PRACTICE TRANSITION TO EMPLOYMENT: 
A DECISION POINT
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MODERATOR
What will be expected of health care organizations?
1. More integrated care
2. More at-risk payments
3. More accountability

What can we expect the new environment to “be like”?
   - Less money
   - Less volume
Challenge to truly MANAGE care
HEALTH CARE REFORM IMPACT WILL OCCUR OVER THREE DISTINCT PHASES

**Before 2014**
- Interpretation and regulatory rule writing
- Competitive positioning

**2014-2017**
- New entrants and strategies
- Reactions and rule rewriting

**Post 2017**
- Winners and losers
- Market share and pricing stabilize

*Blue Cross Overview*
HEALTH CARE IN TRANSITION
A TIME FOR ACTION

Pace and Direction of Change “tipping point”

- **Consolidation** – become the acquirer or the acquired to achieve key strategies
- **Collaboration** – build strategic relationships and partnerships to achieve key strategies
- **Status Quo** – attempt to survive under prior models, behaviors and strategies
PHYSICIANS LOOKING TO HOSPITALS

Hospitals reporting and increase in the degree to which physicians are seeking financial support from hospitals since September 2008

ACCOUNTABLE CARE ORGANIZATION

Market-Based Accountable Care Organization (ACO)

Aligned Health Systems
- Acute Care
- LT Care
- Home Care
- Fully integrated (employed) physicians

Aligned Physician Organizations
- Contracted (clinical co-management) physicians
- Private practice aligned physicians
Challenges asserted by doctors and hospitals in West and Northern Michigan

- Declining margins (or no margin)
- Increasing regulatory burdens
- No or slow growth in patient volumes
- Major tertiary centers attempting to draw patients away
- Inability to recruit & retain physicians
- Inability to keep up with technology and qualified clinical staff
- Desire to maintain local specialty care
- Inability to invest and prepare for health reform
PRESSURES FOR PHYSICIAN SUCCESSION PLANNING

Many new residents seeking stability of larger group: “a job”

More physicians seeking part-time or flexible work schedule

Most smaller practices don’t want the risk of adding a new physician

Local market attractiveness
  • Cost of living
  • Reimbursement/Managed care
  • Malpractice rates

RISK OF PHYSICIAN SHORTAGES
PRESSURES IMPACTING HOSPITAL – PHYSICIAN ALIGNMENT

- Reimbursement Methodologies
- Economy
- Payer Consolidation
- Biotechnology Advances
- Chronic Disease Management
- Physician Shortages
- IT Linkage
- Competition
- Quality Reporting/Pay-for-Performance
- Expense Management
Physician
Advantages/Disadvantages of Employment/Self Employed

Jim Dearing D.O., FACOFP, FAAFP
Vice President, CMO ACO
Scottsdale Lincoln Health Network
Employed Physician—Advantages

- No administrative headaches, such as billing, collections, office issues, employees etc.
- No operating costs—EMR as an example, office space costs, rent, electric, employees etc.
- Better leverage with Payers for better contracts—Ours 30–40% higher
Advantages–Continued

- Able to handle “Mandates” from payers, Medicare, Medicaid–Done for you
- Productivity less– Most see an average of 25% less than when in private practice
- Less call
- Less Stress overall– Be a Doctor/Care for your Patient
Employed Physician—Disadvantages

- You are not the Boss
- Not Your own practice
- You Have a BOSS to OK
  - A) Hiring/Firing of employees
  - B) How the office is run
  - C) Your employees work for the corporation, not just you
  - D) What can be done in the office—ex. Drug Reps
Disadvantages—Continued

- Productivity is less—Need an incentive since most on productivity and need to pay for performance/outcomes
- More computer time/Less patient time but ALL will have to DOCUMENT PERFORMANCE with new rules/regulations in the near future
- Patient treatment is different—Large groups using EBM for all to do
Self-Employed Physician

Advantages
Self Employed Advantages—Continued

- You are the “Boss”–Hire, fire staff
- You Control office policies–Drug reps, billing, collecting
- Productivity is High (No work/No Pay)
- Patients are treated YOUR WAY
- You decide which EMR
Disadvantages

- Cost of practice is high
- Revenues Decreasing
- Hard to get Good contracts with payers due to low leverage VS power of a large group
- Employee Headaches—Must hire, fire
- Operating costs Increasing—Rent increasing, salaries of employees increasing, overall increase cost to do business
Disadvantages—Continued

- EMR costs
- Updates for EMR costs
- Less communication with hospitals etc
- Government Mandate costs
- Reports—Many
- Meaningful Use
Disadvantages—Continued

- Contracting—NO Power—plans pay you what they want VS Power of large group
- On call 24/7
- Treating patients Your way may cost more time and or money
- Income decreased—Up to 40% in some areas
Disadvantages—Continued

- Billing/Collection headaches
- ICD–10 etc. (Complicated and costly changes)
- ACA patients and others choosing high deductible plans at an increased rate—Hard to collect
- PCMH for Primary care providers and the increased cost and time to do
Disadvantages—Continued

- Being left out of plans in your area due to “Narrow Networks” harder to be included if decreased leverage
Robert S Juhasz, DO, FACOI, FACP

- President- Cleveland Clinic South Pointe Hospital
- AOA President-Elect
1. What caused you to seek hospital employment?

- 1986- member of a 3 person private practice group in IM/GI
- 1990’s-Managed Care-> several hospital staffs
- 1995- offer to be medical directors of one of the Cleveland Clinic’s newly built family health centers
- Decided to stay in private practice and build out a new office. (Prepared for EMR but unable to afford….)
- Height of Malpractice Crises
- Increase in overhead, 10 employees-health care coverage and cost/debt of build out.
- Decrease in payment to physicians for hours worked
2. What were pros & cons?

Private Practice:

- **PROS:**
  - Autonomous decision making
  - Rapid deployment of changes
  - Smaller operation-Closer rapport with patients with internal controls
  - Better control of patient flow

- **CONS:**
  - Difficulty in contracting
  - Need to be entrepreneurial to survive
  - Need great leadership and business skills that were not taught in MD/DO schools
2. What were pros & cons? (cont.)

Employed Physician:

- **PROS:**
  - Less responsibility for attracting patients
  - Less concern over the business of medicine; better and more stable salary and benefits
  - Better coverage and lifestyle
  - Stipends for dues and meetings
  - Tremendous opportunity for growth and utilization of cutting edge technology, resources and collegial relationships.
  - Ability to impact more patient care
  - Ability to be involved in rolling out implementation of EMR at CC
    - e-Health Collaborative
    - Brooking’s Institute

- **CONS:**
  - Small Fish in a Big Pond
  - Less control over practice and flow of patients
  - Responsible to employer (asking for permission to be off)
3. What advise can you give to physicians who are in private practice and are contemplating transition to employed practice?

A) Do your homework…speak to colleagues in the environment that you are investigating to get pros and cons and write them down

B) Make sure this is the right move for you and your family

C) Make sure that your patients know where you are going and whether your staff will be going with you

D) Consider the whole benefit package (Salary, Benefits, Time off)
4. What is the difference in the practice of medicine as an employed physician?

A) More predictable hours and time away.
B) Better technological support without personal investment.
C) Opportunities to grow in leadership, research, education, practice and professional development.
D) When you are away, you know that your patients are being cared for by colleagues.
E) High standards of care and practice
5. What was your greatest “Aha” moment after becoming an employed physician?

The power of Brand…

I worked to develop myself as a private practice physician:

- Hospital Board
- Residency Program Director
- Chair of Internal Medicine Department
- Involved in Church and Community
- Medical Director of Post Acute Facility

Going to my employed position, gave an implied brand credibility to the public

“With fame comes great responsibility” (Floyd Loop, M.D. – Previous CEO of the Cleveland Clinic)
Sources for further reading...

- **Hospital-Physician Relations: Two Tracks And The Decline Of The Voluntary Medical Staff Model**, L. Casalino, et. al., *Health Affairs*, Vol. 27, Number 5, 1305-1314, Sept/Oct 2008

- **Employed vs. Private Physician**, Janet Kidd Stewart
  
Selling A Practice: An Individual Experience

Martin S Levine, DO, MPH, FACOFP dist.
Consider pros and cons within the context of stage of practice life.

What would give me the flexibility to consider working for between 3-12 more years?
Pros

• Priority to continue outside activities, rather than return to full time practice
• Be able to continue at same level of part time practice with ability to remain with no on-call responsibility, no nursing home coverage, no hospital rounds
• But, I can amend my contract to allow for an increase in office hours for pay unilaterally
• Able to keep all existing contracts I had with non CarePoint entities: city physician, high school physician, part-time at TouroCOM and discipline chief and preceptor for UNECOM
• Payout for buyout within 2 years regardless of whether I worked for entity
• Separate contract for lease of my office building with shared expense to renovate immediately
Cons

• Loss of practice autonomy
• Decisions about practice management
• EHR, hiring and firing—you may like or dislike personnel, collection system, how and when to buy supplies, email for patient/physician contact, online scheduling with one visit/hour left blank for walk-ins, work scheduling for staff for each physician
• Savings plan-old one was at a hire rate for partners
Cons

- Aligning of incentives for staff and physicians
- Come in early, stay late, cover each other
- Physicians covering other physicians’ patients
- Physicians asked to do procedures, skin lesion removal, suturing, immunizations, renewing medications for patients you don’t know
- See patients not accustomed to seeing, geriatrics, peds, sports coverage, weight loss program, ob or gyn
Cons

• At risk
• Vacation and CME time limited
• Funds for membership in physician organizations thought to be superfluous
• Type of medical liability insurance, claims made with or without tail vs occurrence policy
• Corporate lawyer represents physician or entity or both in claim for other litigious non medical malpractice claims
• Longevity of entity buying practice
Taking Advantage of Special Circumstances

- Contract negotiations overseen by CEO of hospital and CEO of practice management group and CMO of insurance plan all owned by subsidiaries and is a DO who rotated in office during his 3rd year and reminds everyone that he enjoyed it
- Gives me credit for helping to keep family member from having back surgery
- Able to iron out 13 points of contention in original contract without constantly increasing my legal bills
Mission: Real or Imagined

- Aligning of all entities mission with your own
- Entity owns 3 of 4 hospitals in catchment area
- Now owns several primary care physician practices as well as most utilized specialists
- Gives them clout to negotiate with insurers and enables them to take more risk due to more control of patient healthcare sites of service
- Owns fledgling insurance company with Medicare plan now, Medicaid plan expected in July 2014 and commercial plan later in 2014
Mission: Better Population Health for County

Keep all components of healthcare delivery sharing in savings
Quality Measures Systems Promised

- PQRS
- Bridges to Excellence
- NCQA
- Meaningful use
- OCC
- MOL
- Any other necessary programs