Transcript Details
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Challenges Faced, Challenges Overcome: How a Practice Fought for Independence

Announcer: Welcome to the Perfecting Your Practice podcast, where we will talk about finance for the healthcare professional and medical practice owner.

This series is brought to you by Bankers Healthcare Group, the leader in financing solutions for healthcare professionals. Since 2001, BHG has worked with more than 100,000 licensed practitioners to help them reach their financial goals. Perfecting Your Practice is designed to talk about ways you can invest in your career and practice in order to set yourself up for success.

Now, here's your host, Chris Panebianco, Chief Marketing Officer at BHG.

Chris P.: Hey, everyone. Welcome back to the Perfecting Your Practice podcast. In this episode, we're talking about challenges faced and strategies implemented by a surgical specialty practice trying to maintain its independence.

I'm pleased to welcome our special guest, Earl Anderson, who will share his experience firsthand. Earl's worked in orthopedics for more than 30 years as both a clinician and administrator in both the private physician practice and hospital settings. Since starting his current position at Tennessee Orthopedic Clinic 15 years ago, revenue has grown by almost 250%, and it's now one of the largest orthopedic groups in Tennessee. Earl's often tapped for his expertise and is a featured speaker at the Becker's ASC conference in Chicago this June, 14 through 16.

Earl, welcome to the show.

Earl Anderson: Thanks, Chris. Good to be with you today.

Chris P.: All right, well let's jump right into a topic that I'm sure many of our listeners are interested in hearing about. Earl, we're seeing a trend toward independent physicians seeking hospital or other forms of employment. What factors are driving this trend?

Earl Anderson: Yeah, Chris. In a recent study by the Physicians Advocacy Institute, it shows a 63% increase in growth of physicians employed by hospitals from 2012 to 2016. That's now 155,000 physicians or 42% of all physicians in the United States that are employed by hospitals. I think you have to go back and look at the cycle of this issue and go back about 20 years ago when there was a pretty significant reset of reimbursement in the form of managed care, and at the time, similar to today, there was lots of physicians who were gravitating over to hospitals, lots of consolidation. I think you would see a very similar pattern to what we've seen today.

At that time, groups rebounded and found ways to recover from that reset. One of the best examples is through development of their in-house ancillaries at the time. They developed in-house imaging and labs and physical therapy, and when that happened, doctors started gravitating out of the hospitals back into the private practice. Then you fast-forward to about five years ago when meaningful use really came into play and doctors were faced with the decision of making a capital investment into electronic medical records.

Well, that did two things to the doctors. One, obviously, it was a huge capital outlay for the groups, and secondly, there was a reduction in productivity, so it was this perfect storm that we all had to endure around 2013, 2014, where our overhead spiked significantly, and then you layer on top of that the introduction over the past few years of these value-based care models, such as ACOs and bundles and so forth, and that need to manage both volume and value. There's just been a lot of general fatigue in managing all this change from physicians, and I think many of them feel that, "I just can't take on this anymore. I don't have enough bandwidth. Let's let the hospital handle this."

Chris P.: I understand that. We hear a lot from our customer service at BHG of the general fatigue and the continued regulation and

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reimbursement issues and need for new technology and how it's really taken them away from what they've enjoyed the most about healthcare, so I definitely understand. We actually have many, many customers at BHG who come to us to secure funding to start non-healthcare businesses or even to merge practices with another physician.

Earl, your group is Tennessee Orthopaedic Clinic, and it's navigated through the ups and downs of the industry. Can you tell me a little bit more about that?

Earl Anderson: Yeah, sure. Let me step back a little bit, Chris, and tell you about our group. We're a single-specialty orthopedic practice in Knoxville, Tennessee. We have eight locations in the East Tennessee area with 25 physicians, and as I mentioned earlier, our group saw this spike in overhead in 2013 along with the huge capital outlay, and so we did experience this perfect storm, and it, quite frankly, was not a fun time to go through, but we have improved since.

We're seeing improvements in our overhead, and I think one reason is that we're now trying to utilize all this technology that we invested in to work for us instead of against us. Then we're finding ways, and as are other groups around the country, kind of as it was 20 years ago, trying to find that rebound, trying to find that rabbit we can pull out of the hat to make up for some of these losses and the reimbursement reset.

Value-based care is one of those, and we have entered into some arrangements through bundles and alignment strategies with hospitals, co-management, through gain shares, to make up for some of those losses. In fact, the past couple of years, between five and ten percent of our physician income with Tennessee Orthopedic Clinics has been represented by these value-based models. There are recovery tactics that are starting to take place, and in fact, we're starting to see this gravitation toward hospital employment starting to level out a little bit over the past year, so we may be entering that cycle or the recovery phase is taking place with groups.

It's interesting, Chris, that the shift in strategies for our group has been significant. My daily task list has changed away from some of the traditional practice strategies to things like focus on these bundles and site of service shifts from in-patient to out-patients, and what I mean by that is taking ... In our world, there's a huge focus on shifting in-patient total joints to an out-patient setting, so how do we do that and reduce cost but also improve quality to the patients?

Then another big factor that's starting to come into play for us is consumerism, and consumers are starting to drive access and their starting to negotiate and look at prices and price transparency, and that's a significant piece for us. Then finally, identifying our partners. I think for groups to walk this plank alone and think that they can survive in some of these changes in healthcare, without partners and without aligning with people, is probably not the best strategy.

Chris P.: When you talk about partnerships and alignment, what does that mean, and what is your group doing?

Earl Anderson: Yeah, so alignment is a fairly broad term right now. You could go in a lot of directions when you use this term alignment. It could be contractual alignment. It could be just simply relationships. It could be co-ownership in certain models, but for our group, we're focusing on some things like hospital strategies centered around co-management whereby the physicians have a seat at the table in managing the orthopedic product line in the hospital and helping identify savings opportunities and looking at quality metrics to improve the patient experience, looking at new bundle payments, and working with payers.

As I mention hospitals and payers, Chris, these are strange bedfellows, if you will, for physicians, but it's necessary that we align with those. Finally, IT strategies, we have to align with our IT vendors, both on the EMR side and data collection side, because data is so important to us these days. So, in looking at alignment strategies, I think you have to look at other groups, whether they be even your competitors or different specialties, hospitals, payers, ASCs, employers, and your vendors.

Chris P.: Earl, what are some of your strongest headwinds that you're facing today?

Earl Anderson: Wow, Chris. I think just the constant waves of change, and much of which is related to compliance and value-based care, are just hit us constantly. Things we talk about today are going to change in a month, and there's just nothing stand-still in healthcare today, so we're always having ... It seems like we're having to just react to the new change that comes around almost on a monthly basis, so to try and get ahead of that and be proactive is a really tough battle.

Chris P.: I think there's a lot of folks sitting in the same situation that you're speaking about, so let me ask you this. What strategies can practices put into place to not only retain their independence but to thrive in this new era of value-based care?

Earl Anderson: I would say there are a couple of strategies that I think are important for groups.

One is the chase for data. Grabbing data from your EMR and from using business analytics software, outcomes platforms, those are some new terms that are floating into physician practices. Business analytics, that's been something that the GEs of the world, the Fortune 500 companies use, not a physician practice, but you've got to know your business and you've got to have this data in order to

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play this value-based care game, and not only your internal data but seeking external data from your hospital partners and from your payer partners, and again, people laugh when I say hospital partner in the same word with physicians, but it's important that you work with the other providers and other players in this game to capture the data.

Then I think another huge thing that's come on the scene just within the past year is this consumerism concept, and I totally buy into this, and there're a couple of different directions with consumerism when we talk about that. One is access. They want to get to you quick. They want to be processed quickly, and they want to know how much they're going to pay, and price transparency is an extremely important aspect of a practice to be able to say, "Mr. Smith, this is how much your visit's going to cost today," or, "Mr. Smith, this is how much your colonoscopy is going to cost," and to proactively put those out there, and not only put the pricing out, but have an option available by which patients can pay for it or finance those type of procedures.

I think, Chris, the take-home here is that it is absolutely critical for groups to run toward changes in healthcare right now and not away from them. If you're thinking in a fee-for-service world and you're running away from these other changes, it's going to be a slow race to the bottom, and as I mentioned earlier, as we incorporate value-based income into physician practices, that bar, that five or ten percent, is going to grow to 15% or more. We're having to think in two terms, both in the fee-for-service world and the value world, which is a tough transition for us, but if you can survive through that, I honestly think physician groups can retain their independence and thrive moving forward.

Chris P.: I think you hit the nail on the head, and the focus that everyone has on the sound patient care as well as the transparency as a parent with growing children, and it seems like I'm in the doctor's office every day for some procedure or another, knowing what you're getting and that transparency of what it's going to cost is extremely important while seeing that the practice has the latest technology, and they're securing your data and using it the right way. I think you hit the nail on the head.

Earl, this was a great conversation. I can't thank you enough for taking the time to share this. I know there's a lot of our listeners out there that will get tremendous value from that. Do you have any parting words?

Earl Anderson: Well, Chris, I just think if groups, independent practices, will just keep the fight, but you've got to know what's going on out in the market. Aetna didn't buy CVS just to have another asset on their balance sheet. There's some new strategies that are going to come along, and we have to be willing to not only react to those things but be proactive and try and get ahead of the curve, and if we do, then I think we'll be okay.

Chris P.: That's great news. Healthcare is at an interesting point, and it's great to hear from physician groups like yours that are going through it. I can't thank you enough for taking the time today, Earl. Once again, for everyone listening, Earl's going to be at the Becker's ASC conference in Chicago June 14th through the 16th. He's a featured speaker and a good friend to BHG. Once again, thanks a lot, Earl. Really appreciate you coming on the show.

Earl Anderson: Great to be with you today, Chris. Thanks for the conversation.

Chris P.: My pleasure. So, folks, do you have questions? Do you want to continue the conversation with me or Earl? I'd love to hear from you. Feel free to email me at ChrisP@BHG-INC.com, or feel free to connect with me or Earl Anderson on LinkedIn.

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