

## Where Do I Go From Here? *The Private Practice Physician's Dilemma*

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The healthcare marketplace is buzzing between hospitals and physicians. With recent and upcoming changes at the State and Federal levels, we face many questions:

- To be employed or not to be employed?
- To sell or not to sell?
- To merge or not to merge?
- To contract for services or stay entirely independent?

The days of Marcus Welby-era medicine are a distant memory. Today's physicians are responding to an incredible amount of change. Some doctors are reacting passively with an "I'll wait and see what's going to happen" attitude. Others are reacting with a more proactive "Let's evaluate some options and be prepared" stance. This article illustrates some of the alternatives for physicians that may dictate the practice of medicine for years to come.

### **What are the options?**

There are several options for practice structure, management and financial viability available to physicians. Unfortunately, there is no single solution that fits everyone – that would be too easy! The good news is that there are options available to meet each doctor's needs. While there are many options; here are some of the more common:

1. Stay entirely independent.
2. Merge with other medical group(s).
3. Contract yourself and/or components of your practice with a hospital/health system (collectively referred to as hospital in this article).
4. Become an employee of a hospital/health system.

***Stay Entirely Independent:*** This statement says it all. If you've selected this option, you've decided your independence is worth potential risks in the marketplace, including risks of lower compensation or "crowding out" by larger groups/hospitals. When would you consider this? Perhaps if you're nearing retirement or if you aren't nearing retirement but rely very little on hospital interactions. An example is an internist who assigns inpatient care to the hospitalists after hours.

***Merge With Other Medical Group(s):*** In this scenario, you've made the decision that remaining on your own isn't financially feasible, but you aren't comfortable with being an employee. Merging with one or more medical groups of similar size helps to form a "mega" group, depending on the number of physicians. There are significant advantages to joining with other groups including marketplace power, influence with payers, buying power, and economies of scale. Major disadvantages include a loss of autonomy and the culture change from "my practice" to "our practice".

***Contract Yourself and/or Components of Your Practice:*** This concept is generally referred to in current literature as a Purchased Service Agreement (PSA). With a PSA, the doctor enters into a lease arrangement with a hospital to provide a specific scope of professional services. In

return, the practice is paid a negotiated value for providing those services. The arrangement can be as limited as the physician services of the group or as broad as leasing all the functions of the practice, including facilities. There is no sale of assets in this transaction. Most experts view this arrangement as an alternative to selling the practice to the hospital and entering into an employment arrangement.

There are several variations in the marketplace today. Most of the hospitals present this option to the physicians, stating if the physicians don't like the arrangement in two years, they can go right back to what they're doing today. This is a risky premise under which to enter into this agreement for several reasons:

- First of all, there is no "going back". During the two-year-period, there will be many changes as to how you do business that could make it difficult to cut ties later.
- Secondly, there is significant personal capital invested whenever an organization undergoes a major change. You and your staff will both feel this impact.
- And, thirdly, what about the impact on your patients? Hopefully, there would be little if any, but don't discount the potential. This article is not discouraging consideration of this option, only that it should be considered as a long-term course of action, not a two-year plan.

***Become an Employee:*** This alternative provides the least autonomy of the four. It's pretty straightforward – the doctor discontinues practicing as an independent doctor and joins the employed medical staff of the hospital. (The physician could also be employed by another group, as well.) This scenario may or may not include an actual purchase of the practice by the new employer.

The same cautions under a PSA arrangement are reinforced here. Don't be tempted to go into employment thinking if it doesn't work out, you can always go back to your private practice. The health care landscape will have changed during that period of employment and you aren't assured what type of economic conditions we will be experiencing.

### **How do you Evaluate the Options?**

There is a right and wrong answer as to which option is best in a particular situation, but that answer is unique to each situation. What's right for one doctor may be the opposite of what is right for another. It takes quite a bit of soul-searching to know what's right for you and your practice. Here are some concepts and questions to consider while you're making the decision:

- Culture – Whenever a physician has regretted a decision to change from private practice to something else, the usual reason has been the "culture shock". The importance of an environment's culture should not be downplayed. If one physician enjoys a laid-back and staff-friendly environment and joins a regimented style of practice, he'll be miserable and so will his staff! It won't take the patients long to feel the tension either.
- Financial – Consider all of the financial aspects. Think about the new compensation structure, economic advantages of the new group, allocation of expenses and overhead. Try to think past the sale price of your practice if you're considering selling and staying in practice; also think about the on-going financial implications.
- Independence – Doctors who excel in private practice are entrepreneurial by nature. They're used to making business decisions and living with them. If your personality is one that enjoys analyzing the opportunity, making a decision, and moving on, then some of the four options won't fit you very well.

- Timeframe – Determine when this decision works best for you. If you are interested in options 2 – 4, pursue that option so you allow yourself the most opportune entry point into the discussion. For example, if you’re a cardiologist and interested in joining the biggest medical group in town, don’t wait until that group has already brought on five other cardiologists before making your move. Once you’re in the negotiation, don’t hurry it nor drag it along. There will be a pace to the negotiations that should feel comfortable.
- Reputation – You have devoted your practice to quality medical care and ethical business decisions. Be sure that your future business “partners” are as dedicated to these concepts as you are.
- Fear – The health care industry is scary right now. Who knows how we’ll get paid, when, and by whom. BUT avoid making decisions about yours and your practice’s future out of fear. Good business decisions are not made from fear, but rather from analyzing the data and executing decisions based on that analysis.
- Help – Ask for help from others who have been involved in these decisions. You might check with colleagues who have made the choice you’re considering. Ask them if they would do it again, what went well and what didn’t. Consult with your practice advisors such as attorneys, accountants and consultants. They can draw on experiences with similar clients.

Yes, the practice of medicine has surely changed. We can lament the impact of past changes, but we will be better positioned if we look forward to the changes as they are developing in front of us. Now is the time to decide which of the four options in this article fits you best and then develop an action plan to position yourself in the best place possible.

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