

# A Strategy for Hospitals to Prepare for Healthcare Reform

BY FRANK J. COLL

Whatever the experts are calling it, healthcare reform, insurance reform, a new social entitlement program, or simply the necessary change for healthcare delivery and reimbursement, one thing we can all count on is change. Having spent my entire thirty year career in the healthcare services industry, I have had the opportunity to see and experience a lot of change. Over the years, dramatic changes have occurred in reimbursement, health insurance coverage, employer and employee premiums, community hospitals, disease management and physician networks. There have been shifts from an inpatient focus to an outpatient focus, movement from measuring inpatient days to delivering patient services and quality outcomes. Healthcare technology has also made tremendous advances and has had positive impact both from a business perspective and clinically.



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## LARGER HEALTH DELIVERY SYSTEMS

The industry has experienced a great deal of consolidation since the late 80s which has accelerated in the past decade. Many community hospitals have closed or become local components of a regional or national health system,

and many systems have shifted from not-for-profit to for-profit. As far as the GI market, there has been a clear shift over the years from inpatient to outpatient services and an attention to patient convenience. Physicians have created larger groups, and patients have benefited by an overall improvement in quality, cost and convenience in GI services. Over the last ten years, more people have become aware of the importance of screening colonoscopies and value of other GI services.

## NEW HEALTHCARE LEGISLATION

With the passing of H.R.3590 – The Patient Protection and Affordable Care Act, there are new opportunities and potentially new decisions to be made by hospitals and physicians. The bill calls for an overall expansion of coverage, adding as many as 32 million more patients to the insured population. This expansion will be supported through the addition of 10-15 million people to Medicaid, new mandates for coverage by private insurers, and the addition of state sponsored “Exchanges”. The plan will also provide subsidies for individuals and families who become part of a state Exchanges. Whatever details end up in this 2,000 page bill and the 1,000 pages of rules to support the bill, I think we can all agree that the demand for service will increase. Reimbursement for services will likely decrease except for those organizations that are tracking, measuring, and reporting on quality outcomes and managing the costs of delivering care. These providers will be able to participate in a pool of additional dollars allocated to the new Accountable Care Organizations (ACO).

## WHAT DOES IT MEAN FOR A HOSPITAL OR HEALTH SYSTEM?

Over the past fifteen years, GI services and revenues have been rapidly shift-

ing from the hospital to the physicians as services have migrated to the outpatient setting. Many gastroenterologists have become owners in ambulatory surgery centers (ASC), or have performed procedures in their office based procedure rooms. Hospitals have not only lost the procedure revenue and patient visits, but they have also lost other ancillary revenues that generally accompany GI services. Hospitals have been forced to be more creative with methods to grow their outpatient business line. Primary care, cardiology, orthopedics, and imaging have taken the early attention for many hospitals’ outpatient strategies. In the past, hospitals have benefited from GI being a valuable source of their revenue, and now many are looking to “re-integrate” the GI revenue that has been lost over the last several years.

Gastroenterologists with ownership in ASCs/endoscopy centers are finding themselves in competition with local hospitals or health systems for GI patient services. Most physicians whether or not they have their own ASC, or have access to a center, are seeking the best environment to be positioned for success as they face the future of ACOs and new methods of reimbursement. Most hospitals are increasingly cautious with employing doctors because they have not experienced a significant return on their previous investments. However, both hospitals and GI physicians are seeing that creating a cooperative environment with each other has many benefits for both parties, and delivers value to the patients in their service areas.

## HOW CAN PHYSICIANS ENDOSCOPY HELP?

PE has been moving with the shifting sands of the healthcare industry and has identified some solid ground to

build a future upon. One of the foundational assets of PE's business model is flexibility. Over the past twelve years, PE has developed unique expertise in working closely with GI physicians and hospitals to help bring a quality endoscopy center to reality in the communities they both serve. PE has helped GI physicians and hospitals by investing in minority equity positions and providing clinical and business services to their partnered centers including centralized billing and collection, payer contracting, clinical best practices, benchmarking industry standard metrics, and much more.

### PE IS PROVIDING LEADERSHIP

PE is guiding hospitals and GI physicians to strategic relationships while addressing an overall digestive disease service model and providing the opportunity to create cooperative alignment in the delivery of GI services. This strategy provides a "best case" scenario for the hospital and physicians by allowing the physicians to remain independent and not obligate the hospital to add new employees. It also provides the benefit of cooperation versus competition for GI patients and services. The benefits of this arrangement can be significant for the hospital's overall outpatient growth strategy. The relationship will also help the physicians' business with patient referrals, recruiting, commercial contracting, marketing reach, and overall patient volume. The bottom line is what is in the best interest of patients and how can the providing health community deliver the best care at the lowest reasonable cost.

### HOW DOES IT WORK?

When the hospital, GI physicians and PE, create a new business to build and/or acquire interest in an endoscopy center, the arrangement is called a

joint venture (JV). Below are examples of how the JV relationship can benefit all parties:

- In an acquisition scenario, PE and the hospital would jointly purchase a majority position in an existing center and the physicians would receive a one-time payment equal to a multiple of the center's previous year's earnings.
- In a new center scenario, the hospital and PE would finance the majority of the startup costs, and PE would coordinate all necessary activity to build and operate the center.
- The hospital has access to a convenient alternative location for service that provides lower cost, greater efficiency and higher scores for patient satisfaction.
- The hospital is able to re-capture GI services and integrate those services into a broader digestive health delivery strategy for the community.
- The center will be able to reduce overall expenses on equipment and supplies through PE's buying power and purchasing involvement.
- The hospital and center will be able to use comparative data from the PE database of hundreds of thousands of GI services for benchmarking purposes.
- The center is likely to achieve higher per procedure revenue through leveraging the hospital/health system's commercial reimbursement for GI services.
- Gastroenterologists generate a significant amount of ancillary services some or all of which might directly or indirectly benefit the hospital. Each of the services should be carefully considered in any partnership.

### COOPERATION, CONVENIENCE AND QUALITY

As an independent community hospital, or a hospital that is part of a regional or national system, implementing a joint venture strategy with your GI physicians is an opportunity to increase the GI revenue and profitability for your business, while enhancing the relationship between the GI service providers in your community and the hospital. The JV arrangement also positions the hospital to participate in the delivery of convenient, high quality, low cost care and create a solid market position for the anticipation of the ACO model soon to be upon us.

Overall, patients in the community requiring GI care will benefit from a coordinated gastroenterology service strategy to deliver best in class services though the cooperation of their local hospital, and their local GI physicians. The ASC business will enjoy the benefits of being well positioned for success in an ACO by providing a convenient, high quality and low cost model. Physicians Endoscopy can help lead you to a firm position in achieving success now and in the future.

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*He has contributed to the growth of several private and public companies including Siemens, Versys, US Healthcare, Aetna, Envoy/WebMD, and AmSurg. Most recently he served as principal of Bottom Line Solutions a healthcare consulting company based in Nashville, TN. He has served customers in healthcare technology, electronic health records, employer health services, and the surgery center services markets.*

*Frank brings many years of success finding common objectives within the complex interests of healthcare providers and service organizations, so each can achieve unified success, while delivering high quality care.*