

# Large Physician Groups as Employer or Partnership



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# Disclosures

- Part Owner OrthoIndy
- AAOS website

# National Issues

- Medicare Reimbursement
- Medicaid
- Uninsured population
- Malpractice – Tort Reform
- Insurance Industry
  - Managed Care

# Local Issues

- Hospital Politics
- Hospital Wars
- Emergency room coverage
- Intra- group competition
- Health care marketing

# New MD - What are the Options?

- Single surgeon private practice
- Hospital employment
- Multispecialty group practice
- Small specialty group practice
- Large specialty group practice

# Older MD -Strategic Options

- Hospital / health care system employment
- Maintain autonomy
  - Work harder, longer, or smarter
  - Technology assistance
  - Overhead reduction
  - Alter patient / payor mix
  - Develop ancillary businesses

# Ortho Indy Objectives 1994

- Stay Proactive
- Provide high quality care
- Strong patient advocate
- Retain autonomy
- Indispensable presence in our market
- Make sound business decisions
- Strategically oriented (5-10 yr plan)
- Exercise the power of many

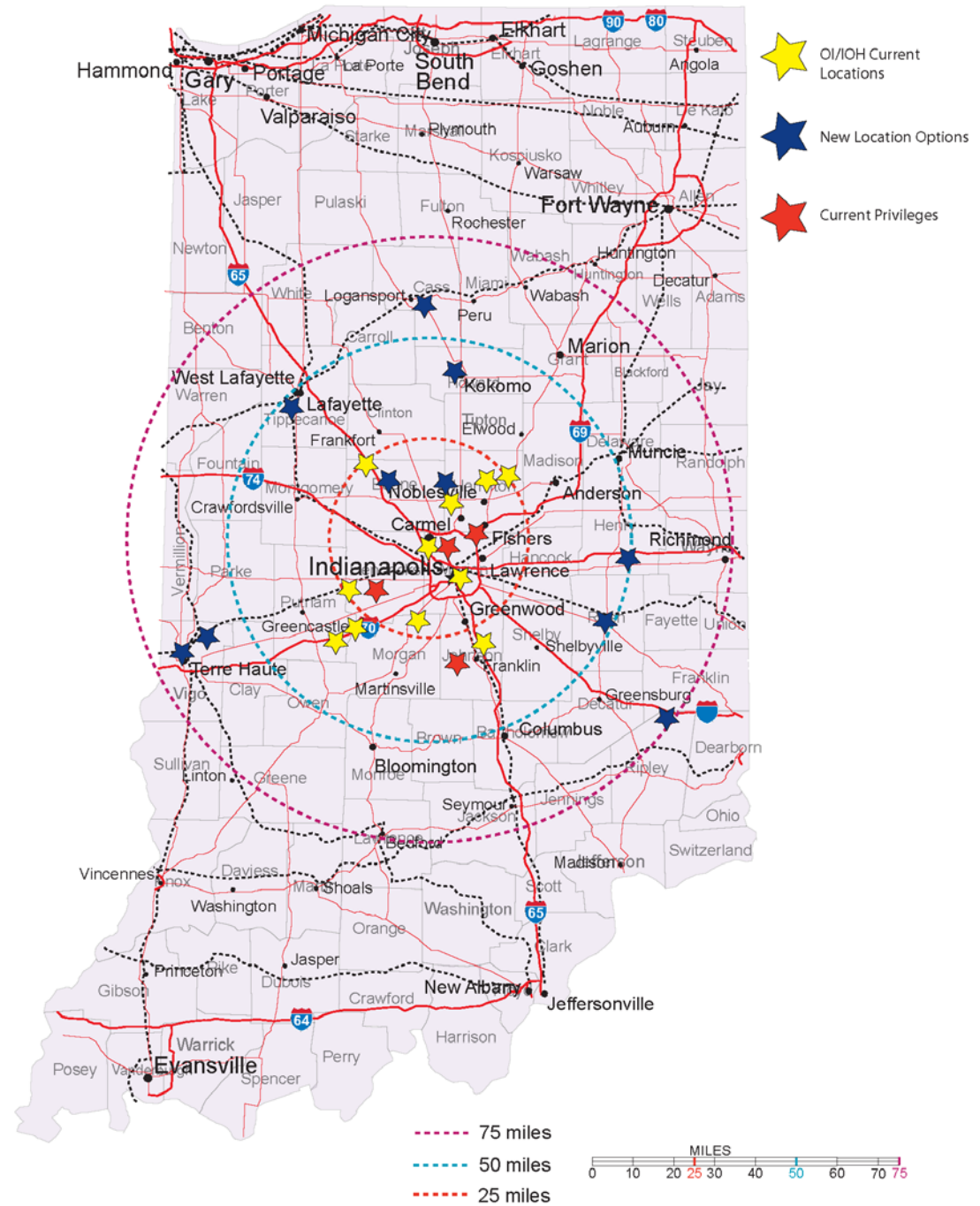
- 79 physician musculoskeletal group
- 12 offices
- Surgical specialty hospital
- 3 ambulatory surgery centers
- 950 employees
- 3 MRI units
- 1 CT scanner, 1 Ultrasound unit
- 13 Digital x-rays units

**Annual Revenue ~\$200 million**



# Physician Profile

- 52 Orthopedic Surgeons – all subspecialties
- 15 Anesthesiologists
- 9 Physiatrists



# Ortho Indy Northwest campus and the OrthoIndy Hospital



# Clinical Volume

## Procedures

Inpatient - 3,173

Outpatient - 9,352

Pain - 8,633

21,158

## Physical Therapy

Inpt - 9,759

Outpt - 80,193

89,952

## Clinic Visits

231,061

**#1 in the Nation**  
**Major Orthopaedic Surgery**  
**For**  
**Patient Safety**

**#1 Indiana for Overall Hospital Care for Patient Safety**

**#1 Indiana for Overall surgical Care for Patient Safety**

**#1 Indiana for Major Orthopaedic Surgery for Patient Safety**

**Top 10% Nationally for Overall Hospital Care for Patient Satisfaction**

**Top 10 % Nationally for Overall Medical Care for Patient Satisfaction**

**Top 10% Nationally for Overall Surgical Care for Patient Satisfaction**

# Value Based Results

- Based on results released in January 2013, IOH ranked 9<sup>th</sup> nationally out of 3428 hospitals on value based results for adherence to process measures (SCIP) and patient satisfaction (HCAHPS)
- Also released this year by CMS, IOH was shown to have an average cost per medicare beneficiary that is 12% less than the national average

# OrthoIndy Governance

- 50 shareholder orthopedic surgeons
- Shareholders meet 4 times per year.
- United Hospital and Practice Board-
  - President, Executive VP, Secretary, Treasurer
  - 7 at-Large Members.
- Elected board of directors, meets the 2<sup>nd</sup> and 4<sup>th</sup> Fridays of each month.
- Simple majority rules except for short list of reserved powers.
- Standing Committees:
  - Compliance/Peer Review, Finance, Marketing, Operations/IT, Technology Review
- Research Foundation
- IRB

# Large Group Issues

- Information Management
- Electronic Medical Records
- HIPAA and other Federal regulations
- Overhead allocation
- Billings/collections
- Group politics



# Regulatory Hurdles

- Certificate of Need Laws
- Federal guidelines
- Stark Laws
- Federal and State regulations

# Stark Laws

- Stark I 1992 – banned referral of Medicare patients to provider owned clinical labs
- Stark II 1998 – expanded self referral ban to additional ancillary health services and added Medicaid patients
- Stark III 1997 – additional regulatory guidance for compliance, defining specific provider compensation arrangements as analogous to ownership. Intended to avoid financial incentives for physician self referral to increase volume of services.

# Overhead Reduction

- Large or small practice
- Number of employees
- Employee turnover
- Management structure & sophistication
- Number of offices
  
- In general, smaller practices have lower overhead
- OrthoIndy – 52.6% overhead on clinical operations

# Information Technology

- Paperless with hospital and practice EMRs
- IT department – 17 employees
- 2.5% of the budget
- Necessary evil with pros and cons
- Has morphed into the organizational nerve center

# Opportunities

- Medical Real Estate
- Ancillary health care services
  - Diagnostic Imaging, Physical Therapy, Walk in clinics
  - Ambulatory Surgical centers
  - Specialty hospitals
- Business management services

# Ancillary Development

- Vision to improve patient care
- Proforma business analysis
  - Number of physicians
  - Number of patient encounters
  - Payor mix
  - Cost to purchase and maintain
  - Expected revenue stream
  - Worst and best case scenarios

# Research Foundation

- Fellowships
  - Spine, Trauma, Sports Medicine
- Clinical Trials
  - Dept of Defense trauma
  - Total joint
  - Cartilage repair
  - Spine
- Outcomes collections and database management

# Small Group Practice

- More autonomy
- Lower overhead
  
- More risk per MD
- Less leverage
- Highly dependent on managing MD
- More potential for interpersonal conflict



# Large Group Practice

## Tremendous leverage

- Volume & financial
- Insurers, hospitals, community
- Ancillary opportunities
- Less risk per MD
  
- Needs more complex management
- Supportive Infrastructure
- Shared vision – Organizational decisions

# Summary

- Large Group practices provide leverage
- Coverage to allow time off
- Improved care through specialization
- Spreads the risk – illness, injury, or liability
- Easy out at retirement