

# PHYSICIAN INTEGRATION: WHO, WHAT, WHY, WHERE AND WHEN?

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# Agenda

- Why Partner?
- Who? Overview of Integration/Partnering Strategies and Models
- What Are You Trying To Accomplish?
- Where? Is an Integration Model Right for You and Your Practice?
- How Do You Go About It?

# Legal and Regulatory Requirements

## My legal disclaimer

- **Federal: Stark, Fraud and Abuse, Anti-trust, CMS regulations**
- **State: Interpretations of Stark, Corporate Practice of Medicine**
- **Please seek advice from counsel**

# Why Partner/Integrate?

## The 4 Cs:

- Coordination of care,
- Collaboration among physicians,
- Communication among providers
- Convenience for the patient

## Market Demands

## Shared Risk

## Key Stakeholder Alignment

## Succession Planning

## Competitive Edge

## Enhancing Bargaining Power With Insurers/ Hospitals/ Systems

# Why Partner/Integrate?

- Constraints on Capital - Preservation of Liquidity, Stretch Your Capital
- Internal Competing Demands on Scarce Resources
- Speed to Market
- Management Expertise
- Growth Without Additional Debt
- Economies of Scale/Improved Efficiencies
- Aging Equipment Requiring Replacement or Upgrades

# WHO? Integration/Partnering

## ❑ ‘Physician with Physician’ Models

- Merge with same specialty
- Merge with complimentary specialties
  - Independent/local multidisciplinary groups
  - Multi-site public or private chains

## ❑ Hospital - Physician Models

- Management Services Agreement
- Joint Venture
- Employment

# Partnering with Multispecialty Groups

- ❑ **Most common: Medical and Radiation Oncology, Urology and Radiation Oncology;**
- ❑ **Emerging trends: GYN Onc, Breast Surgeons, Interventional Radiologists<sup>1</sup>**
- ❑ **Group Practice Without Walls-profit centers for each pod/division**
  - **Execution**
  - **Legal entity/structure**
  - **Common Tax ID**
  - **Compensation**
- ❑ **Fully integrated groups**
  - **Single sites: share space, governing bodies, staff**
  - **Size and services**
  - **Compensation: equally distributed or productivity based, revenue /expense allocation, RVUs=efforts**

# Partnering with Multispecialty Groups

- ❑ **Large multi-site groups: Public or private**
  - **Ownership**
  - **Legal entity/structure**
  - **Compensation**
  - **Politics**
  - **Leadership**



# Partnering with Multispecialty Groups

Pros	Cons
<ul style="list-style-type: none"><li>- Improved efficiencies</li><li>- Regional/national presence/dominance</li><li>- Cost reductions</li><li>- Bargaining power</li><li>- Access to research</li><li>- Community perception</li><li>- Increasing referral base</li><li>- Peer Review</li><li>- Quality Initiatives</li></ul>	<ul style="list-style-type: none"><li>- Loss of control</li><li>- Group dynamics and politics</li><li>- Leadership</li><li>- Productivity expectations</li><li>- Community perception</li><li>- Profit-driven decision-making</li></ul>

# Physician/Hospital Integration

- Management services agreement**
  - **Service Line Co-Management**
- Joint Venture**
- Employment**

# Management Services Agreement

- Legal vehicle for defining services provided by an entity to another entity
  - Group to hospital
  - Hospital to physicians
- Flexibility in defining provided services and fee structure (fee per treatment, fixed fees, or revenue share)
- Services can include asset placement, management, purchasing, employees, marketing, billing and collections, legal and accounting, professional services, etc.
- Duration and exit clauses

# Management Services Agreement

## ❑ Service Line Co-Management Arrangements:

- Service line development, management and oversight, clinical protocols, quality initiatives and improvement processes
- Revenue transfer from hospital to group/individuals
- Compensation must equate to services provided
- Realistic expectations

# Joint Venture

- New entity is established**
- Potential Partners**
  - Hospital
  - Radiation oncologist
  - Non-referring physicians
  - Referring physician in rural designated area
  - Third parties
- Percentage ownership**
- Distribution of revenue/expense**
- Physician compensation**
- Governance**
  - Board composition
  - Clearly defined majority
  - Minority rights
- Services included:**
  - **Operations**
    - Staffing, management, billing collections, accounting, legal, purchasing
  - **Assets**

# Physician Employment

- Market-based compensation: plus productivity and quality incentives**
- Employment terms**
- Incentive alignment**
- What is the infrastructure?**
- Physician supervision:**
  - **Clinical and administrative issues**
- Governance**
- Practice management**
- Practice acquisition**

# What are Your Goals?

- Practice expansion?
- Updated technology?
- Maintain debt ratio?
- Gain expertise?
- Access to capital?
- Succession Planning?
- Secure future?

# Weigh Your Options

- SWOT**
- Develop a vision, seize the opportunity**
- Your strategic goals:**
  - Improved patient care
  - Improved bargaining power
  - Market capture and growth
  - Access to capital
  - Enhanced referral base
  - Marketing/branding/image or identity
  - Infrastructure



# Choosing a Partner

- Does the partner have aligned incentives?
- Is the environment a cultural fit?
- Are the terms of the agreement clear?
- Do you or they have positive partnering experience? What is their track record?
- What is the 'strength' of your potential partner
- What are the personalities?
- What influence will community politics have?

# Strategic Compatibility

- Does the partner bring the solution you want to your strategic opportunity?
- What benchmarks have you and they set?
- Do you share a common vision for the service?
- What are the differences in goals and priorities and how will you address them?
- Do you and your partner view the market in the same way
  - Have you and they weighed the risks?
  - What does the upside equate to?

# Cultural Compatibility

- Do you share organizational values?
- Does your potential partner see the commitment to the community the same way you do?
- Do you strive for the same level of quality and service?
- Are there any deal breakers?
- Are you starting from ground zero?
- Are there bad habits that must be eliminated?

# Governance

- What level of governance will each party have?
- How will it be defined?
- With what frequency will the parties meet?
- Who is responsible for the day-to-day operations?
- Who is responsible for the clinical care and quality issues?
- How will decisions be made?

# Resources

- Does the potential partner have ample resources?
  - Capital for funding all/any project
  - Human
- What is the financial position of the partner?
- How will the infrastructures be effected?

# Partnering Experience

- Are you ready to partner?**
  - **Have you recognized the opportunity to embrace partnering as a key component of your strategic growth plan?**
- Is your partner experienced?**
  - **Have they successfully entered into other ventures?**
    - **What were the successes and why?**
    - **What were the failures and why?**
- How well are you working together to establish the integration?**

# How Do You Go About This?

- Analysis, not paralysis
- The right team for you: legal, accounting, facilitators, practice management experts
- Due diligence: Include valuation
- Equitable and fairness
- Address staff, IT, billing, purchasing, buyouts, buy-ins
- Compensation

# Obstacles and Issues

- Power
- Money
- Scope of the partnership- New CO, join an existing group or merger
- Non-competes and exclusivity rights
- Operation Integration: space, procedures, staff duplication and elimination, IT, contractual commitments
- Terms and termination
- Buy-in/buy out
- Dispute resolution
- Legal



# Questions and Comments?

**THANK YOU!**



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