Dermatology: The Last Refuge for Private Practice?

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Practice Points

- Private practices that can adapt to changes brought on by health care reform will survive and even flourish. Private practice physicians must weigh their options to find a strategy that is tailored to their current situation and long-term goals.
- Cooperative groups allow small practice physicians to pool resources while maintaining independence as a private practice.
- The number of independent practice associations has grown, but there are risks.
- Accountable care organizations allow a network of physicians and hospitals to share financial and medical responsibility for providing coordinated and efficient care to patients.

The unprecedented challenges that I have been discussing in this column over the last several months—the Patient Protection and Affordable Care Act, drastic revisions in confidentiality rules and diagnosis codes, and the movement toward electronic health records, among others—have triggered widespread predictions that the independent private physician practice model will largely be replaced in the not too distant future.[1]

Although I am skeptical of such bleak blanket projections, there is no question that the ongoing sea change in medicine has already led to substantial erosion of physician autonomy and ever-increasing administrative burdens that hit small practices the hardest. More changes are on the way, and physicians in solo offices and small groups will need to explore their options, which include cooperative arrangements with other small offices, joining a large group or independent practice association (IPA), and others that are yet to be defined.

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It will be years before the fate of private practice is clear. In the meantime, private practice physicians need a strategy tailored to the current situation and long-term goals. Small practices that offer unique services or fill an unmet niche may not need to modify their practice models at all. Concierge medicine is also worth considering if you are committed to remaining private and independent. Most small practices, however, will be compelled to consider a larger alternative.

Cooperative Groups

One attractive and relatively straightforward strategy is the formation of a cooperative group. In most geographic areas, there are likely several small practice physicians in similar predicaments who might be receptive to discussing collaboration on billing and purchasing. This arrangement allows each participant to maintain independence as a private practice while pooling resources toward the goal of easing the administrative burdens for all physicians involved. Once the arrangement is in place, the group can consider more ambitious projects, such as purchasing an electronic health records system jointly, sharing personnel to decrease staffing costs, and implementing an integrated scheduling system. The latter will be particularly attractive to participants who are considering an intermediate

option somewhere between full-time work and complete retirement.

After a time, when the structure is stabilized and everyone agrees that his/her individual and shared interests and goals are being met, an outright merger can be contemplated. Obviously, projects of this scope require careful planning and implementation, and they should not be undertaken without the help of competent legal counsel and an experienced business consultant.

Independent Practice Associations

A more complex but increasingly popular option is to join other small practices and providers to create an IPA. A growing number of IPAs have already formed around the country, according to recent reports from the American Medical Association.[2] An IPA is a legal entity organized and directed by physicians for the purpose of negotiating contracts with insurance companies on their behalf. Because of its structure, an IPA is better positioned than individual practices to enter into such financial arrangements and to counterbalance the leverage of insurers; however, there are legal issues to consider. Many IPAs are vulnerable to antitrust charges because they are comprised of competing health care providers. You should check with legal counsel before signing on to an IPA to make sure it abides by all applicable antitrust and price-fixing laws. Independent practice associations also have been known to fail, particularly in states where they are not adequately regulated.

Accountable Care Organizations

A number of IPAs are converting to accountable care organizations (ACOs), a move that requires a more formal management structure. Although the official definition of the structure remains somewhat nebulous, an ACO basically is a network of physicians and hospitals that share financial and medical responsibility for providing coordinated and efficient care to patients. The goal of ACO participants is to limit unnecessary spending, both individually and collectively, according to criteria established by the Centers for Medicare & Medicaid Services (CMS), without compromising quality of care in the process. More than 600 ACOs had been approved by the CMS as of the beginning of 2014.[3]

It is important to remember that the ACO model remains very much a work in progress. Accountable care organizations make providers jointly accountable for the health of their patients; they offer financial incentives to cooperate with each other and to save money by avoiding unnecessary tests and procedures. A key component is sharing information. Providers who save money while also meeting quality targets are theoretically entitled to a portion of the savings.[3]

As with IPAs, ACO ventures involve a measure of risk. Accountable care organizations that fail to meet the CMS performance and savings benchmarks can be stuck with the bill for investments made to improve care (eg, equipment, computer purchases) and for the hire of mid-level providers and managers. They also may be assessed monetary penalties. Accountable care organizations sponsored by physicians or rural providers, however, can apply to receive payments in advance to help them build the infrastructure necessary for coordinated care, a concession the Obama administration made because of concerns from rural hospitals.[4]

Final Thoughts

Clearly the price of remaining autonomous will not be insignificant, and many private practitioners will be unwilling to pay it. Only 36% of physicians remained in independent practice at the end of 2013, a decrease from 57% in 2000.[2] Does that mean that private practice is doomed, as the "experts" predict? Absolutely not. Those of us who remain committed to it will find a new strategy. As always, we will adjust and adapt as the playing field changes. In medicine, as in life, those who are the most responsive to change will survive and flourish.

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