

# Strategies to Maintain Physician Independence

# Overview

Healthcare reforms of the past decade, both policy and market changes, caused many to conclude there was no viable role for independent physicians and medical groups going forward. In response to the changes, many physician practices did, in fact, sell their practice and become employees of hospitals and health systems.

However, in spite of what the headlines suggested, the majority of practices did not take the health system employment option. Further, according to two separate and recent surveys, hospital employment of physicians peaked in 2016 and has receded over the past two years as more physicians have opted to return to independent practice.

**This report outlines the strategic options and requirements for physicians and medical groups who want to remain independent and in control of their own destiny. It will help you think through and define your strategy and the things you need to do to make that strategy a sustainable, long-term reality.**

## Two Fundamental Paths

There are two basic alternatives for independent practices: go small or go big. Each direction has multiple options and variations, depending on your goals and the particular constraints of your market and situation.



Find a niche that allows you to avoid many of the changes and imposed demands driven by policy reform.

Build a practice with the size and scale, either directly or through alignment with other practices, to compete in the future.

# 1. Niche

More physicians are leaving hospital employment and returning to solo practice. Keys to success include:

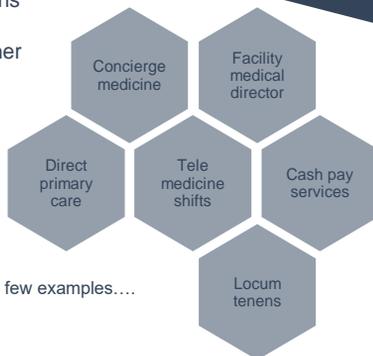
Hospital-owned medical practices dropped to 28% of all practices in Q3-2018, down from 33% in 2016.

- *Black Book Research*

Traditional Solo Practice

Independent Professional

Though similar to traditional solo practice in terms of the individual scale, never have there been more innovative options for physicians who want to just be an independent medical practitioner outside the boundaries of a traditional medical practice.



- Keep initial investments and operating costs low.
- Take advantage of 'on demand,' variable cost services, such as:
  - Manage employees through a PEO (outsourced employment).
  - Outsource revenue cycle management.
  - Use cloud-based technology solutions (PM, EMR, accounting, payroll).
  - Keep office space arrangements flexible.
- Participate in larger organizations such as an IPA for revenue enhancement (see Scale: Affiliation Options).

*For many physicians, ownership in an ancillary facility such as an ASC produces the additional income necessary to remain independent.*

## Making It Work

- 01 Foster the independent contractor mindset and lifestyle. Think like those working in the 'gig economy.'
- 02 Find a niche - or several - to fill out your income needs. Exploit cash-based services that do not rely on traditional claims submission.
- 03 Focus relentlessly on the consumer - optimize your services to the needs of a specific set of patients.
- 04 Leverage on-demand, variable services to reduce capital requirements and operating expenses.
- 05 Construct your services to avoid the cost and regulatory demands of reform (i.e. EMR, MACRA).

# 2. Scale: Affiliation Options

Affiliation strategies mean that multiple independent practices collaborate through some overlay entity that enables the affiliation. Generally, the umbrella organization is primarily for the purpose of enhancing top-line revenue. Four organizational models are outlined below.



## Characteristics of Affiliation Models

- Multiple practices, each retaining its existing entity (tax ID)
- An overlay entity through which member practices affiliate
- Governance demands on member practices limited
- Technology to share clinical data likely required

## Things to Keep In Mind...

**Operations:** As risk sharing goes up, demands on the affiliation entity increase (e.g.: fully-delegated risk-bearing IPAs have to do most functions normally done by payers).

**Information Technology:** While practices often remain on their current PM and/or EMR systems, affiliation models require systems that allow data sharing across the entity.

**Data:** Increasing levels of financial and clinical analytics capability are required as the level of risk increases.



### 01: Messenger Model IPA

The most common IPA function, in this model, is to negotiate PPO contracts on behalf of member practices. Many of these IPAs also offer some a la carte services (e.g. practice management consulting, IT support, accounting, credentialing) to member practices as desired.

### 02: Risk-Bearing IPA

More aligned financially, this type of IPA contracts for risk, often through both government (Medicare Advantage, managed Medicaid) and commercial capitation agreements. Member practice share in the upside and downside financial performance of the IPA. Quality bonus plans are another type of risk arrangement.

### 03: ACO

Several physician-owned, controlled Accountable Care Organizations participate in the Medicare Shared Savings Program, taking financial risk for the total cost for patients attributed to the ACO. Though often smaller than hospital ACOs, many physician ACOs perform well and receive bonus payments from CMS.

### 04: CIN

Clinically Integrated Networks generally (not always) involve a hospital partner as well as physician practices. In exchange for adherence to shared protocols, providers in a CIN may contract together and share financial incentives without legal integration of the organizations and do not violate anti-trust laws.

# 3. Scale: Integration Options

Integrated models mean that one or multiple practices combine into shared legal entity. Following the organizational formation, the degree of integration on all fronts – governance, joint assets, operational standardization – can vary along a broad continuum within the ‘integrated’ framework..

## Stark Laws

To qualify as an integrated practice, the entity must comply with the Stark laws that define a ‘group practice.’ Three key requirements are:

### 01: Unified Business

The practice must function as a ‘unified’ business: centralized decision making by those in the practice; consolidated billing, accounting, and financial reporting.

### 02: Participation

75% of the services the member physicians furnish must be billed through the group; members must conduct no less than 75% of the encounters of the group.

### 03: Compensation

Allocation of revenue and expenses must be determined before the fact; no member may receive compensation based on the volume of value of ‘Designated Health Services (DHS)’; profits may be distributed to physicians as long as it is not tied to the volume or value of DHS generated by that physician; bonuses may be based on services personally performed (including ‘incident to’) by the physician.

*This document is for education only and is not legal advice. Consult legal counsel.*

## Degrees of Integration

*Within the minimum requirements of the Stark laws, integrated practices have extensive freedom to define just ‘how integrated’ they function day to day. Below are just a few examples:*



## Scale means moving from ‘practice’ to ‘enterprise’

Long-term success comes when integrated groups reach a scale that allows them leverage the patients receiving professional care from their physicians into a diverse and complimentary set of services.

Besides capturing the additional revenue streams, developing an ‘enterprise’ model gives the practice more ways to compete in a world more driven by consumers, the patient experience, data, and value.



# What It Takes to Succeed

While there are multiple strategic paths practices can choose to remain in control of their destiny, several key factors are required for success, regardless of the option. Because much of the industry is tilted in favor of large institutions, bold leadership from physician owners to build an organization with the capabilities outlined below is non-negotiable.

Clarity and focus around a specific strategy (who to serve, how to serve them, how to differentiate, the underlying economic model of the practice) is required to align the organization and direct the investments of time, mindshare and capital.

Economic sustainability requires the right capital structure; diverse and profitable revenue streams; managed care contracting skills; a highly functioning, technology-enabled revenue cycle process, and robust capabilities in both accounting and finance.

In this fast moving industry, practice leaders must not only have timely data and information, they need the insights that comes from deep analysis of complex and diverse sets of data, real intelligence about the business that drives better decisions.



Physicians must value and invest in talent across several business disciplines: executive leadership, clinical operations, strategic IT, data analytics, marketing and branding, human capital, and financial management.

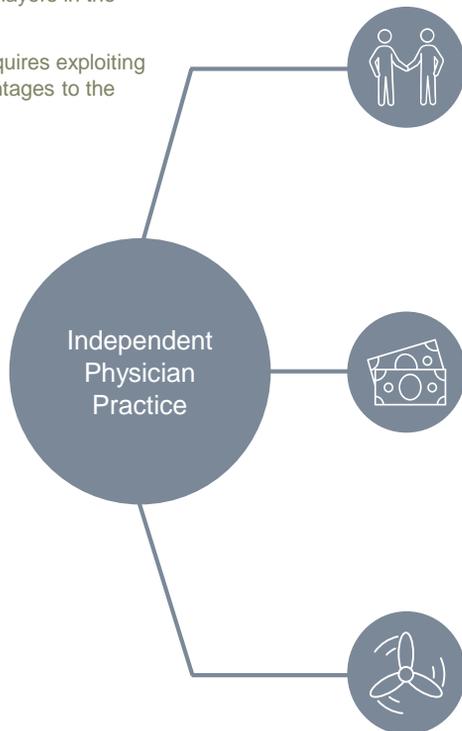
IT is not a support function, but now a strategic imperative, encompassing the EMR/PM platform, patient experience tools, application integration, data management, hosting and infrastructure, and data and cyber security.

Practices must proactively tell a clear and compelling story about the value they create – for both patients and payers – and do so in way leads to being chosen in the new healthcare era that is now driven by the 'consumer.'

# Inherent Advantages

Independent practices have three primary advantages over other players in the industry.

Success requires exploiting these advantages to the fullest.



Independent  
Physician  
Practice

## Patient Experience

With payers and hospital systems increasingly large and monolithic, independent practices can leverage their personal connection to deliver a superior experience, start to finish, for the patient.

- Provider manner, communication
- Patient engagement technology
- Physical space in the clinic
- Hospitality, flow, wait times
- Marketing, social media
- Financial payment process

## Economic Model

US healthcare has a major cost problem and independent physician practices are well positioned to deliver care at a lower cost than the hospital system alternatives, while remaining profitable and economically sound.

- Physician practices have a fundamentally lower overhead model than do hospitals.
- The site of service differential means services cost payers less.
- Practices are not obligated to provide money-losing service lines.

## Speed and Agility

Entrepreneurial-minded physician owners, with their management teams and organizations, can simply decide quicker, move faster, and innovate more rapidly – if they chose to – than can other large, bureaucratic competitors.

# ALN: Helping You Get There

ALN provides high-performance outsourced RCM services to independent physicians from solo practitioners to practices with hundreds of millions of dollars of annual revenue. Our services are built on robust data analysis and a sophisticated technology platform, all delivered by a team of experts highly engaged with our client practices.



## Revenue Cycle Management

### IT Strategy

As the PM is the foundation of a practice's IT infrastructure, we help our clients develop and implement their entire IT stack.

### Business Intelligence

The revenue cycle provides extensive data about the business of the practice. We give that back to our clients in ways that help them lead and thrive.

## Commitments:

We make the following commitments about what our clients can expect from ALN as their business partner:

**Performance:** RCM performance is about getting paid what you should, when you should. Our people, processes and technology are geared toward maximizing payment for your work.

**Relationship:** Too often, software vendors or offshore companies who have entered the RCM business think all that matters is technology. With ALN, you have known and knowledgeable people all actively engaged with you and your practice to do this work together.

**Transparency:** The revenue cycle gets more complex every day. We believe the answer is to operate with you in a very above-board way, sharing clear RCM performance data and working together to improve it.

**Resourcefulness:** Your practice is unique, so 'one-size-fits-all' models don't work. We are agile and bring expertise, creativity and options as we collaborate with you to find effective, practical solutions to solve your problems.

**Insight:** We do more than just work claims. We also provide actionable insights from your RCM data to help you navigate through the challenges facing your business.