

# Physician interdependence and independent practices can coexist

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Market and regulatory factors are motivating physicians into practice models that call for greater collaboration and interdependence. At the same time, however, more flexible business arrangements are permitted, so practices can explore collaborative or integrated business models that allow them to enjoy economies of scale while also retaining autonomy.

Pragmatic business advice and legal guidance on practice integration with other physicians can be found in “Strengthen Your Practice: How to collaborate with peers and other practices,” a physician resource available at the AMA’s online Physician Payment Resource Center.

This month, *AMA Wire*® will focus on ways physician practices can collaborate and will outline the Association’s expert advice in this vital area. Topics will include evaluating practice affiliation options, collaborating with hospitals in an accountable care organization (ACO), and exploring how to establish a physician-only ACO.

While physician employment is growing, many still prefer to practice independently. By identifying benefits and limitations of particular options, “Strengthen Your Practice” outlines how collaboration doesn’t have to mean the end of an autonomous practice. It also highlights antitrust issues that physicians seeking to jointly negotiate with health insurers need to be aware of.

Four main factors are motivating physicians to consider collaborative business models:

- Developing economies of scale and raising capital to acquire and implement information technology, invest in ancillary service lines, and develop care coordination and disease-management outreach services associated with ACOs and patient-centered medical homes.
- Improving quality and efficiency through implementation of practice standards and building an infrastructure to support and monitor collaborative efforts.

- Capturing more accurate data that can better measure physician performance than the statistics gleaned by third-parties and disseminated to health insurers, employers and the public.
- Participating in performance-based reimbursement programs—such as bundled payments or shared savings arrangements.

The guidance provided in “Strengthen Your Practice” describes lawful ways independent (and sometimes competing) practices can successfully integrate under the many options that may not have been available before.

These options allow practices to remain in a local setting, oversee practice operations, and be rewarded for individual productivity. But they also permit practices to bring together enough capital to invest in an IT infrastructure and to collectively bargain with third-party payers.

## Business elements need examination

“Physicians in solo or small group practice may think it is prohibitively expensive and time consuming to adapt to and/or take advantage of recent market and reimbursement changes,” according to “Strengthen Your Practice” guidance. “This is not necessarily true. Many physicians may simply be unaware of the flexibility permitted by the numerous lawful integrative collaboration options available to them.”

Integration decisions need to be based on an assessment of the market, the business prospects of the combined entity, and the compatibility and capabilities of the participants. To this last point, the manual also suggests certain skill sets are required to enhance physicians’ ability to succeed.

These include strong management that can negotiate and analyze managed care contracts. Also needed is the ability to access, coordinate and develop data that demonstrates competitive costs and outcomes.

It’s noted that the complexity and interdependent nature of these arrangements may require governance changes or even the delegation of decision-making to a professional manager, which—it is noted—would be a “significant cultural change from the typical shareholder governance of most physician groups.”

“The effective allocation and coordination of administrative and clinical decision-making responsibilities will be a major challenge for any integrated organization,” the manual’s introduction concludes.

## **Integration insights offered**

“Strengthen Your Practice” provides further insights into business planning, as well as different types of fully integrated physician practice mergers that can be considered. There are also descriptions of partially integrated models where physicians can pool financial resources and take on risk or jointly implement clinical programs to evaluate and modify practice patterns.

While antitrust issues are explained, it’s strongly recommended in the manual that physicians considering a practice merger or a financial or clinical integration obtain expert advice from counsel experienced in physician-specific legal and payment issues.

“Physicians should keep in mind, however, that their primary motivation for collaborating should be to bring to market a valuable and competitive product that they could not otherwise produce acting independently,” the manual notes.