Clinical
CONNECTIONS

INFORMATION ON
MEDICAL TRENDS
THAT DIRECTLY IMPACT YOU
AND YOUR PRACTICE

The Paradigm Shift in Healthcare

"May you live in interesting times." — Ancient Chinese Curse

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I have seen many changes in the practice of medicine over the past 30 years. In surgery, the use of the endoscope has revolutionized procedures. New drugs cure or markedly improve diseases.

From mostly small private practices, physicians have moved into employment with healthcare systems, hospitals, or large multi-specialty groups that are sophisticated businesses. The way we get paid has changed from collecting what we billed to collecting what the government or commercial carriers are willing to pay. I can remember collecting 98% of what was billed and not having to negotiate a single contract. However, one thing has been fairly constant. Except for a short and unsuccessful attempt at capitation, how much money physicians collected was proportional to how much we worked. Whether it was fee-for-service in private practice or a salary when employed, we provided services and were paid for the services.

In general, the more RVU (relative value units) produced, the more the physician made. How physicians get paid is about to drastically change, and just as in the past, how we get paid will affect how our offices are run. In the near future, how we think about providing health care will change. We need to be the ones directing the change for our patients' health, as well as for the well-being of our own practices.

ALL MEDICAL STAFF MEMBERS
are invited to a free webinar on
"Accountable Care Organizations" with
Fred Bayon, The Advisory Board Company
Thursday, May 12, from noon to 1 pm CST
Additional details to come.

The government will soon be paying for an "episode" of care. This is already occurring to some extent with DRGs and global surgical payments, but what is included in an "episode" is about to drastically change. This episode might be for a hospital stay plus 30 days post discharge, or care of a chronic illness for a period of time. Fee-for-service is being phased out of government and commercial insurance programs. The payment will now come in one lump sum (bundled) to cover the "complete episode." This concept of inpatient and outpatient care under one payment is relatively new, but it will be here soon.

For instance, a patient is admitted with congestive heart failure, goes home after four days, is seen twice in a physician's office over the next 30 days, and shows up once in the emergency department during that time period. The government will "write" one check for all of these encounters. The amount will most assuredly be less than the charges for each of those encounters done separately. The single payment will then be "split" amongst the hospitals, office physicians, and the emergency department. All the healthcare entities in this scenario will have agreed-on payment arrangements prior to the encounters.

In addition, the government will probably give all those involved a financial bonus if the patient doesn't end up back in the emergency department or doesn't have one of several "complications" or "exacerbations" of

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Capella will partner with communities to build strong local healthcare systems, setting the standards by which other community healthcare systems will be judged.

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Our vision is to improve the quality of life in the communities we serve by providing excellent care for all, which is accomplished through:

- Caring employees
- Experienced leadership
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the condition. The healthcare entity will therefore be receiving payment for preventing illness. The government has thus made the physician accountable for the care provided as well as all other providers involved in the "complete episode." The multi-faceted entity put together to care for that patient and receive payment is called an Accountable Care Organization (ACO). And, this is the paradigm shift: a physician is being paid, in essence, to keep his or her stable of patients healthier.

At the present time, the details of this payment schedule are being worked out by the Secretary of Health and Human Services (HHS), but both political parties are going in this direction. The new healthcare system will incentivize doctors to accept into their practices as large of a population of patients as possible. You, the physician, will be unable to pick and choose patients, they will pick you.

We all know that government incentivizes with money and regulations. The government will not – for political reasons – and cannot (because they can't practice medicine) tell us how to do this. No politician will pass a law prohibiting alcohol (they already tried this) or cigarettes, or control how many cookies we eat. They instead will put physicians and other healthcare entities at financial risk and assume we will figure out a way to make the population healthier.

Successful physicians will be those who can work to build coalitions of healthcare providers at all levels. There will have to be collaboration and mutual trust amongst all the parties, and they will need to develop a system that engages all their members to work in concert for one outcome. That outcome is to actually lower the overall healthcare needs of their patients. You will work with your "patients" to keep them healthy so they need less procedural intervention and testing. The financial paradigm shift in medicine is that to be successful you will need to deliver less acute, less costly, healthcare.

Physicians must be in a leadership role in this new system, but physicians must understand that they need help. Relationships must be developed and strengthened with groups like hospitals, nursing homes, physical therapists, etc., but most importantly their own physician community. The days of creating a successful independent practice by carving out your own "turf" are over. Payment will be for global care. The sooner physicians embrace this new reality with quality measures built into the total episode of care, the more successful the physicians' practices will become, and the healthier their patients will be.

Capella Healthcare's National Physician Leadership Group, *shown here at the 2011 Conference held in February, provides the physician perspective for all major decision-making processes. Their expertise has been essential in elevating Capella's performance to new levels across the company. To learn more about the members as well as about direction they've provided, visit the "For Physicians" section of Capella's website at www.CapellaHealthcare.com*