

# **OPTIONS OF PRACTICE - A look at the acronyms and the marketplace for physician services**

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# Overview

- The Industry & National Overview
- The Albuquerque Market (Options of Acronyms in the City)
- Others Which You May Encounter
- What are These Organizations Looking for in New Physicians?



# Physicians in Practice Acquired by Public Companies



Source: PPMC, Sherlock Co., March 1999

# What Happened?

- Lessons learned and money lost
  - Administrative Build-up
  - Lacked Connectivity with Organizational Success
  - Overpaid for Practice Acquisition
  - Overestimated the Margins to Repay Venture Capital
  - Lost Emphasis on Service Quality
  - Further Price Pressure from HMO's

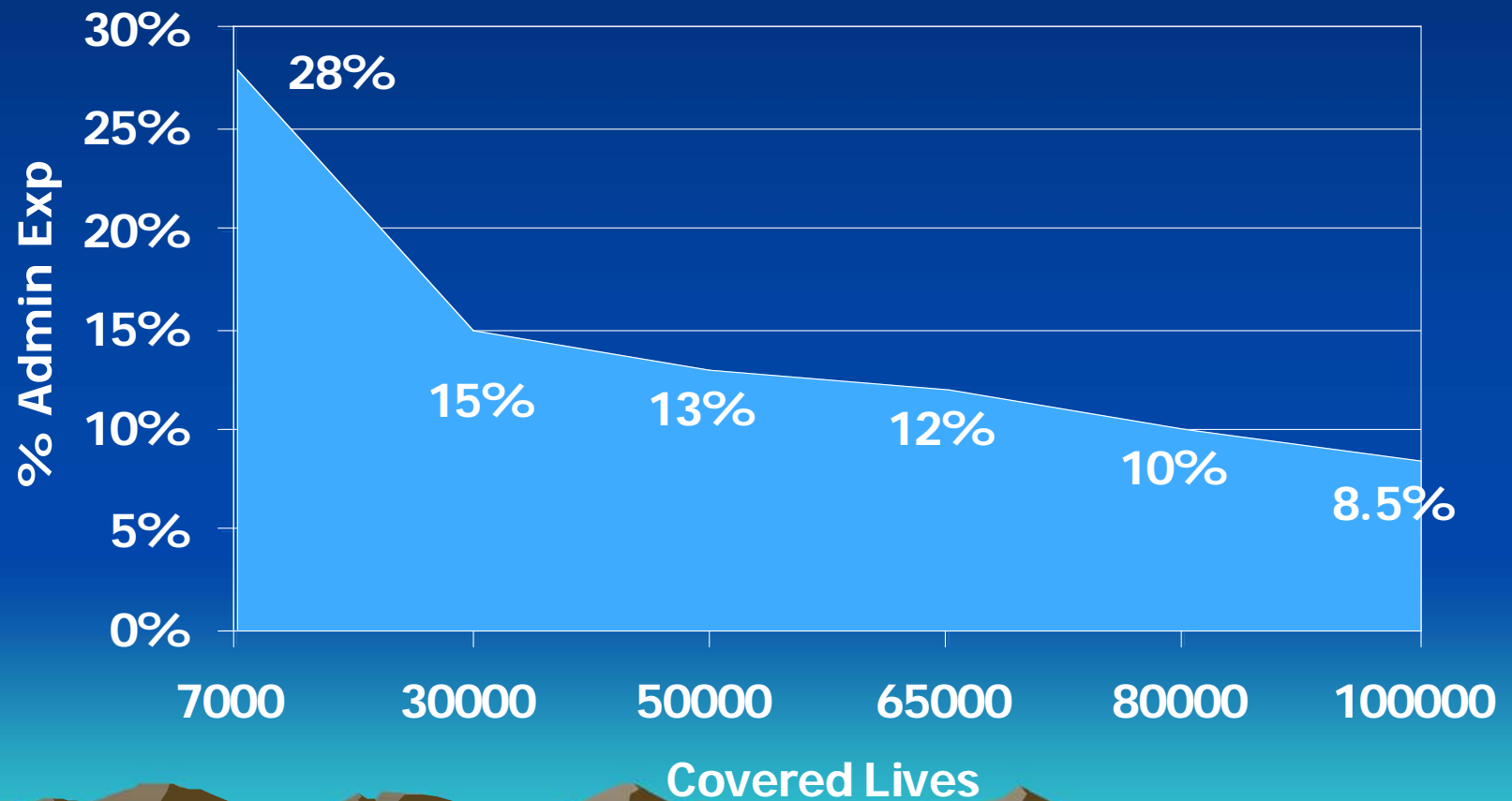


# Why the Still the Merger- Mania (Smaller Scale)?

- Collective Negotiating Clout
- Marketing of Services
- Information Systems Integration
- Mitigate Financial Risk
- Increase Market Share
- Economies of Scale
- Control of medical decision making



# Declining Costs of Larger Scale Groups



Source: APM, Inc., San Francisco, CA

# Varying Compensations

	<b>Internal Medicine</b>	<b>General Surgery</b>
<b>Overall</b>	\$140,951	\$225,653
<b>Urban</b>	\$140,805	\$221,361
<b>Rural</b>	\$130,000	\$219,111
<b>Single Specialty</b>	\$147,973	\$254,833
<b>Southern</b>	\$163,875	\$289,313
<b>Western</b>	\$124,469	\$274,095
<b>Salary</b>	\$126,000	\$201,200
<b>Productivity</b>	\$155,201	\$242,460

Source: MGMA Physician Compensation and Production Survey 1999

# Varying Compensations

	<b>Median Income</b>
<b>Anesthesia</b>	\$354,241
<b>Emergency Med</b>	\$243,450
<b>Family Med</b>	\$160,730
<b>Gen Internal Med</b>	\$174,660
<b>Ob-Gyn</b>	\$256,500
<b>Gen Pediatrics</b>	\$167,200
<b>Psychiatry</b>	\$185,700
<b>Surgery (General)</b>	\$300,800

Source: MGMA Physician Compensation and Production Survey 2006



# Compete to Survive

- Influential Insurance Brokerage
- Large Employer Driven Healthcare
- Move Toward Self-Insurance
- Movement Into Accountability and Quality of Care Issues
- Consumer Choice - Increasing Fiscal Responsibility of Consumer



# The Minneapolis Market-

An example of employer driven healthcare

- 4 Major Systems Evolve
- 1993 95% of MD's in Group Practices
- Six Insurors Down to Three
- Employer Purchasing Group
- Several Large Integrated Systems in Managed Competition
- Patient Empowerment through Internet Healthcare ([www.healthpartners.com](http://www.healthpartners.com))



**Comparative Performance**

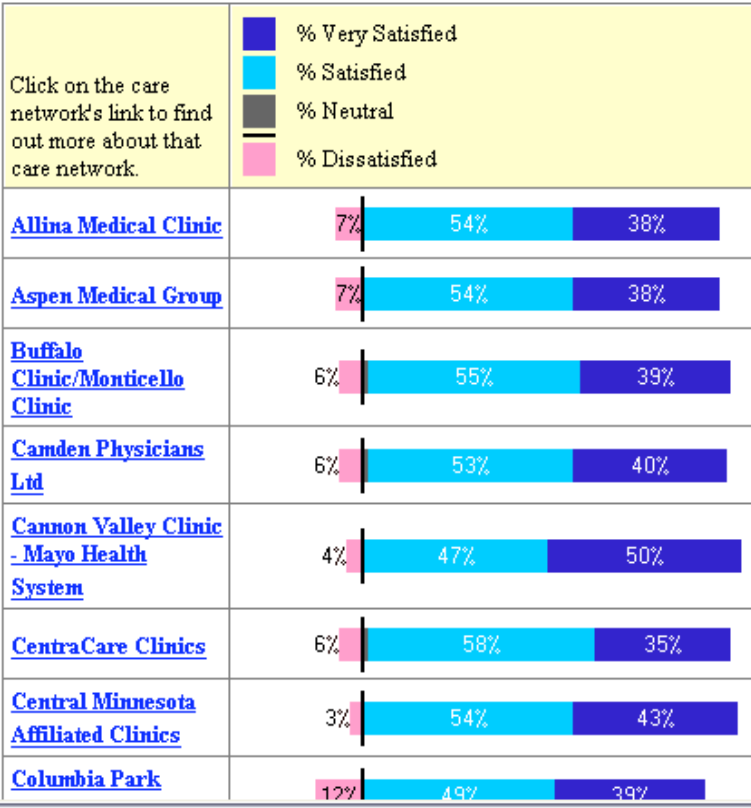
- ▼ Adults - Satisfaction Survey Results
  - ▶ Overall Satisfaction
  - ▶ Access to Medical Care and Information
  - ▼ Patient Care and Communication
    - [Attention given to what you have to say](#)
    - [Explanations of medical procedures and tests](#)
    - [Amount of time doctor spends with you](#)
    - [Advice on how to avoid illness / stay healthy](#)
  - ▶ Children - Satisfaction Survey Results
  - ▶ Clinical Quality Measures
  - ▶ Diabetes Satisfaction Survey Results
  - ▶ OB Satisfaction Survey Results

**Adults - Satisfaction Survey Results- Patient Care and Communication**

**Amount of time doctor spends with you**

250 HealthPartners members at each of the care networks were asked to rate their satisfaction with "The amount of time the doctor spends with you."

This survey was conducted by Maritz Research, Inc., an independent market research company.





**HealthPartners.**

Find a Plan HealthPartners Primary Clinic

- ▶ Overall Satisfaction
- ▶ Access to Medical Care and Information
- ▼ Patient Care and Communication
  - [Attention given to what you have to say](#)
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- ▼ Clinical Quality Measures
  - [Healthy Lifestyle Advice](#)
  - [Getting the Preventive Care You Need](#)
  - [Tobacco Assessment Rate](#)
  - [Tobacco Use in Adults](#)
  - [Getting Help to Quit](#)
  - [Tobacco Exposure in Children](#)
  - [Optimal Care for Diabetes](#)
  - [Optimal Care for Heart Disease](#)
- ▶ Diabetes Satisfaction Survey Results
- ▶ OB Satisfaction Survey Results

**Clinical Quality Measures  
Getting the Preventive Care You Need**

This measure reflects the number of members who are up to date on all preventive services appropriate to each individual including immunizations, colon, breast and cervical cancer screening, blood pressure and cholesterol screening.

	Average of all care networks for this measure is:
Click on the care networks link to find out more about that care network	<p><b>63%</b></p>
<a href="#">Allina Medical Clinic</a>	60%
<a href="#">Aspen Medical Group</a>	73%
<a href="#">Buffalo Clinic/Monticello Clinic</a>	n/a
<a href="#">Camden Physicians Ltd</a>	66%
<a href="#">Cannon Valley Clinic - Mayo Health System</a>	n/a
<a href="#">CentraCare Clinics</a>	56%
<a href="#">Central Minnesota Affiliated Clinics</a>	n/a
<a href="#">Children's Physician Network</a>	99%
<a href="#">Columbia Park Medical Group</a>	56%
<a href="#">Crossroads Medical Center, PA</a>	61%

# The Lovelace Health System

- 1989 and Prior - *Staff Model HMO*
  - For-Profit Closed System Providing Care to Lovelace Health Plan Patients *Lock-in or Captive Group HMO*
  - Salaried/Employed Medical Group
- 1990 to 2002 - *Integrated Delivery System (IDS)*
  - Network of Affiliated Providers Offering Full Range of Care Services
  - *Mixed Model HMO / Hybrid Model*



# Lovelace Medical Group

## *Group Practice* Operating Within the *IDS*

- Uses a Single Tax ID Number
- Providers paid on a Salaried and Incentive plus Salary Basis
- Physical Assets all Owned by the *IDS*
- Providers Participate in Formation and Resolution of System Issues
- There is No Buy-In or Equity Held
- Movement Toward Profit/Loss Compensation



# Lovelace Medical Group

- Year founded 1922
- Total MD's 287 (108 primary/179 specialty)
- 2 main centers and 12 satellite offices
- Full risk for 140k commercial lives
- Partial risk for 70k Medicaid/30k Medicare
- 82% of LMG business in Cigna/LHP
- Now what? Ardent; Physicians Separate?



# St. Joseph HealthCare

## Provider or Delivery System (Until 2002)

- Part of the Non-Profit Catholic Health Initiative
- Medical Staff is a *Mixed Model Independent Practice Association (IPA)*
  - Saint Joseph Physician Group *Staff Model* Component wholly owned by St. Joseph HealthCare (mostly primary care)
  - *IPA Contracting Physicians Maintain their Own Physical Assets and Staff also Referred to as a Group Practice/Clinic Without Walls (GPWW)*



# Enter Ardent and The Sandia Health System

- The Physician Group of Sandia Health System.
- Approximately 60 MD's in the Group.
- Salaried employees for year 1 (\$120,000) then compensated on a graduated scale based on gross intake.
- Open access scheduling for primary care and a 40 hour patient care work week.
- Physicians separate from system...?



# Southwest Medical Associates (SMA)

- Independent *Group Practice*
- 18 Primary Care / 9 Specialists
- Equity Ownership through Physician Shareholders, Employed
- Group Includes Lab, Radiology
- Negotiates All Group Contracts, Individuals Cannot Contract (Share Common Fee Schedules)



# SMA (Con't)

- Entrepreneurial Model - No External Fiscal Accountability
- Full Financial Integration
- Compensating on Cap and Productivity
- New Providers-
  - 2yr Salary plus Bonus Guarantee
  - Buy-in up to current stockholders  
(updated and no fixed timeline to partner)



# New Mexico Medical Group (NMMG) *Now Defunct*

- Same as Southwest Medical Associates but...
  - Complete Productivity Compensation
  - New Providers had no Start-up
    - Provide Personal Income for Several Months
    - Pay Direct Clinic Expenses
    - Buy-in Share



# NMMG (Con't)

- Reasons for Demise?
  - Over-Built, Over-Extended Capital Expenditures
  - Lack of Contracting Expertise
  - Bad Business Practices
- Physicians Moved into Presbyterian, St. Joe's and into Out-of-State Practices



# Presbyterian Health System

- Presbyterian Medical Group
  - Private, Not-for-profit
  - Part of the Larger IDS
    - Outpatient Clinical Facilities
    - 6 Statewide Hospitals
    - Medical Group
  - Substantial Growth in Employed Physician Group (PMG)



# Presbyterian Medical Group

- Year Founded 1989
- Total MD's Growing Rapidly
- 16 practice locations
- Full risk for managed care lives
  - Medicare, Medicaid, Commercial
- Contract terminated with BCBS
- Aetna, United, etc...40 payors in all
- Majority of business through Pres Hlth Plan



# *Physician Hospital Organization (PHO)*

- Joint Venture of Hospital(s) and Physician Group(s)
- Facilitates Contract Negotiation
- Aligns Financial Incentives of Involved Parties
- Also Referred to as a *Hospital-based Network System*



# *Management Services Organization (MSO)*

- Physician Practice Administrative Entity
- Relationship is Usually Contractual
- Varied Levels of Administration
  - Total Business Office Responsibility
  - Contracting
  - Menu of Administrative Services



# *Physician Practice Management (PPM)*

- I.E. Phycor, MedPartners (Defunct)
- Often Involves an Equity Partnership
- Mass Growth Until Recently - a dramatic downturn 1998 to present
- Many Have National Leverage
- Specialty Specific PPM Still Growing
  - OrthoLink, US Oncology



## According to the Leaders of the Groups Interviewed New Physicians Should Have..

- A basic knowledge of the business of medicine
- An attitude of accountability for their practice (costs, quality and access)
- Population Health Perspective
- Orientation to working in a care team, emphasis on communication skills



# New Physicians (Con't)

- Knowledge of Clinical Practice Improvement Methodologies (CPI)
- Heavy emphasis on customer service
- Should not choose an organization in which they will be “angry”
  - Similar care philosophies
  - Allows right amount of clinical autonomy



# In 2007....

- Universal Coverage for all New Mexicans?
- NM Lacks Adequate Access Infrastructure
- Three Plans Studies to Insure all New Mexicans - 2008 Legislative Session

