

Building HIT Links between Hospitals and Physicians

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Agenda

- I. Major Trends in the Physician Market**
- II. What's Behind Physician Changes and Success**
- III. EHR as a way to work with physicians**
- IV. Health Plan Responses**
- V. Hospital Responses**
- VI. Summary, Conclusions, and Potential Implications**

Major Trends in the Market

- **Movement away from HMO's to PPO's and Consumer Directed Plans**
- **Success of larger integrated groups**
- **Hospitals getting back in the physician assistance game**
- **Continued problems for IPA's**
- **Continued demise of Private Practice Physicians**
- **IOM, EMR's, CPOE**
- **IHA, P4P increased incentives for EMR investment**
- **Continued growth for Kaiser, Sutter, CHW**
- **Clinical Integration**

Physicians Moving Away From Managed Care

- **It's a hassle**
- **Does not pay well**
- **Requires extra staff and work**
- **Patients expectations out of line with payments**
- **Seeking higher incomes**
- **Consumerism: patients demand better service**
- **Charging for all associated services**

Some Physician Strategies

- **Playing off of changes in the market**
- **Limiting HMO and PPO contracts**
- **Responding to their frustration**
- **Charging more for their services**
- **Some trying concierge medicine**
- **Increasing income, decreasing hassles and expenses**
- **Interested in EHR, but limited funds**

Time of Evaluation and Adjustment

Fewer Entrepreneurs

- **Joining Permanente or a Foundation**
- **Retirement or moving**
- **Largest Changes among PCP's**
- **Physicians looking for systems with major IT investments**

Re-engineering the Practice - To Optimize Financial Performance -

- 1. Group visits for HMO patients**
- 2. Closing or limiting their practices to new HMO patients**
- 3. Closing or limiting their practices to any HMO patients**
- 4. Encouraging their patients to join PPO's**
- 5. Closing their capitated IPA's to force patients to choose PPO products**
- 6. Closing or limiting their practices to new PPO patients**
- 7. Closing their practices to PPO contracts**

- 8. Forcing patients to pay at the door; requiring them to deal with their insurance companies**
- 9. Charge additional fees for services like email**
- 10. Limiting the number of Medicare patients**
- 11. Not accepting assignment for Medicare**

- 12. Offering special access for patients who pay monthly access fee**
- 13. Closing their practices to all patients except those who pay a monthly access fee**

The Access Spectrum

Open Practice

- Group HMO Patients
- Close / Limit
 - New HMO
 - Any HMO
- Encourage PPOs
- Close / Limit
 - New PPO
 - Any PPO

Cash and Carry

- Pay at door
- Charge extra for services
- Limit # Medicare
- No Medicare assignment

Access Fee

- Special access for fee
- Full concierge service

Factors Influencing Physicians' Willingness to Limit Their Practices

External factors

- **Level of physicians competition**
- **The affluence of the market**
- **Few revenue increases**
- **Increasing expectations of patients**
- **Growth of defined contribution, high deductible and co-pay policies**

Internal factors

- **Increasing costs of operating a medical office**
- **Hassle factor of HMO plans**
- **Group size and ability of group to deal with HMO**
- **Capacity to analyze practice and make changes**
- **Stress levels on practice**
- **Willingness to change**
- **Limited IT training of staff**

Factors Influencing Success

General Conditions

- **Popularity of physician**
- **Ability to provide attractive retail service experience**
- **Length of current time to get an appointment**
- **Affluence of community**
- **Strong relationship with patient**
- **Physician gender: the female physician advantage**
- **High-paying patient sector already locked up**

Specific Conditions

- **% of patients with commercial insurance**
- **Medicare patients are still a good target**
- **% in plans that allow patients to go “out-of-network”**
- **The out-of-pocket cost for going “out-of-network”**
- **Care with which practice explains/introduces change**
- **Assisting patients to transition to plans that allow patients to remain with practice**
- **Rise of Consumer Driven Healthcare. Higher deductibles and copays**

Increased Financial Performance for Physicians

- **Charging for email, copying of charts, completing forms and other services**
- **Some also limiting health plan assistance (P4P)**
- **Make sure the PPO contracts are better?**
- **HMO vs PPO (IPA ability to negotiate both)**
- **Some increasing patient charges**
- **Some charging access fees**
- **Some report successful results: more \$ / less hassle**

Note: *Physicians moving to employed model keep AR (signing bonus)*

How Medical Groups are Responding to These Changes

- **Some making physicians stay with HMO contracts**
- **Some helping with PPO contracting**
- **Some starting boutique practices**
- **Some IPAs are discouraging boutique practices**
- **Medical societies reforming foundations**
- **Physicians learning to act like a retail business**
- **Some are investing in EHR's and helping physicians**

Pitfalls

- **Some groups closing to capitation:**
 - **Can be quick death for group and physicians**
- **Jumping too fast can cause problems**
- **Some have not made smooth transition**
- **Will patients actually move**
- **Important to recognize effect on cash flow**
- **Higher demands for customer service will require more efficient access to patient information and investment in EHR's**

How Health Plans are Responding

- **Many pushing employers to lower benefit products with higher deductibles and copays**
- **HMO to PPO to Defined Contribution**
- **Some moving quickly to convert base so defined contribution plans don't take market**
- **Some are well positioned with good products**
- **Most Plans are comparing providers based on quality and cost**
- **Some plans asking medical groups to do medical management of PPO products**
- **Some Health Plans paying for investment in EHR's**
- **FTC requiring IPA's to invest in Clinical Integration...EHR's a good investment**

How Hospitals are Responding

- **Those with groups are stabilizing and expanding their markets...Some forming new “Clinics” or Medical Foundations**
- **Many hospitals are looking for ways to invest in information systems links to their physicians. MMA gives little flexibility, but working through Foundations Hospitals systems are able to make significant investments**

How Hospitals are Responding

- **Outside of closely held foundations, Hospitals are cautious to invest significantly in systems or interfaces that are not part of their overall plan.**
- **Many increasing physician assistance programs**
- **Some developing Private Label Health Plans or other Consumer Directed Responses.**

Specific Hospital Strategies

- **Many assisting physicians to stay in practice**
- **Many are helping with practice management support and recruitment of new physicians**
- **Some are building electronic systems with physicians so that clinical data can move more quickly between the hospitals and the physicians. Physician Portals**
- **Some are building and expanding their foundations to help hire new physicians and provide a stabilizing force for physicians and an option to competitors (plus Wrap Around IPA)**

Some Are Having Problems

- **Bad previous experiences scaring some away**
- **Some experiencing reductions because physicians limiting or leaving practice**
- **Effect on Bonds for seismic retrofit**
- **Some physicians going to Kaiser**
- **Some hospitals trying again with Foundations**
- **Now seen as vehicle to stabilize medical staff and expand market base**

Some Hospitals are Successful

Characteristics

- **Gain broad medical community acceptance for the need to assist some physicians**
- **Retain top Medical Group Management**
- **Identify and develop good physician leaders**
- **Build medical management infrastructure based on the practice management needs of physicians**
- **Build a group culture that understands the benefit for the entire community as well as the physicians**
- **Minimize negative Medical Community reaction**

Summary

- **Market changes are pushing some physicians to join organized groups**
- **Hospitals need to find legal and effective ways to invest in physician linkages and build infrastructure.**
- **Market forces and quality incentives will demand hospitals and physicians to invest in Electronic Health Linkages**
- **Some private physicians are migrating along the “Access Spectrum” to improve financial performance**
- **Physicians need assistance in making these moves or they will make them in a way you might not like**

Conclusions

- **Physicians need support to improve their office operations and billing**
- **Hospitals can play a role in supporting physicians in the management of their practices**
- **Hospitals need to engage in active succession planning for their medical staffs**
- **Physicians need to reevaluate where they are in this spectrum if they are to optimize their position**

Potential Implications for the Industry

- **This early trend if it continues to gain momentum will propel the transition to consumer driven healthcare and physician employed models**
- **This can result in major changes in the market**
- **Better consumer service for those who can pay for it**
- **Increasing access issues for others**

Thanks

For Further Information contract

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