New Business Models:
Keeping Your Options Open

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Today’s changing healthcare environment is forcing physicians to re-evaluate their business strategies. New care settings range from screening in health kiosks to chronic care management in pharmacies to remote preventive care/monitoring. The new healthcare “team” consists of fewer physicians, increased numbers of mid-level providers, non-clinical patient navigators/coordinators, and, more and more, information technology (robots). The accelerating shift in reimbursement programs from fee-for-service or payment based on volume to value-based initiatives requires the ability to provide high quality, high value care. This shift will happen incrementally, not overnight, and has already begun.

For physicians, this environment requires a clear identification of priorities and a balancing of resources. Many new reimbursement models require a scale and scope of patient volume that is unattainable for solo physicians and small practices. The infrastructure needs can be overwhelming, particularly the investment in the health information technology that is essential to coordinate population health management, track patient outcomes and quality measures, and achieve patient engagement. The desire for a predictable lifestyle, a manageable work/life balance and a stable financial future dictates for some the choice of a business model with more certainty and less risk.

Solo and small physician groups are finding comfort in numbers. Physicians who wish to remain independent are strategically aligning with other physician groups to create larger practices or IPOs. This is well-advised. Concierge and “subscription” practices continue to be developed, and could increase in number as patients become increasingly knowledgeable about, and responsible for, their health care choices and costs. Commercial health insurance companies around the country are creating new “accountable care” programs that provide physicians with infrastructure resources, enhanced reimbursement opportunities and the opportunities to develop certain operational economies of scale that can increase value. Other physicians are entering into salutary alliances with large employers who are creating their own health networks in order to control the costs of providing healthcare to their employees. Physician employment is expected to grow by 24% from 2010 to 2020, and many physicians are choosing hospital or health system employment as the solution to the problem of rising operational costs and declining reimbursement.

While each choice has its pros and cons, these disparate business models share three critical expectations of their physicians:

- The ability to become “attractive” and develop the skills needed to move from volume to “value”;
- The ability to focus on strategies to reduce readmissions, manage chronic disease and population health, and eliminate “wasted” care; and
- The ability to balance these strategies while enhancing the “patient experience.”

To achieve these goals, practices, payors, employers and hospitals/healthcare organizations are focusing on true integration and active alignment of the interests of the physicians and the business. This manifests in the intensified focus on building a collaborative culture of physician leadership that emphasizes communication, coordination and consultation. “Skin-in-the-game” incentives that combine salaries and bonuses for meeting quality and patient satisfaction goals put “value” front and center. Organizations have learned from the mistakes of the physician practice consolidation/acquisition flurry of the ‘90’s, undertaking meaningful due diligence that includes an evaluation of both the financial and cultural “fit.” Physicians are being given real decision-making, strategic planning and leadership roles in the new
organizations. In order to achieve the clinical quality and patient satisfaction goals of the organizations physicians are expected to assume responsibility for overseeing the clinical performance of their colleagues through quality assurance and other peer review activities.

The good news is that physicians can incrementally “transform” their practices and develop the skills and capabilities needed to keep their options open and be “attractive” to all/any of these business models. First and foremost, *educate* yourself/your colleagues on critical success factors for these potential business arrangements:

- Understand the reimbursement trends in your community/your regional healthcare environment, and the culture and expectations of each model.
- Understand the link (and in some cases, the lack thereof) between improved quality and value and reimbursement.
- Understand the critical role that developing a practice-wide “culture of change” plays in the success of practice transformation efforts. Data show that physician leadership is essential to the success of the pay-for-performance pilots and other “accountable care-type” programs.

Concurrently, *evaluate* your practice’s capabilities to achieve the critical success goals that will be established by these new business models:

- Assess your practice’s quality and safety baseline and its ability (readiness) to implement the quality and safety measures that impact outcomes.
- Assess your EMR processes for capabilities/documentation to collect and aggregate data on quality and cost.
- Assess your practice’s clinical and administrative processes in relationship to “best practices” and standards used for PCMH and ACO models.

Finally, *implement* in a deliberate and thoughtful way the strategies and skills that can prepare your practice to successfully participate in any of these new business models:

- Establish a quality review process with clear measures and protocols for evaluation.
- Implement a specialty-specific patient experience evaluation that “drills down” behind the scores to engage patients in their care.
- Implement EHR (and paper) documentation protocols to effectively increase patient responsibility.
- Implement clinical efficiency strategies that document quality improvement waste reduction effectiveness.

There will continue to be many options. Independent practices may shrink but will remain a vital part of the healthcare environment. Practices will, and should, consolidate. Employment by health systems or other business organizations may well be the best option for some. However, all will need to “transform” the way they practice to be successful in the new healthcare environment. Start now . . . prepare your practice’s foundation for success.

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