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Health Care Reform 2010

Risks and Opportunities

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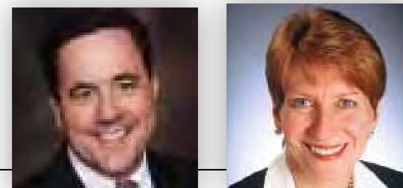
Strategies for Cardiologists in the Face of Health Care Reform



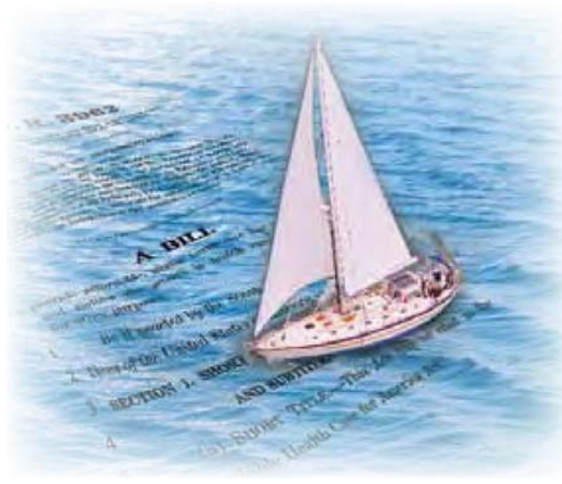
By Alex Hunter and Michele Molden

"It's not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

Although Charles Darwin did not have the U.S. health care system in mind when he penned these words, the concept certainly applies as cardiology practices navigate the changes required to thrive under health care reform.

Overview

If you are like many of your peers, our bet is that you've been considering various strategies and alternatives that enable your cardiology practice to confront decreasing reimbursement and growth in practice overhead for many years. Responding to clinical and business change is part of what you do for a living.



When viewed in this light, the health care reform law has merely confirmed what many cardiologists and cardiovascular administrators already had determined: In order to sustain quality cardiovascular care, the private practice business model must change.

Motivated by the combined forces of health care reform and market pressures, cardiologists and health system leaders are aggressively evaluating strategic alternatives and options that would result in new physician-hospital integration models and relationships.

Among other changes, the new law will result in significant reimbursement reductions. In addition, the law calls for alternatives to Medicare's current fee-for-service model with methods such as bundled payments and the banding together of providers into accountable care organizations. These new cost-saving, quality-improving methods will likely necessitate physicians and hospitals aligning much more closely.

Lessons Learned

Often, while these integration discussions are in process, cardiologists and hospital leaders turn their attention to selecting the "right" integration model. Of course, there are many physician-hospital models to consider: practice acquisition combined with subsequent employment, co-management relationships and professional service agreements, among others.

These considerations are important, but there's more to a successful partnership that avoids the potential pitfalls of integration. While you are evaluating how to best (re)define a partnership with a hospital and other cardiologists, make sure that all sides are clear on the following fundamental components of the new integrated relationship:

Goals/Objectives. Although all parties may initially envision a range of positive outcomes to be achieved through integration, there must be relative consensus around the answer to the question:

"What primary goal, or vision, can we accomplish together that we could not achieve independently?"

As hospitals/health systems answer this question, they will realize that true alignment with a cardiology group not only will change the culture of the organization, but also will shift the strategy for the system. If hospitals can relinquish control of the integrated cardiovascular organization, they will realize the potential of shared management and decision-making.

The change for physicians is no less dramatic, but it is more personal. Instead of an organization existing to achieve physicians' professional and personal goals, the new model requires physicians to adopt a system-oriented strategy and serve a broader organizational vision.

Physician compensation. Our experience is that a well-structured relationship between a health system and cardiology

group has ample capacity to yield competitive incomes for physicians.

The compensation model should include selected metrics for volume and productivity, but it also must recognize the importance of achieving system goals and objectives related to the delivery of cardiovascular services.

Volume-based compensation models risk creating a "transaction-based" culture between the hospital and the physicians (not to mention that they will be challenging as market incentives shift toward more qualitative, outcomes-oriented metrics under reform).

In order to sustain quality cardiovascular care, the private practice business model must change.

Clarity around roles and responsibilities. Once the transaction is complete, cardiologists and administrators can find the exhilaration related to "finishing the deal" quickly dissipates in the face of the daily challenges of operations and working together.

Essential to the long-term success of the new entity is clarity around the nuts and bolts of daily decision-making related to operational matters like staffing, billing and collections functionality, EMR implementation, and compliance.

Before the ink is dry, both sides must have a clear sense of how "day one" post-transaction operations will function, including:

- Who has input and/or voice on which decisions?
- Who has "final call?"
- How will physicians participate in decisions on matters that affect their clinical practice?

Operational and management issues likely will provide the first early test of the strength of the new integrated relationship.

Cardiologists and hospital leaders who are able to establish a very clear understanding about all of these variables are in an excellent position to reap the financial and clinical rewards inherent in genuine physician-hospital integration.

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