

Retaining independence while embracing accountability: care coordination and integration strategies for small physician practices (Part 2)

Physicians throughout the country are trying to figure out how to best achieve their professional goals in the changing health care delivery environment. Physician payments are increasingly being structured in a way that incentivizes quality and cost effectiveness over volume, and many place physicians at financial risk. In addition, public reporting of physicians' performance will now be the norm, rather than the exception, with Medicare's expansion of its Physician Compare website in 2013. Will physicians need to be employed by a hospital or a large medical group or health system in order to provide the quality and manage the costs that these payment and reporting systems require and take advantage of the emerging opportunities resulting from health system reform?

Not necessarily. While some physicians may ultimately decide that formal alignment with a large medical group or hospital system is their best option, others are actively working to integrate new care coordination and accountability capabilities into their smaller practices. Indeed, there are a number of avenues that physicians in smaller practices can take that will allow them to retain their independence while also achieving the new capabilities they will need to succeed in this new environment.

Strength in numbers: Options for physicians to maintain autonomy while collaborating with others

AMA has published a new resource to assist physicians in small and solo practices in taking advantage of the opportunities presented by the changing health care delivery environment, entitled "*Retaining independence while embracing accountability: care coordination and integration strategies for small physician practices,*" available at www.ama-assn.org/go/ACO. This article will summarize the second section of that resource which focuses on potential options small practices may have to collaborate with other physicians.

Considerations for physicians interested in virtual integration

There are plenty of reasons for small practices to be optimistic about their ability to succeed in the future. Many believe that to survive, however, smaller practices may need stronger connections to at least other small practices, so they can use their combined efforts to: (1) reduce overhead through economies of scale; (2) depending upon the degree of integration, improve their negotiating position with third-party payers¹; and (3) if collaborating with other specialists, increase revenues through ancillary services and

¹ For a discussion of the antitrust laws and their potential application to physician collaborations, see "Competing in the Marketplace: How Physicians Can Improve Quality and Increase Their Value in the Healthcare Market Through Medical Practice Integration," Second Edition, American Medical Association, a copy of which may be found at <http://www.ama-assn.org/resources/doc/psa/competing-in-market.pdf>.

retaining referrals within the group. Further, such connections help move away from fragmented care to a coordinated care delivery system.

An independent physician practice can build stronger connections with other independent practices through a number of organizational forms. But an organization should not be created just for the purpose of "organizing" physicians. The success of a new physician-owned and controlled integrated organization will depend largely on the organization's ability to demonstrate that it can provide value to those individuals and organizations that will be purchasing its services. As the organization's payment will ultimately be based on its performance with respect to quality and cost-effectiveness measures, a sincere commitment to quality improvement and reducing health care resource utilization will be required.

Establishing an initial planning team

An initial leadership planning team, in consultation with advisors such as an attorney and/or practice consultant, will be needed to:

- Perform strategic planning;
- Conduct an environmental scan;
- Assess potential organizational structures and create a strategic plan that meets the organizers' mission, vision, and values; and
- Identify and communicate those mission, vision, and values to additional participants.

A planning tool for organizing a physician collaboration is included in **Appendix I** to the resource to help physicians in this effort.

The first part of the process is identifying compatible partners to lead the initial effort for change. It is essential that the physicians on this team trust each other, on both a personal and clinical level, and share the same level of commitment to their patients and community and the success of the new organization. Once this initial team is assembled, it may be advisable to include other professionals in the process, such as office managers, an attorney, and a practice consultant. Doing so will help avoid costly mistakes by ensuring that the interested physicians have adequate information initially, before an ill-advised path is chosen. Professionals can also help identify local market opportunities.

Strategic planning process

Defining mission, vision, and values

It is essential for the initial leaders/participants to convene a strategic planning session to define the new organization's mission, vision and values and assess whether the physicians' expectations are realistic. For example, is the goal simply financial success, or is improving quality of care, outcomes and other values, such as reducing hassles and wasted time, also important? The definition of the organization's mission, vision, and values becomes its foundation and will help guide decision-making and communications with patients, hospitals, and payers.

Business strategy and planning

Taking the time to determine the strengths, weaknesses, opportunities, and threats as a means of developing a short- and long-term strategic business plan that makes sense for the participating physician practices and the new physician organization is essential. It is through that strategic business plan that the new organization's mission, vision, and values must be operationalized.

A strategic business plan will help:

- Tailor the organization's mission, vision, values, and the services it will provide, to the individual and organizational purchasers and health insurers to whom it expects to market its services;
- Identify the specific capabilities that the organization will need to develop and prioritize the sequence in which those capabilities will be acquired.
- Identify potential business partners who may help implement the new organization's mission, vision, and values and business and clinical goals, e.g., through the availability of financial or in-kind administrative or clinical support, and increase the likelihood of maximizing long-term success and retaining professional autonomy in the context of new health care delivery and payment models.

Local market opportunities

Understanding what local market opportunities exist is essential. It makes no sense to form an organization unless there is some understanding of what is occurring in the community (keeping in mind that the relevant market may extend beyond the local geographic area due to medical tourism, telemedicine, etc.). At a minimum, things physicians and their expert consultants should look at include: the individual participating physician practices, including patient demographics and referral patterns; the local hospital community and the potential relationship of those hospitals to the new physician venture; existing independent practice associations (IPAs), management services organizations (MSOs) or other physician organizations that might obviate the need to create a new organization; third-party payers, including Medicare, including their respective market shares and willingness to contract with a new physician organization; major public and private employers that may be willing to contract directly with the new venture, the demographics of their employees and any specific services they may value; potential competitors, including retail clinics, telemedicine providers, urgent or ambulatory care centers, other physician groups; changing technologies which the new venture may need to adopt and their costs (AMA resources on these topics are available at www.ama-assn.org/go/hit); changing patient demographics and expectations, such as new residential or retirement community developments, large numbers of "baby boomers" who will become Medicare beneficiaries in the near future, or younger people who will demand email consults and social media interactions; and ACA changes or other regulatory developments, such as the potential for a large influx of patients assuming state exchanges become operational in 2014.

Potential organizational structures

Much has been written about large medical groups and fully integrated health systems. Many physicians, however, choose to retain as much autonomy as possible when

providing care to their patients. Structures are available that allow physicians to obtain the benefits of a large group practice, yet maintain a considerable amount of independence. Those options are more fully discussed in **Appendix II** of the resource.

Communication of mission, vision, and values to additional physician participants

Once the initial planning is complete, potential physician participants should be identified and the mission, vision, values, and goals of the organization must be communicated and agreed to by everyone. If the structure involves quality improvement and care coordination, it is important that these physicians demonstrate a commitment to team work, acceptance of transparency of data and practice records within the organization, and the ability and willingness to be responsible for improvement using data-driven decision-making. A sample "organizing letter" is included in **Appendix III** of the resource.

Organizational and operational issues

At the same time, there are a number of key issues concerning the group's organizational structure and operations that need to be addressed, with the advice of an experienced attorney. The issues cover a host of matters such as liability, office personnel, dispute resolution, term and termination, and restrictive covenants. Some of the more sensitive ones involve the following: capitalization, ownership, governance, compensation, and buy-sell agreements.

Conclusion

The fundamental goal of a more coordinated and integrated health care delivery system is being driven on multiple fronts and will continue in the future. Many options are available for physicians in small and solo practices to survive, and indeed, thrive in the future. Physicians must decide individually which option is best for them and whether they will be able to implement those changes needed to succeed with that option in the future. But regardless, no collaborative effort can succeed without the enthusiastic engagement of the physician participants and effective physician leadership.