The Changing Landscape of Medical Practice

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What Is Changing?

- % of hospital–owned or operated practices – nationally
  - 2002 = 20%
  - 2008 = 52%
  - 2010~65%
- Aggressive acquisition of medical practices
- Specialists vs. Primary Care
- Physician employment: 49% of graduating residents now prefer or seek employment
- Primary Care Shortage – the minority of graduating medical students seek PC residencies
Why Is It Changing?

- Fear and Uncertainty
Driving Forces

- Uncertainty about the future
- The Patient Protection and Affordable Care Act – March 2010
- Declining reimbursement and rising overhead
- Painful reductions in office ancillary reimbursement from CMS – cardiology, especially. 30 – 40% decline in past 5 years
- A new generation of young physicians – prefer employment, lifestyle focus, family time over call, long hours, etc.
Driving Forces, cont’d…

- The gathering wave of momentum for clinical integration
- IT: The EHR mandate—administrative requirements to meet “meaningful use” guidelines
- The looming healthcare payment reforms:
  - “Bye–bye” Fee–for–Service
  - Bundled payments
  - ACO’s with payments based upon quality and efficiencies
  - Patient–Centered Medical Homes
- Fatigue – many physicians are simply tired of running their practices
National vs. Local

- Nationally, >60% of medical practices are either hospital-owned or operated
- For cardiology groups, the majority (75%) have opted for an employment model
- In Memphis prior to 2010, mostly small groups or individual practices, some consolidations and physician mergers
- 2010– notable cardiology group acquisitions by hospital systems and lower key primary care acquisitions
- 2011– Accelerated pace of acquisitions and employment in preparation for payment reform, i.e., ACO’s (Jan. 2012 kick off)
What Should Physicians Do?

- Think long-term, not short-term
- Fear and necessity never make a good bargain
- Payment reform will likely take 5 – 10 years to replace traditional FFS or “kick-in”
- However, some changes will definitely affect physician income within the next 3 years
- Understand and balance the reasons why affiliation or employment may or may not be beneficial
What to Do...

- Understand or examine all of the affiliation models or options
- Know who to trust
- No matter what option is considered, there are always pros and cons – no one option is perfect for everyone.
- Finally, don’t sit back and do nothing...understand *what* is changing and *why*. Be informed.
Affiliation vs. Autonomy

- **Affiliation**
  - Short-term financial security
  - Delegates the management burden
  - Better prepared for payment reform
  - Ability to implement IT – EHR funding

- **Autonomy**
  - Maintain control of business – “own boss”
  - Danger of further decline in income
  - Less Managed Care leverage
  - Overhead creep
  - IT costly for small practice
  - Uncertain future
Affiliation Models

- Employment
- Co-Management
- Management Services Organizations
- Professional Services Arrangement
- Strategic Alliance
- Governance Model
Paternalistic Medical Practice

- **Paternalism**— defined as the physician taking a fatherly role and deciding what is best for the patient. The patient does not really participate in decision making and the patient’s needs and values are not always considered.

- Fading, but probably a good thing – 33 million more insured for which to manage care and costs

- The cottage industry – slowing disappearing

- Today’s mantra:
  - Evidenced-based medicine
  - Pay-for-Performance
  - Outcomes and Quality vs. Quantity
  - Efficiency
  - Shared Savings
The Future of Medical Practice

- More Employment of Physicians
- Increasing diversity, especially Primary Care – over half of PC residencies now filled by IMG’s.
- More Mid-Level Practitioners – NP’s, PA’s
- Reimbursement value and outcomes-based instead of volume-based – “Don’t do more, do it better.”
- Patient-Centered Medical Homes
- Accountable Care Organizations – a 10 Year Journey
- MDVIP – Retainer Medicine or Concierge Medicine
More and more, physicians are restless, generally unhappy, and uncertain about the future.

Healthcare reform WILL change how we are paid.

Hospitals are in full physician-hiring mode.

Many physicians seem to be eager to affiliate.

Employment is an option, but means trading autonomy for more security.

And, security is not all bad.
This Won’t Come Easily....

But, It Will Come. Tomorrow’s Physicians Will Look and Act Differently.

Prepare Yourself.