



# Trends in Physician Practice Management

Second Quarter - 2009

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## Physician Practice Trends

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### Impact of Unemployment

Since health insurance access today is primarily employer-based, unemployment conditions play a major role in medical care utilization. This, coupled with the economy in general, has a direct impact on the percentage of patients covered and thus accessing physician services. Depending on whose numbers you believe, unemployment is over 10%, and many economists believe the real number is closer to 17% if you consider those who have given up searching, under-employed and other factors. The result is more patients with reduced or no coverage. Virtually all Americans that are employed with health insurance coverage are being required to absorb a greater share of out-of-pocket medical costs. Changes in Benefit Plan design are a major focus of insurers today, as employers are fighting premium increases as never before.

### Insurers and Managed Care

Managed care organizations who market fully-insured plans and Third Party Administrators (TPA) who manage partially self-funded and self insured plans are aggressively acquiring market share, even at the expense of margin. The business is historically cyclical, but the market acquisition phase has lengthened. Their strategy is focused on employer client acquisition in anticipation of healthcare reform. The strategy may or may not be right, but it is resulting in more pressure on providers, particularly physicians, to reduce fees in support of their revenue cycle management objectives.

### Medicare Market

Medicare and Medicaid revenue streams to physicians are only going to be reduced; it's just a matter of how much. Regardless of where Congress lands (or does not land) on healthcare reform, the aging of America will continue. Actually, the demographics of Medicare eligible patients reveal a generational shift to more

patients, with a higher average acuity generating less revenue per patient.

### Cost-Containment Measures Continue

Physician services account for almost a quarter of national healthcare costs, only behind hospitals as a major cost group. Total costs for physician services rose 50 percent in the last several years and continue to rise. US personal consumption expenditures for physicians are forecast to grow at an annual compounded rate of 7% between 2009 and 2014. Physician offices are a primary target of cost-containment measures, mainly through limits on insurance reimbursement rates. The Medicare Improvement Act of 2008 halted a planned 10.6 percent cut in physician reimbursements, but strong pressure remains to cut fees to physicians.

### Growth in Group Practices

Political and financial changes have forced physician practices to consolidate to share overhead costs and negotiate better contracts with managed care organizations and suppliers. Larger groups may combine primary and multispecialty care. According to the American Medical Association, over a third of all physicians now practice in groups of three or more.

### More Physicians Adopt e-Technology

Electronic devices, including handhelds and high-speed Internet access, are being used by physicians at rates much higher than consumers: the technology is affordable, helps doctors access information faster, and helps them stay organized. Conversely, physicians have been slow to adopt *institutional* technology such as electronic medical records (EMRs) and e-prescribing because of cost and limited individual efficiency gains.

### Electronic Records

Electronic medical records (EMRs) are expected to be more effective in providing updated patient information,

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reducing prescription and treatment errors, and allowing "expert systems" to aid in diagnosis and treatment. Mobile technology is really gaining a lot of popularity and traction in healthcare delivery these days.

### **Growth of Non-Insurance Practices**

Some doctors are seeing fewer patients, but charging them more, with the bulk of the cost paid for by the patient rather than a third-party payer. So-called "concierge" practices may serve only 300 patients rather than the typical 1,000, but charge each an annual fee of \$1,500 to \$4,000 for regular checkups and advice. Patients who need expensive care are referred to specialists.

### **Less Control over Medical Decisions**

Physicians have lost exclusive control over medical decisions. In many cases, the requirements of insurance plans dictate the type of care physicians can deliver. By restricting reimbursements to approved diagnostic procedures and treatments, payers like Medicare are setting the standards for restrictions for all payors.

### **Changing Business Practices**

Without efficient business operations, many doctors' offices can't be profitable at the level of reimbursements paid by Medicare and managed care plans. While physicians formerly could concentrate on delivering medical care, they now must consider their business practices, such as scheduling, billing, marketing, and purchasing. Many physicians are forming group practices so that professional managers can handle the business aspects. More medical care is being performed by nurses and physician assistants that enable physicians to see more patients per day.

### **Alternative Compensation Increasing**

A decreasing supply of doctors and rising demand are increasing medical service prices to levels where health organizations can't afford them. Some organizations are finding creative ways to compensate physicians by means other than salary, according to *Modern Medicine's Physician Compensation Survey*. Alternative compensation includes loan forgiveness agreements for medical school debt, research opportunities, multiyear employment commitments, and flexible schedules.

### **Growing Demand for Healthcare Services**

National healthcare expenditures are expected to double over the next decade, due mainly to an aging population. Between 2005 and 2015, the number of Americans 65 or older will increase 26 percent; those over 65 are the largest consumers of healthcare, spending about three times as much per person as adults that are under the age of 55.

### **Growing Demand for Preventative Care**

Advances in scientific knowledge show that many medical disorders can be prevented or delayed through early intervention, such as lowering cholesterol. Many younger patients now visit doctors not because they are ill but because they want to stay healthy.

### **Growing Demand for Some Specialties**

As the US population ages during the next decade, demand for cardiologists, gerontologists, and neurologists is expected to grow rapidly, while demand for pediatricians and obstetricians will increase more slowly. More extensive use of new imaging technology, such as MRI, will boost demand for radiologists.

### **Cardiologists**

An aging US population, combined with increased obesity, sedentary lifestyles, and diabetes, will increase demand for cardiologists in the upcoming decades.

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Successful treatments that extend life expectancy, but don't eliminate heart disease, contribute to the demand growth. With only about 700 cardiologists starting practice annually from 2000 to 2006, a shortage is projected. The shortage of cardiologists is expected to peak in the 2010s and 2020s, as baby boomers reach the peak heart disease age and boomer cardiologists retire.

Since cardiology patients are often over 65, cardiology practices depend greatly on Medicare reimbursement. As the Center for Medicare and Medicaid Services (CMS) tries to contain rising costs, it has proposed reductions in overall Medicare payments for cardiologist services. Congress overturned a recent proposal for a 10 percent reduction in fees for 2008, but the industry remains concerned about future fee structures as Congress and the CMS deal with impending deficits.

Cardiology practices are experiencing operating margin pressures as costs rise faster than revenues. Efforts to contain healthcare costs are lowering revenue growth for cardiologists and other medical specialists, Median total operating costs as a percentage of revenue increased 12.2 percent from 2000 to 2006, according to the Medical Group Management Association.

Up to a half million people a year may receive angioplasty, stents, and other invasive treatments when drug therapy may be just as effective, according to a The New England Journal of Medicine study. The study discusses ethical, cost-containment, and medical sales issues: drug and equipment manufacturers promote their respective form of treatment as best, and cardiologists often struggle to objectively assess the costs and benefits of competing treatment options.

### **Obstetrics & Gynecology**

The obstetrics and gynecology field is often the target of ethical debates because physicians prescribe contraception and perform abortions. Obstetricians and

gynecologists operate under federal laws, including the Partial-Birth Abortion Ban Act of 2003, and regulations that vary by state. Physicians who work in abortion clinics may become targets of violence and protests by pro-life activists. Planned Parenthood performs more than half of all abortions annually in the US. New types of contraception, like the morning-after pill, are often controversial when first introduced to the market.

Obstetricians and gynecologists are having difficulty finding affordable insurance to cover medical malpractice. As a result, many are changing their practices to reduce their risk of being sued. Changes include seeing fewer high-risk patients, delivering fewer babies, and performing fewer surgical procedures. Obstetricians and gynecologists typically face two to three malpractice liability claims during their career, according to the American Board of Obstetrics and Gynecology.

High medical liability risk is creating a shortage of obstetricians, causing hospitals to hire more laborist physicians to deliver babies. Laborists focus solely on delivering babies, unlike obstetricians who provide a wide range of services throughout a patient's pregnancy. Hospitals' use of laborists allow obstetricians to avoid high-risk birthing procedures, maintain stable office and surgery schedules, and reduce burnout often associated with the obstetrics and gynecology profession. Patients benefit from the fast, reliable medical care available through in-house laborists.

### **Oncology**

Because cancer has a high morbidity rate, oncologists face ethical issues in dealing with patients' treatment wishes and death. Oncologists typically help patients choose appropriate treatments, when to stop treatment, whether to enter clinical trials, whether to resuscitate or rely on medical equipment to maintain bodily function if the patient is unable, and other end-

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of-life decisions. Ethical issues can be challenging, because they are often tied to patients' religious, cultural, and personal wishes, in addition to legal constraints.

Demand for oncologists is expected to rise as the large baby-boomer generation ages and their risk of developing cancer increases. New treatments are helping patients survive cancer, but relapses from remission are common, often requiring former cancer patients to closely monitor their health and see oncologists on a regular basis for testing. Demand for oncology services is expected to increase nearly 50 percent from 2005 to 2020, requiring a 30 percent increase in the number of oncologists to meet demand.

Oncologists often rely on government spending in the form of Medicare/ Medicaid reimbursement for treatment and NCI funding of clinical research trials. Federal budget changes that cut reimbursement rates or limit government spending on research can have a negative impact on how oncologists practice. Due to high expenses and relatively low reimbursements, some oncologists have closed their private practices and only see patients in hospital settings.

### **Fees for Non-Office Consultations**

To recoup administrative costs, more physician practices are now charging for services such as phone consultations and completing forms. Physicians can earn reimbursement for online website or email consultations and increase their own practices through online consulting. More than half of physicians surveyed say they would email answers to patients' medical questions if they could figure out reimbursement rates. The fees may be either a simple annual charge or individual charges for services like transferring records, resolving insurance problems, or advising on the phone or via e-mail.

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