

# Poised for Change: A Look at Reform, the New Generation of Physicians, and Implications for Hospital Sustainability

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Change is an inevitable part of every industry's life cycle. How organizations choose to respond is ultimately up to them. Those organizations that are most able to adapt and respond to change efficiently and effectively are best poised for success.

Health care reform will likely bring about several major changes to the health care system. Some of these changes include the number of future insured individuals, physician/hospital reimbursement, physician/hospital integration, and changes in primary care in light of technological advances. These specific changes will have a significant impact on health care organizations across the country. Therefore a more careful understanding of how these changes will impact hospitals and how they can prepare for change is necessary as pressure continues to grow.

Changes in physician practice style preference are also moving along the same path as reform. Younger physicians coming out of residency and into the medical field tend to have a different set of priority, needs, desires, and expectations than current physicians. This will increase the pressure put on hospitals to be proactive in responding to health care reform to adapt to a new model of delivery.

This article takes the reader through several of the major changes expected to take place as a result of health care reform. It provides some important insight into the new generation of physicians and their practice preferences and explains how expected changes in reform and physician practice styles go hand in hand since the two are interconnected. The article concludes with some key strategies that hospitals can adopt to poise themselves for change brought about by reform and physician preference and to maximize the opportunity for success in the future.

## A Glance at Reform

There have been many publications recently dedicated to dissecting the anticipated changes as a result of health care reform, so there is no need to duplicate that effort. This article will focus primarily on the major changes expected in reform since they will likely have the largest impact on the delivery system.

### **Health Care Delivery: More individuals accessing the health care system**

With a mandate to provide insurance coverage to all individuals in our society, the impact on the delivery of health care will be significant, particularly the volume of patients accessing both preventive and restorative care, which will surely increase. Moreover, a shift will likely occur as newly insured patients should increasingly access preventive and routine care as an alternative to more emergent and sporadic care in the emergency room. Demand for emergency care is expected to remain high in the shorter term, however, as the recession has created record unemployment rates of

50.7 million<sup>1</sup> which leads to greater numbers of people without insurance until reform takes hold.

### **Reimbursement: Going down, movement to outcomes-based**

It is still uncertain how reimbursement will change, but the message from reform is clear: Medicare costs are increasing at an unsustainable pace, so we can expect to see a decline in reimbursement, or at least the annual increase in reimbursement going forward. The buzz among PPS hospital CFOs these days is, "Within 2 years we must be able to maintain a positive operating margin at Medicare reimbursement levels." The other clear message is that the payment for health care services must be tied to quality and outcomes, so it can be expected that there will be increased scrutiny of providers along these lines.

### **New Delivery Models: Further physician/hospital integration**

The impending inevitability of declining reimbursement for professional services (revenue to physicians) is leading to a rise in physician-driven integration with hospitals. New delivery models are also taking hold, namely medical homes (Source: [www.aafp.org](http://www.aafp.org)) and accountable care organizations (Source: [www.healthaffairs.org](http://www.healthaffairs.org)). The intent of these programs is to control costs, manage care more effectively, and increase quality.

### **Primary Care Driven: Emphasis on prevention, continuum of care**

A key factor in lowering the cost of health care and increasing quality is by ensuring timely access to effective primary care and preventive medicine. Medical homes seek to deliver a new model of care with this focus in mind. By understanding the medical needs of the community and monitoring their health care by providing comprehensive service offerings focused on quality, technology and a full continuum of care model this can be achieved.

### **Rural Health Care: Affiliation, EMR adaptation**

The changes brought about in reform and the capital cost required to address and respond to these changes have led smaller rural hospitals to consider some level of affiliation with larger health systems. More specific reasons for affiliation may include:

- Lack of capital to execute strategic objectives independently of a larger health system.
- Need for clinical or management expertise (enhanced service lines, EMR implementation).
- Need for access to larger specialty physician presence and recruitment assistance.

- Response to increased competition and desire to reduce financial risk.

This trend will likely continue as the capital requirements necessary to maintain a viable organization grow and access to capital, especially for smaller facilities, remains scarce.

### Physician Recruitment: Historical challenges, plus more challenges going forward

Physician recruitment challenges have been present in smaller rural hospitals for years. The fact is 20% of Americans live in rural areas, while only 9% of the nation’s physicians practice there<sup>2</sup>. This disparity has created a lasting shortage and a very competitive environment for physicians willing to practice in rural areas. Experience has shown that physicians typically choose rural areas based on lifestyle, a history in the area, or increasingly Visa-related benefits to foreign physicians. Without going into too much detail, it is clear that the recruitment challenges facing rural hospitals have remained unchanged and unsolved for the past 10 years, and challenges will likely worsen in the future.

As reform begins to take hold around the country, there will be an anticipated shift in the makeup of physician practices, as declining reimbursement encourages physicians to integrate as discussed earlier. Physicians will seek out affiliation with hospitals that offer the most rewarding package of benefits, including location, practice style, technology, and administrative support. This does not bode well for rural hospitals, which tend to lag larger urban facilities in their ability to reinvest in modern plant, technology, and practice management.

Another shift is starting to take place within the physician community, specifically with the younger physicians fresh out of medical school. Their preferences on practice style and lifestyle are having a profound impact on recruitment, retention, and desirability among competing hospitals.

A study by the Association of American Medical Colleges (AAMC) in 2008<sup>3</sup> found that the considerations that young physicians consider most important when choosing their location to practice are as follows:

- Location - (specific) Near family, urban vs. rural, near training site
- Location – (broad) Good school system for children, job opportunity for spouse
  - Majority of physicians in study planned to practice within 10 miles of their training site
- Work Hours/Lifestyle – Younger physicians are more interested in joining larger group practices where responsibility is shared with a greater number of physicians; also fewer management responsibilities; academics are preferred due to focus on residents (not profits)

Other factors were found to have very little impact on where younger physicians choose to practice:

- Compensation – Within a chosen specialty, compensation packages offered tended to be compatible
- EMR – young physicians have an expectation of highly functioning EMRs, so this was not considered an enticement

The important point to note is the interconnectivity of the major expectations of young physicians in this study and the major changes expected to take place as a result of health reform, including:

- Emphasis on practicing in larger physician groups
- Practice style that includes team-oriented focus on continuum of care
- Less administrative responsibilities
- EMR technology as an expectation, not a want

With the exception of declining reimbursement (who wants to work harder for less money?), reform efforts appear to focus on changes in the structure of the health care system that also reflect the preferred organizational and practice style desired by younger incoming physicians. This presents a twofold opportunity for hospitals to respond to changes expected to take place as a result of health care reform and therein poise themselves to maximize physician recruitment.

### Preparing Your Hospital

The graph below illustrates the key areas of health care reform that are expected to take place. The arrows represent the intended impact of each reform policy on each of the listed hospitals, agencies, and physician constituents.

Change	Impact				
	PPS Hospitals	CAHs	Home Health/Hospice/Palliative	Primary Care Physicians	Specialty Physicians
Reimbursement: Market Basket Update Changes	↓	→	↓	→	→
Decrease in Self-Pay (Expanded Coverage)	↗	↗	↗	↗	↗
Workforce: Primary Care Bonus (10%)	↗	↗		↑	
No Cost Preventive Care				↗	
New Delivery Systems - ACO, Bundling	↘	→	↗	↗	↘
Value-Based Purchasing - Quality	↘	→		↘	↘
Transparency - Pricing	↘	↘			
Insurance Reforms	→	→	→	→	→
Tax Exempt Status	↘	↘	↘		

With a better understanding of the key elements of change that will take place over the next decade as a result of health care reform and changes in physician desires, a hospital has an opportunity to prepare itself to thrive in the future. The following are some key areas that must be considered to ensure optimum success.

### Physician/Hospital Integration

Whether led by the physician group or hospital, physician integration and affiliation can be a very challenging process. It is imperative that a hospital prepare itself for the drive toward integration. There are several steps that can be taken to broach the topic with local independent physicians. Often, a hospital can approach physician groups with proposals to venture with them around nonthreatening services like IT, billing, payroll, and other nonclinical tasks. Physicians will increasingly appreciate not having to spend time performing administrative tasks. This sets up the initial relationship that can eventually be expanded into the clinical realm as constituents become more comfortable with each other. Being mindful of physician activity, recruiting efforts, and retirement plans is also key in understanding when the timing may be best for integration talks to commence. Getting the physicians to understand that the hospital is there to help serve them (servant/leadership mentality) is imperative.

### Focus on Primary Care

With current legislative focus and young physician preference on a more team-oriented, continuum of care approach to practicing medicine, it is important for hospitals to explore opportunities to create this type of an atmosphere for primary care physicians. The medical home approach is a concept worth exploring. This approach involves various standards for patient access, communication, data collection, best practices, and tracking care throughout the patients' experience in the medical home. Beyond this approach, hospitals should be proactive in exploring other methods to bring a more collaborative approach to medicine to engender comradery and increase retention among primary care physicians.

### Technology: Affiliation

Physicians coming out of residency have an expectation of a fully functional EMR. The requirements to meet the standards for a medical home will necessitate modern technology for writing prescriptions, tracking patient care across multiple physicians, tracking lab tests, and more. Yet many health care organizations are largely ignoring the opportunity to integrate mobile health into other IT efforts<sup>4</sup>. A hospital should be at the very least in the process of implementing a nationally recognized EMR. If a hospital does not have the capability to do so, affiliation with a larger system becomes a great option that should be explored. Affiliation would provide the necessary access to the more robust EMRs as well as the capital needed to fund their implementation across the hospital.

### Concluding Remarks

The impact that health care reform legislation will have on the delivery system is still uncertain, but the overarching themes and concepts present in the current legislation represent a natural

movement in the industry. Preventive medicine, practiced in a team-oriented environment utilizing technology to measure and improve quality, patient care, and outcomes will be a driving force across the country over the next decade. Not only is failure in the current system of delivery driving this change, but the preferred practice style of the young physicians deploying into the medical field is also demanding this new model of care delivery.

The interconnectivity between the expected health care reform impact and the preferred practice style of younger physicians is clear. As these two driving forces change the health care industry in unison, it is crucial that hospitals understand the connection and the expected impact on health care delivery. Hospitals that are able to proactively respond to the larger themes described above will be best poised for success in the future.

<sup>1</sup>U.S. Census Bureau

<sup>2</sup>JAMA 2002

<sup>3</sup>AAMC 2008

<sup>4</sup>HealthLeaders Media 2010

### About the Authors

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