Experts say the continued downward pressure on reimbursement, the constant tug of expenses and an ever-undulating playing field are driving physicians into the arms and relative security of hospital relationships — whether it’s integration or some form of professional services agreement.

Before your physicians make that leap, they should consider the pros and cons of such arrangements from their perspective and that of the hospital. They should also answer a number of questions that deal with strategic and daily operations in hospital-practice relationships. During this process, your guidance will help them determine which direction to choose and how that decision will impact their future, that of the practice as well as your own. Each party approaches integration from a different angle and with a decidedly different view. You must provide leadership, be an honest broker and guide your physicians to the right decisions based on fact, not emotion. As you move forward, you must know your specialty, local and national trends, and the right questions to ask.

There are pros and cons to integration or affiliation, but they differ for physicians and hospitals:

**Physician pros:**
- Reduced management headaches (physicians are free to practice medicine)
- Better access to capital
- Potential for improved income and benefits
- Mitigated concern for business’s future

**Physician cons:**
- Added bureaucracy; increased steps to getting things accomplished
- Hospital administration = the “boss”
- Limited managerial control
- Practices run like hospitals; lost control
- Accrual accounting

**Hospital pros:**
- Ability to manage continuity of care and quality
- Staging for the future delivery of care (for example, accountable care organizations)
- Ability to squeeze greater efficiencies from the market
- Financial incentives for better managed care

**Hospital cons:**
- Cash accounting
- Misunderstanding of practice culture and operations
- Contending with multiple groups offering the same specialty and/or multiple specialties

**New deals**

As physicians contemplate integration, they should answer these questions pertaining to strategy and daily operations:

**Strategic concerns**
- What does the hospital want? What’s its defined vision and strategy for physicians?
- What’s the goal? Ask the hospital leaders to delineate this. In terms of the overall acquisition process, can they define their vision for the overall process and your group to see where you, as the administrator, fit in the system?

See Action Plan, page 42
• What is the process of integration? Is there a timeline? Understand the health system’s plan. Has it done this before? Does it have a track record? Can it pull off integration with minimal bumps?
• Who is the lead on the hospital side (for example, chief operating officer, executive vice president)? Knowing who is in charge leads to smoother communication and coordination. Ideally there is one lead each on the practice and system sides.
• What other specialties are targeted? Are there other physicians in your specialty who have already integrated with the system? If so, can you play in the same sandbox in terms of governance and physician management styles?
• What is the governance scheme on the physician side? What is the physicians’ input and how is it used and valued? Will they have a place at the table that allows for their input on what’s going on in their specialty? It may play a role in how the specialty is involved in the greater care/quality continuum.
• How will these changes impact your community? Small communities might be adversely impacted by integration because it limits customer choice.
• How will your physicians be paid? Generally, at least in the near term, productivity and some form of incentive (such as quality or service line efficiency) will determine physician compensation. Are other benefits, such as retirement and healthcare thrown into the mix? In the future, know whether the system will lean more toward efficiency and outcome-based payment methodologies.

Day-to-day concerns
• What does the system’s organizational chart look like? What’s your role and how will it deviate from its current form? Will you manage the entire specialty throughout the system or be a cog in the service line machine?
• What will happen to your staff? If the professionals know where you fit in the puzzle, they will have a quick answer.
• How will the books/budget be handled (accrual vs. cash accounting)? Hospitals generally operate under accrual accounting; practices, cash. A shift in ownership may require you to understand the owner’s accounting and clearly elucidate your cash procedures. You will also want to understand how your service line will be handled and reported so you know what reports to monitor and manage monthly, such as productivity and expenses.
• Who handles accounts receivable (A/R)? In some deals, A/R remains in the practices with the physician paying the hospital a “collection fee” since the employees are hospital staff members. After a year or so, when A/R has been adjusted, what happens to the staff? Are they absorbed by the health system or will it farm out the revenue cycle component?
• Will you be able to run the practice and have input? You’re used to making the call and working with your doctors. Will you still have this latitude? Will you be removed once the practice integrates? If so, is there an exit plan for you?
• Will your doctors retain a semblance of autonomy?
• Does the deal include a hard asset purchase or are there intangible values, too?
• What assets will the hospital purchase?

Only after answering these questions will your physicians know whether integration or affiliation is the right choice for them and the practice.

join the discussion: Are you considering integration? Share your story with your colleagues at mgma.com/connexioncommunity.