Hospital and Physician Trends

Initial Findings from HSC’s 2007 Site Visits

Hoangmai H. Pham, M.D., M.P.H., HSC Senior Health Researcher
Overview

- Tighter affiliations between hospitals and select physicians
  - Hospitalists
  - Increased tiering of providers
Hospitals Seeking Tighter Affiliations with Select Physicians

- In response to competitive strains with physicians
- As strategy to compete with other hospitals
- Employment
- Joint ventures
Tighter Affiliations: Response to Increasingly Strained Relationships

- Diminished effectiveness of hospitals’ traditional strategies to gain physician allegiance

- Physicians less willing to carry out traditional medical staff activities

- Physicians competing with hospitals for profitable services
Tighter Affiliations: Growing Prevalence of Physician Employment

- Competitive strategy on the part of hospitals
  - Facilitate new/expanded service lines
  - Respond to the growing reluctance of physicians to take emergency on-call coverage and to treat uninsured patients

- Employment often an attractive option for physicians
Tighter Affiliations: Hospital and Physician Joint Ventures

- Often, a defensive strategy by hospitals
  - Hospitals often willing to partner rather than lose the business altogether

- Some hospitals take a hard line
  - Federal anti-fraud-and-abuse laws temper enthusiasm for these types of arrangements

- Uneven profitability
Growing Role of Hospitalists

- Driven by competitive strategies of both hospitals and physicians

- Wide range of employment and practice models
  - Hospitals employ hospitalists or contract through a medical group, vendor or individual physicians
  - Health plans or medical groups employ
  - Some work in more than one hospital

- Inpatient care provided by hospitalists often now the norm
  - Fractured relationships between PCPs & hospitals

- Expanding roles beyond general medical services—surgical, critical care and quality improvement activities
Tiering of Providers: The Have’s and Have-Not’s

- Increased tiering of both medical groups and hospitals by
  - Types of service
  - Payer mix
  - Negotiating leverage with health plans
Tiering: Hostile Environment for Independent Physicians

- Profitable, independent practice is more difficult to achieve, particularly for those providing cognitive services or in solo or small practices

- Increasingly, physicians must declare allegiance to a particular hospital/system

- Larger hospitals/systems able to garner higher payment rates than physicians negotiating independently

- In some markets, physicians in solo/small practices are consolidating (esp single specialty) to gain more leverage and capital for investments in ancillary services
Tiering: Have and Have-Not Hospitals

- Well-capitalized hospitals continue capacity expansions
  - Partnerships with suburban hospitals
  - Branded satellite campuses
  - Specialty-service lines
  - Expand sources of referrals for tertiary and high-tech care, such as transplants

- Struggling safety net hospitals and those in poor communities cannot keep up
Implications

- Ongoing intense hospital/physician competition for profitable specialty services fuels concerns about increased use of services and rising costs.
- Increasingly strained relations between hospitals and physicians, especially around on-call coverage, means patients are at risk of not getting appropriate care.
- Growing gap between provider have’s and have not’s threatens access to care for vulnerable populations.