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Exploring Diversification as A Management Strategy in Substance Use Disorder Treatment Organizations

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ABSTRACT

Implementation of the Affordable Care Act (ACA) creates both environmental uncertainties and opportunities for substance use disorder (SUD) treatment providers. One managerial response to uncertainties and emergent opportunities is strategic diversification of various dimensions of organizational activity. This paper explored organizational outcomes related to diversification of funding sources, services offered, and referral sources in a national sample of 590 SUD treatment organizations. Funding diversification was related to higher average levels of census, organization size, and recent expansion of operations. Service diversification was related to higher average levels of use of medication-assisted treatment (MAT), organization size, and expansion. Referral source diversification was related only to greater average use of MAT. Overall, strategic diversification in the three areas explored was related to positive organizational outcomes. Considering alternative strategies of diversification may help position SUD treatment centers to deliver more innovative treatments such as MAT as well as enhance capacity to satisfy current unmet treatment needs of individuals with behavioral health coverage provided under the ACA.

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1. Introduction

The environment surrounding organizations treating patients for substance use disorder (SUD) is typically characterized as complex and uncertain (Fields, Roman, & Blum, 2012). Implementation of the Affordable Care Act (ACA) and accompanying parity regulations have created new uncertainties coupled with potential opportunities for SUD treatment organizations (Buck, 2011; Busch et al., 2014; Guerrero, Aarons, & Palinkas, 2014; U.S. Department of Labor, 2015). For example, the ACA emphasizes the integration of medical and behavioral health treatment and, through expansion of Medicaid eligibility, provides greater number of individuals with insurance coverage for treatment of behavior disorders. These changes in the SUD environment are expected to offer opportunities for growth for those SUD treatment providers that proactively implement strategies and act in an entrepreneurial fashion (Buck, 2011; Knudsen & Roman, 2004; Zinn, Spector, Weimer, & Mukamel, 2008).

In all market environments, understanding the linkages between demands and potential resources to meet them is of critical importance for strategic organizational decisions (Dess, Lumpkin, & Covin, 1997; Slater, Olson, & Hult, 2006). Diversification is a classic strategic approach used by organizations in all industries to meet the challenges of both new

uncertainties and new opportunities (Adler & Kwon, 2002; Semrau & Werner, 2014). Across business sectors, a key assumption in strategic diversification is that greater variety of products, revenue, or other resources increases the likelihood of effectively anticipating the uncertainties generated by multiple changes in the environment (Harrison & Klein, 2007; Pfeffer & Salancik, 2003). In terms of such strategy, SUD treatment providers may diversify sources of funding, sources of patient referrals, and/or types of treatment services offered.

Few empirical studies have examined strategic diversification within SUD treatment organizations (Knudsen, Roman, & Ducharme, 2005; Yeager, Menachemi, Savage, Ginter, Sen, & Beitsch, 2014). Diversifying funding, services offerings and sources of referral may affect a range of organizational performance outcomes (Guerrero et al., 2014; Marsh, Cao, Guerrero, & Shin, 2009; Roman, Abraham, Rothrauff, & Knudsen, 2010; Tello-Leal, Chiotti, & Villarreal, 2012). This study examines aspects of the effectiveness of diversification of funding sources, treatment services, and referral sources by SUD treatment organizations in a nationally representative sample of 590 such organizations.

While diversification strategies are frequently discussed in terms of increased likelihood of organizational survival (Knudsen et al., 2005; Wells, Lemak, & D'Aunno, 2005), this study looks at outcomes that presumably precede survival, namely the link of diversification strategies with treatment center capacity to meet patient needs and to provide quality care (Heinrich & Cummings, 2014; McLellan, Chalk, & Bartlett, 2007). In this study, quality outcomes are operationalized by the extent that treatment centers provide comprehensive care (Ducharme, Mello, Roman, Knudsen, & Johnson, 2007) and utilize medication-assisted treatment (MAT) (Emmelkamp & Vedel, 2006). Treatment capacity is

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operationalized in this study by recent expansion of operations, total patient census, and number of staff.

These organizational outcomes were selected because SUD treatment provider performance may be measured by the use of processes known to lead to better patient outcomes. These include comprehensive care and use of evidence-based practices such as MAT. Comprehensive care in SUD treatment has been defined in the literature to include rigorous assessment of addiction severity, treatment planning that covers both core treatment for addiction and general patient health, support services, and follow-up/aftercare (Drake, O'Neal, & Wallach, 2008; Ducharme et al., 2007; Price, 1997). Most innovative among the evidence-based techniques are medications that have proven effective in multiple outcome research studies (Emmelkamp & Vedel, 2006; Fields & Roman, 2010). Implementation of evidence-based practices such as MAT and enhanced diagnostic and support services, such as those included in comprehensive care, increases the potential choices for treatment as well as improving treatment quality (Institute of Medicine, 2006; Rosenberg, 2007).

In addition, organizations' treatment capacity measures such as staff size, patient census served and recent expansion operationalize the ability of treatment organizations to meet current and prospective patient service needs. Studies of unmet demands for addiction treatment assert that needs commonly exceed SUD treatment capacity (McLellan et al., 2007), in part because the treatment infrastructure and staff resources have declined in many areas, altering infrastructure in ways that reduce treatment engagement and completion (Abt Associates, 2006). Limited administrative and technical support capacity may combine to create larger caseloads for counselors and lower treatment time per client. These may combine to affect the treatment atmosphere and increase both staff and patient turnover, which in turn may adversely affect patient care and service quality.

1.1. Organizations and environments

Resource dependency theory is grounded in the view that organizations must be responsive to the demands of the environment in order to survive (Pfeffer & Salancik, 2003). The theory argues that organizations constrained by environmental factors and dependent on scarce resources are at increased risk of diminished control over their operational choices (Blau, 1967; Pfeffer & Salancik, 2003). Uncertainty in an organization's environment is said to be reduced by strategic choices of the organization (Pfeffer & Salancik, 2003), and one such strategy is diversification of critical resources flowing into the organization. This may involve altering competitive positions in order to appeal to a wider range of customers and/or a wider range of essential resources.

Within the SUD treatment environment, treatment providers may choose to diversify the treatment modalities offered in order to meet new patient needs in SUD treatment that may be presented by patients resulting from changing patterns of drug abuse, i.e. the recent rise of misuse of prescription opiates (National Institute on Drug Abuse, 2015). SUD treatment providers may diversify sources of referrals in order to attract additional patients. Alternately, treatment providers may diversify sources of funding in order to increase total funding or to anticipate reductions in funding from one or more current resources in order to avoid disruption of staff capacity.

Previous research has shown that SUD treatment centers providing more diversified service modalities (i.e. inpatient, residential, detox, intensive outpatient, outpatient, etc.) were better able to withstand uncertainties in the operating environment and were more likely to survive over time (Knudsen et al., 2005). On the other hand, an organization's diversification strategy can be a strain on the organization's internal capacity and in turn could limit the quality of treatment provided. For example, expanding the diversity of treatment modalities and wrap-around services provided may stretch available staff so thin that ongoing adaptations and inter-agency connections needed for wrap-around services or MAT may be strained or compromised.

1.2. Alternative diversification strategies

Resource dependence theory applied to SUD treatment organizations suggests that establishing capabilities to obtain funding from more possible sources, being able to meet the services requirements of a wider range of patients, and being recognized as a treatment source by more different sources of possible referrals may each buffer the effects of environmental uncertainties such as changes in funding priorities of public grantors or coverage limitations imposed by third party payers. Over the longer term, diversification in funding sources, referral sources, and treatment modalities may also increase a treatment organization's ability to provide quality care for patients with newly acquired health insurance or Medicaid benefits covering behavioral health under the ACA (Buck, 2011). The following sections discuss specifically how strategic diversification in each of these three areas may be related to implementation of comprehensive care, levels of MAT provided, patient census, organizational size, and recent expansion of SUD treatment centers.

1.2.1. Diversification of funding sources

Besides Federal, state, and local grants, treatment organizations may increase variety in funding sources to include fee-for-service billing of patients, private insurers, Medicaid, and Medicare; contractual relationships with criminal justice sources; and contributions for creation of endowments. Previous research found that treatment centers obtaining funding from fee-for-service billings to third party insurers were significantly more likely to utilize MAT for treatment (Blum, Davis, & Roman, 2014; Knudsen, Abraham, & Oser, 2011). SUD providers with more diverse sources of funds also had larger numbers of annual admissions which may lead to larger patient census levels (Roman, Ducharme, & Knudsen, 2006). While diversification of funding sources may increase administrative complexity within treatment organizations, the overall impact is likely to be increased total financial resources (Froelick, 1999). These increased resources may in turn may help increase staff size, provide the slack resources necessary to expand operations and increase patient census, and subsequently help sustain comprehensive patient care. Considering these previous studies, the first study hypothesis is:

H1. On average, SUD treatment organizations with higher levels of funding source diversification will employ more staff, have larger patient census, be more likely to have recently expanded operations, and utilize more MAT compared to organizations with lower levels of funding diversification.

1.2.2. Diversification of services offered

In offering treatment alternatives, organizations may choose to include inpatient detoxification, inpatient addiction treatment (less than 30 days stay), residential treatment (longer than 30 days stay), inpatient psychiatric services for co-occurring disorders, outpatient detox, partial hospitalization or day treatment, intensive outpatient services, regular outpatient treatment, and aftercare. The strategic choice to increase the variety of treatment modalities offered may reflect efforts to match offerings to treatment needs of a diverse patient population within a catchment area or to address unmet community needs for SUD treatment. In either case, it is likely that greater diversity of treatment alternatives will be accompanied by increased patient census and offering higher levels of comprehensive care. Providing a greater variety of treatment modalities and services may also require a wide variety of employee skills both to provide clinical services and maintain relationships with external providers of clinical and wrap-around services (Dye, Roman, Knudsen, & Johnson, 2012). Considering these previous results, the second study hypothesis is:

H2. On average, SUD treatment organizations with greater treatment service diversification will have larger patient census, employ more staff, and provide higher levels of comprehensive care compared to organizations with lower levels of services diversification.

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