



Hospital and Physician Trends

*Initial Findings from
HSC's 2007 Site Visits*

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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