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Doctors increasingly turn to outside help for back-office services

More doctors turning to physician practice management firms to cope with rising costs, complexity

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The health care industry has seen a resurgence in physician practice management organizations in the past two to three years as doctors and hospitals try to increase efficiency and position themselves favorably in an increasingly uncertain regulatory market.

Physician practice management organizations offer a full suite of management and back-office services, often including organizational governance and strategic planning as well as financial reporting, information technology implementation, managed care contracting, physician compensation planning, coding and compliance, patient satisfaction surveys and many other services.

Beth Guest, partner at **Waller Lansden Dortch & Davis** LLP, a firm experienced in health care law, identified four reasons for the recent reappearance of the practice management groups, which were a popular trend in the 1990s but later fell by the way side as those models proved challenging.

“It was very much the hot health care item in the 1990s,” Guest said. “Recently we have seen them come back.”

First, all of the uncertainty about health care reform proposed by the Obama administration has caused hospitals and doctors to seek expertise in dealing with new regulations, Guest said.

Second, there is a lot of uncertainty about capital gains rates and how the sale price of practices could be affected by health care and tax reform, she said.

Third, changes are being driven by demographics as younger doctors prefer to have employment relationships with hospitals and practice management groups rather than running their own practices.

Finally, hospitals are looking toward bundling health care services — rather than billing separately for all services and procedures as they now do — in an effort to get on board with coming health care reform.

Guest said management groups typically charge fees that amount to 5 percent of a practice’s profits or net collections, and these management fees are paid monthly.

Howard Jewell, executive vice president and chief development officer for **PivotHealth** LLC, a large health care management company based in Brentwood, said downward pressure on physicians’ incomes and hospitals’ profit margins have also driven doctors and hospitals to seek outside expertise.

“The business of medicine is so complex,” Jewell said, “that it’s very difficult for a practice to have all the expertise in all the areas they need expertise. ...We are able to provide them a pool of resources.”

Jewell said 60 percent to 65 percent of his company's clients are hospitals, 20 percent are physician practices linked to health insurance plans and the remaining 15 percent to 20 percent are independent doctors' practices.

Many hospitals own some physician practices.

He said PivotHealth, which was founded in 2001, delivers its services through at least four methods from which clients could choose.

First, PivotHealth works through multi-year contractual arrangements in which the company takes over every aspect of a practice's operations and installs its own CEO, CFO and management team.

Second, PivotHealth works on a consulting basis through short- or long-term contracts to help run practices that have their own management teams in place.

Third, PivotHealth provides ad-hoc client services such as conducting patient satisfaction surveys. And finally, PivotHealth provides a package of practice management services that are marketed under hospitals' names which individual doctors and small and large practices can purchase for a fee.

The Nashville Medical Group Management Association, which has about 150 members, is a professional organization for business managers and plan administrators of primarily independent physicians' practices.

Jeff Jensen, past president of the association, said current health care reform has left many physicians' practices groping for guidance about their options.

"This administration has thrown so many curveballs at health care," said Jensen, who also is director of human resources for **Heritage Medical Associates PC**, the largest independent physician practice in Middle Tennessee with 96 practitioners, 86 of whom are doctors.

Jensen said the management association creates a forum for accessing information about new federal health care reform legislation.

Also, he said, some practices have turned to outside assistance from organizations that provide physician practice services.

"At the rate Congress is throwing stuff out there, if they don't have someone in their corner looking out for them they could miss some (federal) stimulus opportunities," Jensen said. "Or doctors could lose out."

Jensen said that "some of it (reform) is very promising, and some of it is overwhelming."