egos often thwart logical combinations. And when mergers occur, they often incorporate sub-optimal transaction components, including dual headquarters, bartered leadership formulations and large capital commitments, limiting the consolidated organization's operational efficiency and strategic flexibility.

Given the public character of nonprofit assets, state attorneys general have a disproportionate voice in determining the terms of negotiated arrangements, particularly those that cross state lines. Moreover, external transaction scrutiny has increased in the face of extensive empirical evidence indicating that nonprofit mergers increase costs and reduce access.

Nonetheless, nonprofits can achieve scale without the pain, suffering and unrealized synergies that accompany formal mergers through a *synthetic alliance*. Look skyward to find inspiration.

THE PLATFORMING MAGIC OF SYNTHETIC CONSOLIDATIONS

I have flown almost 6 million lifetime miles on American Airlines (AA). While not proud of this accomplishment, I have earned permanent elite status not only on AA but also on all its partner airlines within Oneworld, an

international alliance of 16 airlines. Elite status carries significant perks, including upgrades, early boarding and priority rebooking.

As a collective enterprise, Oneworld boasts that it serves "more than 900 destinations in 170 territories with hundreds of airport lounges." I can literally travel with elite status to almost any part of the globe within network. How great is that?

Within the broader marketplace, each airline retains its unique branding, organizational identity, service characteristics and competitive positioning. Below the surface, they're sharing data that enhances route design, ticket pricing, loyalty programs, aligned services (e.g., hotels, rental cars) and customer experience. This platform is seamless to consumers while improving their travel experiences.

There's no reason nonprofit healthcare organizations cannot emulate Oneworld's consolidation model with unified data sharing to achieve operating economies on a national scale and deliver superior customer experience. The potential for the application of such a model in healthcare is exemplified by an approach used by Mayo Clinic.

HOW SYNTHETIC SCALING CAN WORK IN HEALTHCARE

As an example of synthetic scaling, Mayo's platform is at the forefront of global movement toward AI-powered intelligence platforms that orchestrate personalized care delivery, empower pathbreaking medical research and reimagine health education/training programs.

Launched in 2019, Mayo's platform, now operating in nine countries with institutional partners, is a digital health ecosystem designed to accelerate the development, validation and deployment of AI and other data-driven healthcare solutions.

The platform magnifies its reach by providing a secure environment where healthcare providers, technology companies and others can collaborate using high-quality clinical data. The platform's focus is to accelerate medical discovery and their application broadly.

Although still young, the platform has lready realized tangible clinical advances, including:

- Identifying hidden signs of heart failure
- Diagnosing pancreatic cancer 438 days earlier than traditional manual reviews
- Predicting the likelihood of strokes more accurately
- Enhancing the diagnostic power of colorectal screenings

Mayo's platform is not specific to any one electronic health record. It ingests and harmonizes data from multiple sources, including Epic, Oracle Health, Meditech, imaging and laboratory systems, pathology, genomics and wearable devices, using industry standards. This vendor-neutral architecture allows organizations with different technology environments to participate without replacing their existing clinical systems.

MAYO'S DIGITAL APPROACH TO GLOBAL HEALTHCARE

Accelerating medical discovery requires a massive, unified data layer. Consequently, the most valuable asset of Mayo's platform is its secure, governed repository of de-identified, multimodal clinical data. It contains 54 million patient records and 36 petabytes of health data. Mayo's vision is to make personalized, predictive and innovative care more accessible globally through technology and partnerships.

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Rather than simply storing data, Mayo's platform provides sophisticated tools for:

- Identifying cohorts
- Normalizing data
- Developing AI models
- Validating clinical models
- Monitoring real-world performance

Developers can train algorithms using diverse patient populations, evaluate them for bias and clinical effectiveness and generate evidence required for regulatory approval and clinical adoption.

A distinguishing feature of Mayo's platform is its emphasis on *clinical validation*. Many AI models demonstrate excellent performance in laboratory settings but fail when deployed across different hospitals or patient populations. Mayo's platform overcomes this challenge by testing models across multiple institutions before introducing them into routine clinical practice. This process improves confidence that algorithms are safe, accurate and generalizable.

Mayo's platform also serves as an innovation ecosystem that connects healthcare providers, AI startups, pharmaceutical companies, medical device manufacturers and academic researchers. The platform enables innovators to gain access to Mayo Clinic's clinical expertise, secure computing infrastructure and real-world validation capabilities. Mayo's goal with these initiatives is to move promising technologies from concept to bedside faster and more cost-effectively.

Wow! This is today. Imagine tomorrow.

THE PROMISE AND PERIL OF SYNTHETIC CONSOLIDATION

As with airline companies, healthcare providers and payers can consolidate synthetically at the platform level to achieve scale, improve operational efficiency and better serve their customers. Failure to do so will compromise their market relevance.

Two unknowns will determine this dynamic:

- How many of these federated platforms will emerge? (My guess is 10 to 15.)
- Which organizations will spearhead their creation?

This is a golden opportunity for nonprofit payers and providers that lack scale to break free from the legal, political and cultural impediments that have stifled their ability to grow, develop and thrive. While these types of platforms focus on clinical advances, emerging intelligence platforms will also bring coherence and efficiencies to administrative and operational functions. Arguably, this is already occurring within novel provider organizations, including Longitude Health, Risant Health and the Mindshare Institute.

Of course, synthetic consolidation through intelligent digital platforms is available to for-profit as well as nonprofit organizations. The race to achieve scale is on and the ground underneath all payer and provider organizations is shifting quickly. Successful organizations will be differentiated from also-rans by their readiness to embrace these opportunities now.

Don't be left at the starting gate. ▮

About the author

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