Stanford Psychiatry Deal Falls Through

Plans to expand clinical psychiatry ran aground when a corporate sponsor pulled out. Moral: There's no free lunch

WHEN MONSANTO recently announced a $40-million renewal of its now long-standing agreement to support research at Washington University in St. Louis, the deal was hailed as an example of industry-university collaboration at its very best (*Science*, 2 March, p. 1027).

Stanford University has not been so lucky.

A month ago, Stanford medical dean David Korn got a letter from the Charter Medical Corporation saying "no deal" on a collaborative agreement that has been under negotiation since 1987 and was just about to be signed. The letter came more or less out of the blue and, said Korn, "Their pull-out leaves me high up a tree" in planning to revitalize the school's research in psychiatry and behavioral science.

Charter's stated reason for withdrawing its pledge to build a $22-million psychiatry center is simple: because insurers and the state of California have put new limits on the amount they will spend on hospitalized psychiatric patients, Charter could no longer expect to make a profit on the new Stanford psychiatric hospital.

However, there is speculation that Charter also was driven to pull out because of losses it suffered when Drexel Burnham Lambert, the giant Wall Street firm that specialized in junk bonds, went down the tubes. According to a report in the *New York Times* business section, Charter was a major Drexel client.

A spokeswoman for Charter said she was unable to locate any company official who could comment on the Stanford case.

Stanford has a reputation for having one of the best departments in biological psychiatry in the country, but its clinical base is not as strong. The Charter hospital, which would have had beds for 80 patients, would have given Stanford a shot at being the "ultimate in applied neuroscience," according to psychiatrist Alan Schatzberg of the Massachusetts Mental Health Center, who was all but signed up as chairman at Stanford.

Korn says the medical school remains committed to strengthening psychiatry and is looking for alternative ways to come up with the $22 million that vanished overnight when Charter reassessed the bottom line. But it is not turning to another hospital corporation this time.

"Up a tree." *Medical dean David Korn says psychiatry research plan is now uncertain.*

The sudden collapse of the Charter-Stanford deal, seen in the perspective of the Monsanto–Washington University collaboration, illustrates the hazards of industry-university collaborations based on little more than an expectation of hard cash. In the Monsanto case, the chemical giant regards Washington University as a long-term investment in research that also offers company scientists important intellectual ties to university researchers just a few miles down the road in the same community.

Charter, on the other hand, is a for-profit hospital chain based in Macon, Georgia, which has little to gain from supporting research at Stanford. Charter would benefit only if the hospital it built attracted large numbers of paying patients. When that prospect dimmed, so did the corporation's justification for investing at Stanford.

At Stanford, Korn says "the need still exists to provide more psychiatric care in this community and to expand our clinical base, but as we start over I'll modify the plan." For instance, no provision will be made for in-patient treatment for alcohol or drug abuse because the university cannot expect to be fully reimbursed for the care of these patients through either private or government insurance.

The open question is whether Stanford can raise the money for an expanded psychiatric department that may produce useful medical research but is not certain to make anyone a profit. ■ BARBARA J. CULLITON

Problem Foreshadowed at Harvard

Stanford is not the only university where a deal with a for-profit hospital corporation has run aground.

A similar story was played about a year ago at Harvard's chief psychiatric hospital—the McLean Hospital in suburban Belmont, Massachusetts. In a controversial and much publicized deal in the mid-1980s, McLean entered into a partnership with American Medical International, another of the leading for-profit hospital corporations in the country (*Science*, 21 March 1986, p. 1363).

There, as at Stanford, one of the main attractions to the hospital was that the corporation agreed to spend millions on buildings—in the McLean case on much needed capital improvements. AMI also agreed to contribute millions to support psychiatric research. What AMI expected in return was a competitive edge in attracting patients to its nationwide chain of psychiatric hospitals which could claim an affiliation with Harvard through McLean.

But the same economic forces that have made in-patient psychiatric care less profitable in California apply all over the country. With new limits on insurance for in-patient addiction treatment, for instance, psychiatric hospitals are not the gold mine they once were. As AMI, a Beverly Hills corporation, underwent management changes, its new officers wanted out of the joint venture with McLean. According to McLean trustee Francis Burr, who negotiated the 1986 deal, relations between the two have ended completely. McLean did get about $10 million for renovation but the hope that McLean and AMI would enjoy a long-term partnership has not been realized. ■ B.J.C.