

Physician Group Practices

A Threatened Species

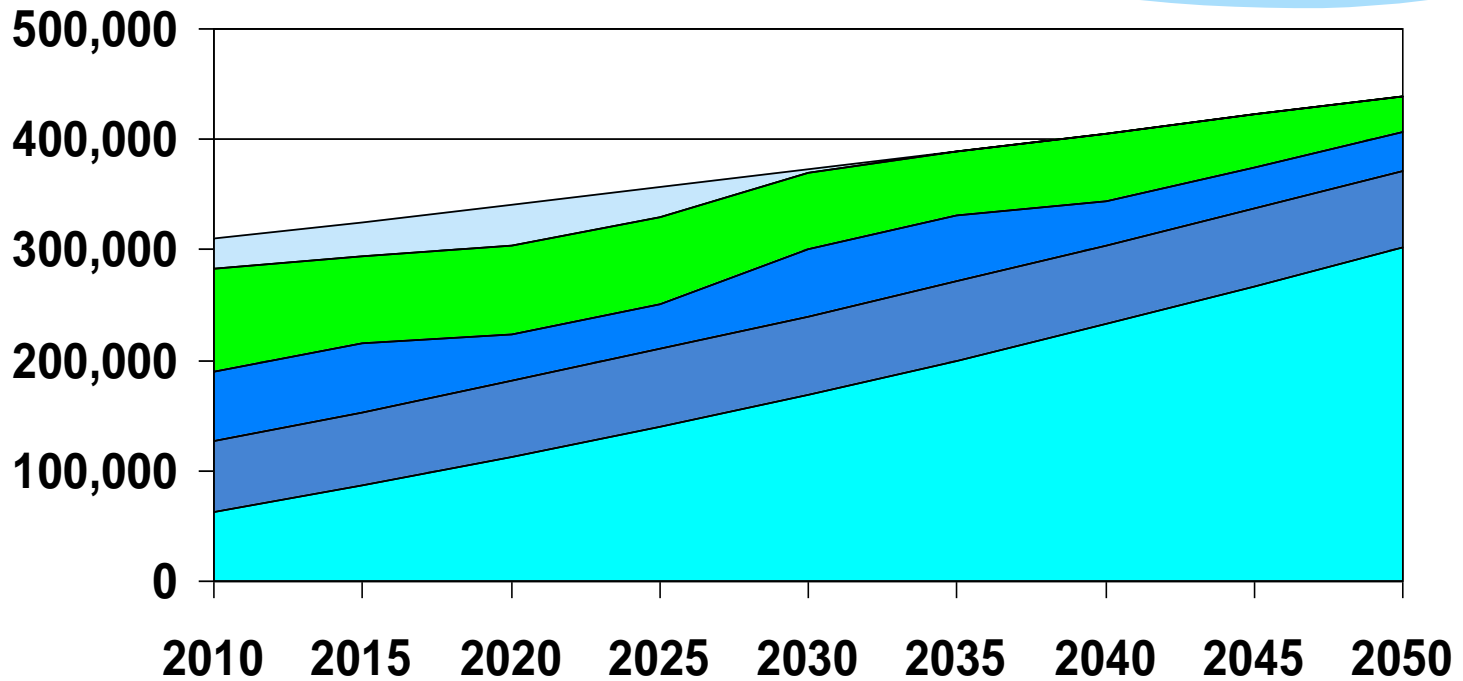
Moderator

Paul L. Shillam
Controller
Pacific Medical Centers

Environmental Influences



Projected Population Mix



Rita Numerof

"The Patient Protection and Affordable Care Act (PPACA) of 2010...has created ***enormous disruption***...provider organizations have responded to the changing healthcare delivery environment by safety in size through merger and acquisition. Payers are also buying or creating partnerships with hospitals, and hospitals are acquiring other hospitals and physician practices to become gigantic systems...In theory, larger groups could mean greater efficiencies. But large healthcare delivery organizations have generally not been more efficient, integrated or consumer centric...players must challenge fundamental assumptions about their business models." Basically, she challenges the industry's practice of doing the same thing over and over expecting a different result.

Who's to blame if doctors go bankrupt?

- * **As many doctors struggle to keep their practices financially sound, some are buckling under money woes and being pushed into bankruptcy.**
- * By [Parija Kavilanz](#) , CNN Money
(<http://money.cnn.com/2013/04/08/smallbusiness/doctors-bankruptcy/index.html>)

Survival of Independent Practice

- * Accenture predicts that "just 33% of US doctors would be truly independent by 2013". This compares to 57% in 2000 and 43% in 2009. Another recent article suggest 50% of providers in 2013 will be working for hospitals/systems.

Panelists

* ***Julie Meek***

VP Finance/CFO

*Kadlec Regional Medical
Center*

* ***Karl Rebay***

Director

Moss Adams

* ***Thomas Miller***

CMO

*University of Utah Hospitals
& Clinics*

* ***Barbara 'Barb' Viskochil***

Director, Medicare &

Medicaid Services

*University of Utah
Hospitals & Clinics*

The Healthcare Economic Environment

- * 2010 brought about the ACA, CMS is always attempting to address the Sustainable Growth Rate adjustment, competitive pressures are mounting locally, nationally, and globally, costs continually are rising despite efforts on the part of practitioners and health organizations to “control” costs; the population is shifting with more baby boomers moving into the senior citizen bucket supported by fewer workers; the demand for primary care doctors will far exceed the supply (130,000 shortfall by 2025); wellness initiatives that educate populations on health threaten to bend the curve on chronic disease and seasonal illness; how do you see the economic environment shaping up for independent provider organizations?

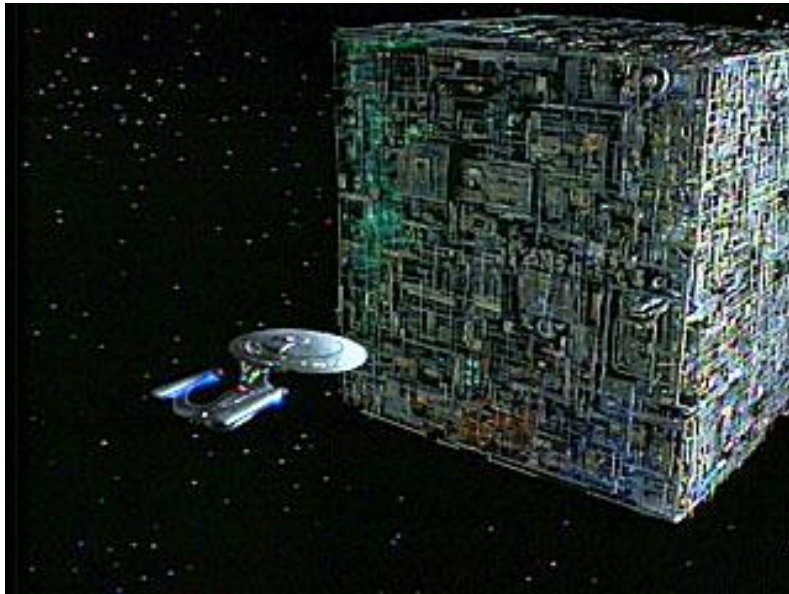
Headlines

- * Is Private Practice Dead in the Seattle Area?
- * Can Private Practices Survive Health Reform Under the ACA?
- * Yes, You Can and Should Start a Solo Medical Practice in 2013!

Provider Group Strategies to Maintain Independence: *Physician Perspective*

- * Given the current environment, high cost of technology, uncertainty with respect to reimbursements, and overall risk to the independent provider practice, why would it not be to the advantage of a provider to seek to merge or more closely align with a hospital or system?

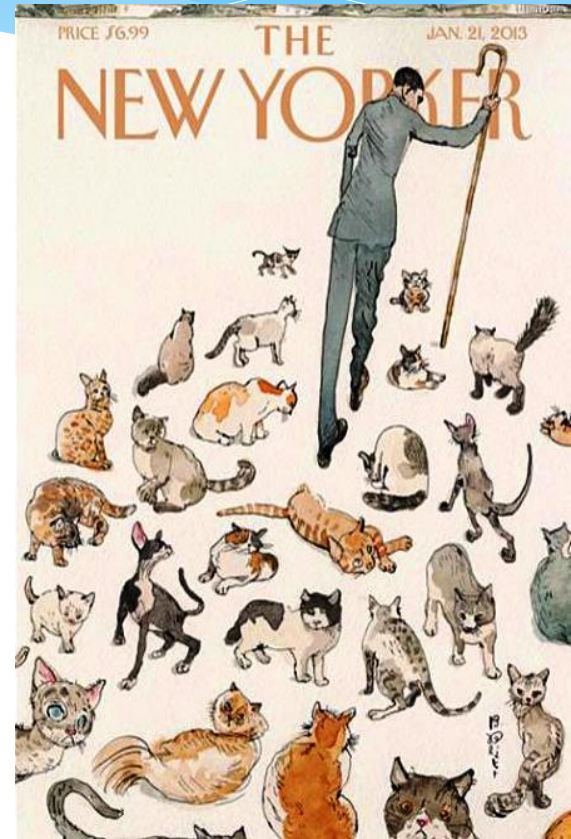
Provider Group Strategies to Maintain Independence: *Hospital Perspective*



Clearly, the advantage seems to be with hospitals during this time of upheaval. Hospitals and systems generally have better access to capital with which to fund the initiatives to bring Primary Care into their organizations. Can you expand on some of these advantages to the audience and convince them that assimilation by hospitals is a value proposition that should not be resisted? (Dare I say, resistance is futile?)

Provider Group Strategies to Maintain Independence: *Consultant's Perspective*

- * Consultants have a distinct advantage with involvement in multiple transactions and hearing from the various stakeholders when it comes to affiliation or not. What are some of the hurdles that must be anticipated in working with this diverse group of providers, executives, other professionals, and payers?

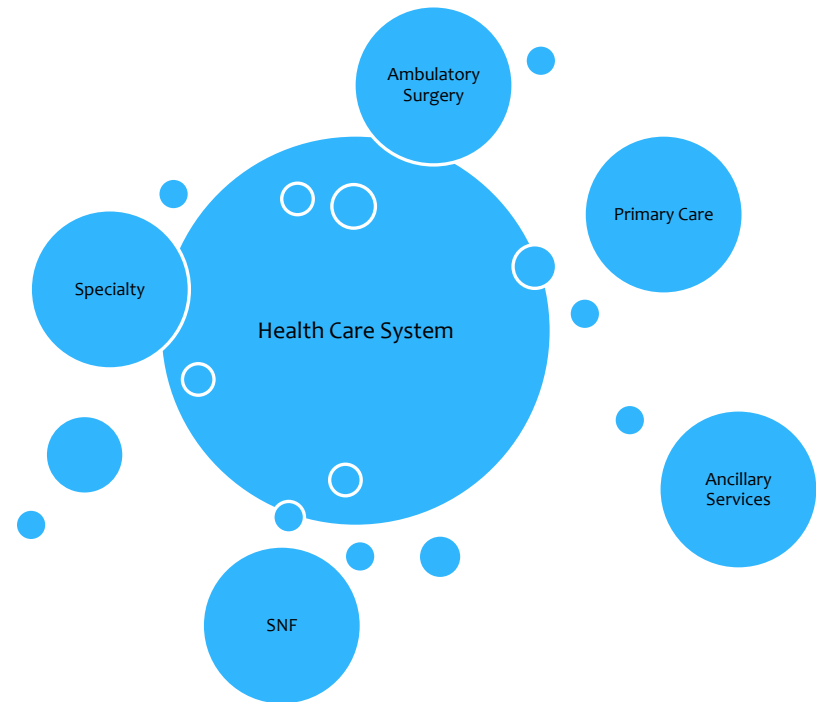


Organic Growth Strategies

- * Many organizations want to grow through “organic growth” of patient volumes and revenue. What does “organic growth” mean to you and what steps are you implementing to move in that direction?

Strategic Alliance Strategies

- * Other than acquisition or mergers, what other structures are being used to bring alignment between independent group practices and hospitals? How are these different and how are the results trending for the organizations?*



Health Care Systems Hiring Primary Care Providers

- * One of the many issues of which we hear and read are the cultural differences between hospitals and independent providers. What are the major stumbling blocks to integrating the two cultures and how are they mitigated?
- * What horror stories have you experienced, as well as, successes?

Fed up, doctors wrote in to say they're quitting.

- * My wife and I operate a small medical clinic. We are still profitable, but we are watching the margins shrink every year. We will be shutting it down because it is simply not worthwhile to continue in this vein. We are smart enough to find lots of other things to do to support our families. If you think healthcare is tough now, wait a few years. I don't think anyone really has any idea what they have done here....and won't until it is too late. We will keep our DEA license, take care of our children, and probably sell pizzas.

Primary Care Providers Leaving Profession



- * As baby boomers look to the future of the practice of medicine, they see significant challenges to future earnings potential as a Primary Care Practitioner. More and more are electing to close their practices. How do we as an industry encourage providers to maintain their practices? What kind of assurances can we logically and realistically give that there is a pot of gold at the end of the rainbow?

Headlines

Physician Management: Evolving Medical Group Models
Need Special Leadership Skills for Success

New entrants into the profession

- * New entrants no longer want to open independent practices. Younger Primary Care providers find employment as an acceptable alternative to starting their own practice. They say why take the risk, let an “employer” address the risk of opening a practice and they can deal with employee issues, malpractice, and other support issues and costs. What would you say to counter this argument? Is employment a better option available today for new entrants in to the practice of medicine?

Medicare Directions for Primary Care

- * CMS has a significant degree of influence on the shape of the medical profession of the future. Their influence is through the structure the payment for services. Recently, they have been decreasing payment in specialties and increasing payment for primary care. This is consistent with concepts of medical home and accountable care where the primary physicians have a greater role in managing the health care of their patients. Given that this is the desired direction, how does this affect the ability of independent physician practices plans for operational and financial survival?

Headlines

Why Hospitals Are Buying Physician Practices...Again

What is different from the 1990's movement?

- * As stated in the introduction, haven't we seen consolidation in the 1990s, only to see physicians rapidly leave the "protection" of the systems to start new independent practices? What are the key differences between the consolidation of the 1990s and today? Don't you think that when the dust settles, that physicians will once again leave to open new practices? Why or why not?

Payers Acquiring Primary Care Practices

- * Another surprising trend is third party payers acquiring physician practices. Is this a good thing? What do you believe are the advantages they seek in this relationship?

Headlines

- * Primed to buy: Systems' heft cash balances suggest imminent acquisitions spree, analysts say
- * The Great Consolidation Begins
- * Massive Healthcare Consolidation in the PPACA Era
- * Many Changes in Store As Physicians Become Employees
- * Physician groups eye mergers but blindsided by legal fights
- * Why Hospitals Are Buying Physician Practices... Again
- * Increase in physician practice mergers and acquisitions expected to continue
- * Hospital systems are buying groups in droves

Hospital Acquisitions of Primary Care Providers: Provider

- * What are the major reasons that merging with a hospital might be in the interest of Primary Care practices? Does vertical integration make business and economic sense? Why?

Hospital Acquisitions of Primary Care Providers: Hospital

- * In this era of health care reform, there seems to be a greater sense of urgency on the part of hospital systems that they need tighter control over the relationship between themselves and primary care providers. Why is this the case?

Hospital Acquisitions of Primary Care Providers: Hospital Outpatient Departments (HOPDs)

- * Academic Training Sites
- * Enhanced Total Payment
- * Integrated Care
- * Outreach
- * Rural access to specialty care

Hospital Acquisitions of Primary Care Providers:

HOPDs

Academic Training Sites

- * Clinics accept Medicaid Patients
- * Adjunct Faculty Opportunities
- * Interns & Residents can learn about “private practice” settings
- * I&R provide “Shot-in-the-Arm” to a stale practice

Hospital Acquisitions of Primary Care Providers:

HOPDs

Enhanced Total Payment

- * Example: CPT 99201
- * Free-standing clinic payment - \$30.39
- * HOPD physician payment - \$18.25
- * HOPD facility payment - \$53.88
- * Total payment to HOPD and Physician - \$72.13

Hospital Acquisitions of Primary Care Providers: HOPDs Integrated Care

- * The Academic Medical Center will have multispecialty clinics, providing residents opportunities to practice their specialty in clinic
- * Patients will receive easy referral to identified specialty care.
- * Communication among specialists regarding patient needs.

Hospital Acquisitions of Primary Care Providers:

HOPDs Outreach

- * Local free-standing physician groups can contract with the academic medical center for resident rotations to their clinics.
- * Resident experiences local physician group practices.
- * Community benefit of seeing resident-in-training.
- * Resident provides latest “book-learning” to local physician.
- * Second year residents provide time-saving benefit to private practice physician in H&Ps.

Hospital Acquisitions of Primary Care Providers:

HOPDs

Rural Access to Specialty Care

- * Current CMS regulations provide financial incentive to training programs to send residents to rural areas.
- * Rural physicians can benefit significantly from residents in their practice.
- * Second and third year residents relieve workload of rural physician.
- * Residents more likely to decide to practice in rural area if they have experience in rural medicine.

Hospital Acquisitions of Primary Care Providers: Consultant

- * From your perspective, what are some of the value propositions in primary care practices merging with hospital systems?
- * What are some of the pitfalls and how are they overcome?
- * What alternatives to direct ownership seem to work for both hospitals and physicians?
- * How do cultural differences affect the merger? What considerations do each need to factor into the decision to merge; i.e., employment, compensation (salary, productivity, incentives, etc.), independence?

Cultural Integration

Operational styles	Hospital	Physician Practice
Leadership Style	Collaborative	Autocratic
Decision Making Style	Participative – slow	Independent - fast
Work Style	Teamwork	Individual
Perspectives Toward the Other	Bureaucratic	Chaotic / freewheeling

Integration Successes and Failures

- * Where provider groups have been acquired or merged into larger hospital organizations, what lessons learned from either successes or failures to integrate primary care practices can you provide to help others considering going down this path?

Headlines

- * Wal-Mart Clinics Trail CVS Reaping 39% Growth: Retail
- * Walgreen Clinics to Treat Chronic Illnesses

Ready, Aim, Fire...



List of Services

Minor Illnesses

Allergies	\$75	Mono*	\$75
Bladder Infection*	\$75	Nasal Congestion	\$75
Cold	\$75	Pink Eye	\$75
Cough or Bronchitis	\$75	Sinus Symptoms	\$75
Earache/Swimmer's Ear	\$75	Sore Throat / Strep Throat / Laryngitis*	\$75
Ear Wax Removal	\$69-\$105	Swimmer's Ear	\$75
Flu-Like Symptoms*	\$75	Urinary Tract Infection*	\$75
Itchy Eyes	\$75		
Early Lyme Disease	\$75		

*Minor Illnesses Additional Information:

- Bladder Infection: Culture lab will result in an additional \$10 charge
- Flu-Like Symptoms: Flu test will result in a \$35 additional charge
- Mono: Lab tests will result in an additional \$10 charge
- Sore Throat / Strep Throat / Laryngitis: Throat culture lab will result in an additional \$10 charge
- Urinary Tract Infection: Culture lab will result in an additional \$10 charge.

* same-day care, one-stop convenience

Stumble on a patch of poison ivy? Concerned about sunburn? Battling an allergy attack? Stop by Target Clinic® for minor illnesses and injuries, skin treatments, vaccinations and more. Patients are seen on a first-come, first-served basis, and the average office visit lasts about 15 minutes.

* service categories

* [minor illnesses](#)-strep, colds, flu.

* [skin treatments](#)-rash, cold sores, blisters, wart treatment.

* [minor injuries](#)-burns, cuts, bruises.

* [Vaccinations](#)-tetanus, pneumonia, HPV.

* [cosmetic prescriptions consultation](#)-eyelash lengthening, skin pigmentation, unwanted facial hair.

* [wellness & other services](#)-blood pressure, camp and sports physicals.

- * Target Clinics are not located in all Target stores. Target Clinic hours and services vary by location. Health care services in Minnesota provided by Target Clinic Medical Associates Minnesota, LLC.

Adding Insult to Injury... Retail Clinics

- * Recently Target, CVS, Wal-Mart and Walgreens announced their plans to open more “retail” clinics. They will offer a range of limited services. How do you see this impacting Provider Practices? What strategies should Providers be employing with respect to these initiatives?

Telemedicine

- * Telemedicine will, for a nominal fee, connect a patient with a physician to diagnose non-emergent episodes or illnesses. What steps should providers be taking with respect to this new service offering, if anything?

Wellness

- * Another area that impacts visits, therefore revenue, is the area of Wellness Initiatives by employer organizations. As yet, results have been mixed with respect to employer groups. How do Providers participate in these initiatives? What level of involvement is needed?

Internet: Consumerism

One cannot discuss the changes in health care without discussing the impact of the elephant in the room... The Internet. Many patients are turning first to the internet for guidance or information before going to see their doctor. Patients are bringing printouts of web pages and articles to their visits. How should providers be addressing the new consumerism in health care?



Redefining the Customer

A question that is raised more frequently today is “Who is the customer?” The response is defined by who pays. Given this, the customer and patient not always the same; the third party payers are conduit organizations; the customer is more likely the patient’s employer or government as they are the ones footing the bill! How does this new definition of the customer impact strategic initiatives for growth and market development? What issues does this raise?

Headlines

- * Can Solo Practitioners and Small Group Practices Survive in Today's Challenging Marketplace?

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