HOSPITAL-BASED PHYSICIAN PRACTICES:

THE CHANGING COMPETITIVE LANDSCAPE

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Healthcare delivery in the United States is undergoing massive disruption. For decades, the industry thrived primarily as a wholesale business, manufacturing and distributing its products and services in bulk through a vast, disparate patchwork of hospital systems and independent providers across the country. With the Affordable Care Act implementation nearly complete, increasingly integrated healthcare provider networks are rapidly developing and transitioning to a retail model, a shift that is forcing the industry to rearrange its efforts around new priorities such as access points, differentiation, patient satisfaction and cost cutting.

It is wrong to assume, however, that hospitals and administrative leaders are alone in striving to meet the challenges of this new model. Hospital-based physician practices are on the front lines, helping health system executives gain market share and demonstrating increased value.

The bottom line? Hospitals are relying on physician practices to help them achieve economies of scale, meet the critical needs of their patients and provide the specialty access necessary to provide cost-effective, efficient, high-quality patient care. Meanwhile, physicians are under pressure to treat more patients and generate better clinical results with fewer resources.

Hospitals are attempting to take advantage of increased competition in the marketplace by soliciting bids and changing provider groups. Once a rare occurrence, RFPs are increasingly commonplace, says Bob Johnson, principal at Enhance Healthcare Consulting and former vice president of hospital-based physician services at Hospital Corporation of America (HCA), in a recent article in *imagingBiz*.

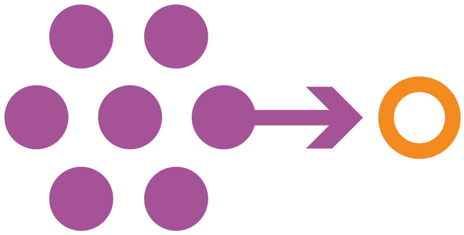
"A decade ago, hospitals typically issued an RFP as a stalking horse: A cost-cutting tactic when negotiating with an existing vendor," Johnson says. "There was no real intent to change provider groups, the RFP results just provided leverage during the renegotiation process."

While at HCA, 20 out of the 30 RFPs Johnson saw issued were due to dysfunctional leadership, while the remaining 10 were due to insufficient resources. Leadership and resources have become two critical areas of focus for practice leaders in today's healthcare market. Physician leaders must proactively support the hospital's mission and goals while providing adequate resources to not only support existing services lines but expand into new areas of service. This will increase both the practice's and hospital's value, capturing increasingly competitive market share for the health system.

Failing to deliver in one or both of these core areas often results in a hospital seeking an alternative solution. Assuming there is not another local group available to service the system's needs, hospitals typically must choose from one of the three following models:

REGIONAL GROUP

The latest entrant into the market, regional groups provide an increasingly popular, innovative alternative to the large management companies that resulted from the recent wave of consolidation.



Regional Group to Joint Venture

The regional group consists of local practices collaborating to provide the resources their hospitals need while maintaining their independence. These non-competitive relationships emphasize the economies of scale and subspecialty access that health systems now require. The joint venture model provides physicians the option to remain independent, working with and demonstrating value to their local hospital networks, while being able to fulfill the emerging needs in a cost-effective manner.

The regional groups also provide the exclusivity of focus that is so attractive within the single-specialty management company. For example, two or more radiology, anesthesia or emergency medicine groups effectively collaborating increases the level of skill, expertise and competency that can be brought to the hospital and community throughout the continuum of care. Collaboration within a regional group also helps physicians better serve hospitals and patients through shared medical expertise and increased efficiency.

In addition, regional groups provide an inherently 'local' solution, i.e. a practice that is familiar with the local patient population, medical staff, culture and workplace – factors that are often overlooked by national providers. Remember: Medicine is local.

SINGLE-SPECIALTY NATIONAL PROVIDER

Single-specialty national providers, such as AllegiantMD or North American Partners in Anesthesia (NAPA), have evolved in the past decade to provide hospitals with one service line. This specialized focus enables them to market themselves as experts in that clinical field. At the same time, single-specialty management companies can provide economies of scale, subspecialty access and necessary resources to facilitate hospital and health system growth.

Although large, single-specialty management companies offer streamlined processes and abundant resources, "cultural fit" remains a persistent challenge with this solution. Here's why: Hospitals who engage these providers may be signing on with physicians and staff who have different communication styles, pacing and work environment expectations. This disconnect often hinders—and can even prevent—effective collaboration among physicians, potentially creating massive problems for hospital executives.

MULTI-SPECIALTY NATIONAL PROVIDER

Multi-specialty national providers such as EmCare and Sheridan Healthcare also have emerged in the past decade as key players in the competitive landscape. These groups offer the "one-throat-to-choke" option for hospitals, streamlining processes across specialties with one overarching source to turn to should issues arise. Similar to the single-specialty companies, these groups offer the economies of scale and resource access so critical to hospitals now, while bundling all specialties together in one cohesive package.

As with single-specialty national providers, cultural fit is a frequent issue with multi-specialty national providers. Although large-scale management companies may be well-equipped to meet the resource and economic needs of many hospitals, managerial control of multiple clinical specialties also is turned over to one organization. This consolidation may cause problems if the company does not have the ability to understand that area's work pacing, patient pool and other critical aspects of the local health system's culture. Ensuring the multi-specialty management company is not only aligned with the hospital's goals but also the means of reaching those goals is essential. If two parties disagree on how to implement and execute a business plan, they stall any attempt at forward progress.

CONCLUSION

The emergence of national players has dramatically altered the competitive landscape of healthcare. According to Enhance Healthcare's Bob Johnson, a practice's biggest competition is no longer the group across the town providing the same service line; it's the other specialties within the hospital who are owned by a national management company.

To remain a valuable asset to the hospital you serve, Johnson advises:

> "Find other like-minded practices, combine and get big fast. By being big, you not only command more respect and attention; you're also better able to have the resources to meet the hospitals' new needs."

ABOUT INTEGRATED MEDICAL PARTNERS, LLC

Headquartered in Milwaukee, Wisc., Integrated Medical Partners, LLC (IMP) is an innovative technology and services organization that fuels high-performing hospital-based physician practices and related multi-specialty groups nationwide. IMP is dedicated to optimizing medical practices' efficiency, profitability and long-term success by leveraging its team of industry experts, specialty-specific solutions and best in class technology. For more information, please visit www.IntegratedMP.com.