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The Partnership: Can Physicians and Hospitals Really Work Together?

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There's no doubt that physicians are working today in a more challenging environment than ever before. Reimbursements are declining, the cost of doing business is increasing, and we're still suffering the effects of the lingering economic downturn. Add to that the tremendous unknowns with the implementation of health care reform, and it's no wonder we're all taking stock of our options. We are all worried about our future.

Over the past decade, independent physicians have been moving to larger practices for additional security, overhead cost sharing and contracting leverage. Additionally, more physicians have sought security in hospital employment opportunities. It is estimated that within 10 years, 80% of physicians will be employed by some type of health care group. This change in status is being driven by the physicians; in addition, with the focus on "accountable care," many have said that the traditional independent physician model won't work. Many say that true clinical integration can only work with physicians as employees. Of course, we – as physicians – know this is not true, as do the hospital leaders affiliated with Capella. In fact, approximately 85% of the physicians with medical staff privileges at Capella's hospitals are independent. And hospital-employed physicians can be every bit as independent as physicians in private practice. As Jerry Mabry, CEO of Capella's Arkansas Market, is often quoted: "You can employ employee physicians, but they'll never be employees."

The relationship that is required for clinical integration (through which we'll achieve both accountable care and costs) has to be a partnership between the hospital and its entire medical staff. For this to work, both parties involved must have mutual respect for each other, trust that the other is being open and transparent, and treat each other professionally. There must be an understanding and acceptance that each party brings unique knowledge and experience to the table.

Whether the physician is employed or independent is not the issue, how they approach each other and the hospital is the issue.

A partnership is always stronger if each of the parties is independently successful. I know that it is Capella's goal to provide resources that assist each hospital in helping physicians have thriving practices. As physicians, we have a significant role to play to ensure the highest quality of care for our patients and to ensure the hospital where we practice is successful.

In order for physicians to succeed, they must understand the finances that drive their practice, whether they are employed, are an independent sole practitioner, or are in a group practice. Unfortunately, it seems that many

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physicians don't want to know these details. Some even view "finances" as a distasteful topic.

Physicians in group practices who choose to leave the financial decisions to their partners often have a false sense of security and a lack of awareness about financial challenges. Physicians who are hospital-employed sometimes have a basic mistrust of their non-physician employer, even when they have not taken the time to understand their own office finances.

Every physician – regardless of practice type – should know how the money that funds their practice is generated (i.e. RVU's, conversion rates in Medicaid, Medicare, and commercial contracts), and how it is spent (i.e. office overhead and salaries). Independent physicians have to know this or they go out of business. Employed physicians should know this as well because ignorance breeds mistrust and conflict.

"Just leave me alone to take care of my patients" is an often heard plea from physicians who just don't want to, or feel they don't have the time or energy to, focus on the finances.

It is more imperative now – due to decreasing health care dollars – for every physician to have a sound understanding of the finances of their practice. While physicians and hospitals must work together for the good of their patients, they are often competitors as well as partners. For example, physicians often offer in-office services that compete with hospitals, including lab, imaging and outpatient surgery. Additionally, hospitals often employ physicians who may be viewed as competitors instead of colleagues by their peers who are independent physicians.

Physician employment sets up other areas of conflict that unless handled well by both parties will lead to a dysfunctional situation that can sabotage the medical community. Contracts are difficult to work through even for private groups who realize that their financial success depends on a functional, highly productive practice. Additionally, employed physicians usually don't have the option to add ancillary services that compete with their employer nor to be selective with their payer mix as do many independent practitioners. Consequently, most hospitals subsidize the employed physician's collected income. This puts an added strain on the physician/hospital relationship, and on physician-to-physician relations where

the independent physicians may feel the employed physicians have an unfair advantage due to their salaried positions.

The explosion of electronic health records (EHR/EMR), computerized physician order entry (CPOE), with order templates and decreasing opportunities for individualization, is another area ripe for conflict. That's why Capella has put into place a Physician Advisory Group and a Physician Leadership Group to actively solicit feedback from medical staff members at every hospital as we invest in the newest technologies to improve care processes.

The physician/hospital relationship is certainly one of the most challenging in any business. For both parties to thrive in the future, we're going to have to collaborate more effectively, make more decisions together, and have the success of both parties become a priority. There are going to be more patients and fewer dollars to go around.

Independent of what happens politically, for the relationship to work, both employed and independent physicians, and the healthcare company or hospital must align themselves with each other. This must be a seamless partnership with any and all issues open for discussion. Both sides will need to work hard to understand their own and the other's environment. Remember the age old saying: "You have to walk in my shoes to know who I am."

With the country set on spending less, or at least not increasing health care dollars, the pressures on us will continue to escalate. We will be successful if we all understand that our new relationship must be a partnership that is based on a value system of equality, openness, trust, and mutual respect. You will know your medical community has achieved this level of integration when your practices are more successful, your medical communities function more effectively, your quality of life at work is better because of the effort, and most importantly, your patients are receiving better care.

To learn more about how Capella is working with physicians to integrate new technology, improve quality, and provide accountable care for the future, visit the "For Physicians" section of our website at: www.CapellaHealthcare.com/for-physicians



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Erik Swenson, MD, Chief Medical Officer for Capella Healthcare, talks with Bill Frist, MD, following September's meeting of the Nashville Health Care Council. The program featured former Majority Leader Senator Frist interviewing Donald Berwick, MD, administrator for the Centers for Medicare and Medicaid Services, for what Frist called the beginning of an "honest dialogue" between the government and those involved in the health care industry.

