

The Crystal Ball: Hospital Partnerships in 5 years

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Disclosures: None relevant to this talk

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Market pressures

- Hospitals and physicians are partnering up in the face of healthcare reform, reimbursement reductions, and market saturation
- Four models
  - Hospital/physician ASC joint venture
  - Physician employment
  - Physician administrative services company
  - **Service line management**

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Hospital/physician ASC joint venture

- Physician group and hospital each own percentage of ASC
  - Gain leverage for negotiating with payors/vendors
  - Prepare for changes in healthcare reform
  - Gain amenities (EMR)
- Hospitals:
  - build relationship with local physicians
  - gain market share
  - move cases into high quality, low cost environments

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**Problems with ASC**

- Increased scrutiny regarding physician ownership
- How much is owned by hospital vs. physician
  - Can affect reimbursement rates and vendor contracts
  - Who controls staff hiring, operational decisions, and purchasing

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**Physician employment**

- “Hospitalists”
  - Hospitals benefit:
    - Gain control of referrals from physicians
  - Physicians (younger) benefit:
    - Attractive salaries
    - Job stability
- Problems
  - Physicians are “under the thumb” of the hospital
  - Hospitals can restrict MD from alternative source incomes

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**Physician administrative services company**

- Hospital/Health System offers services to a medical practice for FMV
  - Coding and Billing
  - EMR
- Benefits:
  - MD: Maintains autonomy while “outsourcing” services
  - Hospitals: strengthen relationships with MD
- Problems:
  - Lack of ability to completely anticipate or adapt to future policy changes

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### Clinical service line management

- Contract between physicians and hospital to jointly management clinical service line
  - Physicians driving clinical quality initiatives
    - Achieve economic benefit through achieving quality results
    - “General contractor” to the hospital
    - Management company – administrative services
    - Establishing agreed upon **metrics** for performance

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### Service Line Management – my bias as to why this may be the future

- We are being judged for value and quality
  - “Pay-for-performance”
    - MDs oversee and manage service line
    - Hospitals continue to oversee administrative duties
- Not a hospitalist...but do have its benefits
  - Allows for hospital-physician integration without the risks of being a direct employee
  - Salaried, with potential bonus structures (FMV) not contingent upon payor mix, RVU, referral volume

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### Service Line Management – Metrics

- Fracture pathway
  - ED – (hospitalist) – OR – PT/SW/Dispo – D/C
    - LOS
- Supply chain management
  - Single source vendor
  - Standardized pref cards
  - Standardized post-op protocols

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**Service Line Management: Potential Problems**

- Contracts should be within FMV
- Must have dynamic benchmarks and quality goals
  - Meet the needs of a dynamic HC environment
    - Regularly revisited (Joint Operational meeting)
- Changes in administration
- Changes in expectation
- Changes in legal/regulatory standards

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**Summary**

- Best model is one that will:
  - Demonstrate value
  - Control costs
  - Anticipate future changes in HC
  - Enable physicians to have direct involvement and remain “empowered”

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