

Clinical Transformation:

Dramatic Changes as Physician Employment Grows



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Community-based physicians—those previously in private groups—are increasingly selling their practices or seeking employment directly with healthcare systems, and hospitals are aggressively acquiring physicians to remain competitive in the industry. (See Figure 1.)

In this new world, medical device, healthcare IT and pharmaceutical companies will see their target customers shift from individual, self-employed physicians or doctor-owned practices toward hospitals and health systems. Stakeholders will need new strategies for segmenting customers and for marketing and distributing offerings to larger corporate purchasers.

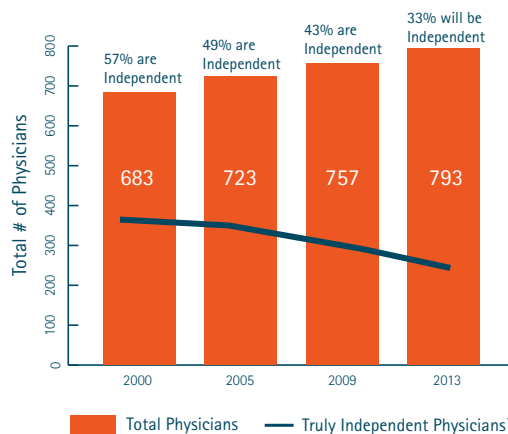
Increased employment among community-based doctors has significant impact on the healthcare landscape. Why? Historically, most Americans have visited their doctors in private, small-practice settings. When physicians become employed, patients' interests are represented by larger organizations.

Figure 1

Historic Baseline & Projected Change

Our analysis shows that physicians who are "truly independent" have been declining at 2% annually, projected to decline by 5% annually by 2013.

Total Physicians vs. Truly Independent¹ - Projected Change, 2000-2013 (000s)



¹Estimated
Sources: Accenture Analysis, MGMA, American Medical Association

An enduring trend

The physician employment trend will endure, driven by ongoing forces. For physicians, employment offers advantages including:

- Relief from administrative responsibilities
- Greater access to leading-edge healthcare IT tools, facilities and equipment
- A more manageable work week (typically sought by recent trainees)
- Stability in a business environment made uncertain by developments such as payment reforms.

Meanwhile, for hospitals worried about physician shortages, employing doctors can help lock in expertise and boost patient volumes and revenues in high-growth service lines, including cardiovascular care, orthopedics, cancer care and radiology.

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Complexities in the changing landscape will present challenges:

- Driver complexity. Depending on their motivations, different hospitals may have more or less urgency to “lock in” physicians and secure their patients. Moreover, this need may vary over time, depending on supply of primary care doctors or specialists. Even if a hospital urgently needs to recruit such physicians, the doctors may remain independent if a proposed deal does not suit them.
- Geographic variation. Differences in physician employment across US healthcare markets necessitate different strategies. Consider a company that develops electronic medical records (EMR) systems. Strategies for selling to the Houston market (a geographically widespread city where many physicians have tended to remain autonomous) would differ radically from those needed for selling to the New York City market (which comprises numerous large hospitals that already have EMR systems).
To serve diverse markets, the company may have to shift its sales force structure from national to regional. To serve New York City clients, it may have to develop more solutions-based offerings that span multiple specialties and functions—such as management of business processes.
- Alignment-model proliferation. Numerous physician-led alignment models serve as alternatives to direct employment of doctors by hospitals. Examples include the physician-hospital organization (PHO) and the independent practice association (IPA). Moreover, under healthcare payment reform, a clinically integrated accountable care organization (ACO) allows collective contracting without the need for employment by a single entity. Proliferation of these models could preserve physicians' independence.

Further, each model has a different primary mission, contractual type and governance structure—making reaching and serving the physician market even more challenging.

Surmounting the challenges

As the traditionally fragmented provider landscape gives way to one characterized by tighter physician-hospital integration, stakeholders will need to address four key points to surmount the challenges and seize the opportunities presented by this trend:

- Healthcare IT, medical device and pharmaceuticals companies: What will the proliferation of hospital-owned medical groups mean for our customer-segmentation, go-to-market and distribution strategies?
- The payer sector: How will we manage our client relationships and physician networks? As physicians increasingly associate with larger groups and health systems, what will their greater negotiating leverage mean for our business strategies?
- Hospitals: How can we recruit and retain enough physicians with the right skills to capitalize on high-growth-potential service lines?
- Physicians: What alignment model will enable me to best manage the trade-offs between autonomy and employment?

How the physician employment trend and its implications will unfold remains to be seen. But by preparing now, stakeholders stand a better chance of navigating successfully in the transformed landscape.

For more information, please contact:

Andrew A. Ziskind, M.D.
andrew.a.ziskind@accenture.com

Kristin L. Ficery, M.B.A
kristin.l.ficery@accenture.com

Richard N. Fu
richard.n.fu@accenture.com

Accenture.com/insightdrivenhealth.

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