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REFORM MEANS HOSPITALS MUST RECONSIDER PRIMARY CARE STRATEGIES

A key issue to remember: Under health care reform, it is projected that more than 32 million new people will be covered by health insurance, but virtually no new primary care physicians will be trained to serve them.

Thus, it is widely expected that primary care physicians will be in very short supply as health care reform is implemented over the next several years. Hospitals without an effective plan to attract and retain primary care physicians will struggle to compete and survive as the current system moves toward enterprise risk payment models like accountable care organizations (ACOs) and pay for performance reimbursement programs.

Massachusetts is serving as a an unofficial "test" laboratory as it implements a health care reform program that is similar to the federal program. Since the 2009 passage of the Massachusetts Health Care Reform Plan, the waiting time for a primary care physician appointment has increased from 4 to 6 weeks. Many physicians in Massachusetts have chosen not to expand their practices and have declined to participate in Medicaid. So, while some patients may have to wait 6 weeks, the possibility that some patients will have no access is very real.

Another factor that will impact the situation nationwide is the growing interest in concierge medicine. Concierge medicine offers primary care physicians an alternative business model that pays them more while working less. Patients pay a fixed sum per year to the primary care physician for preferential appointments, access by text message and more personalized attention from their physician. Concierge medicine is growing dramatically and is attracting significant investment dollars as recently indicated by the purchase of the largest provider of concierge medicine services, MDVIP, by Proctor and Gamble. A number of other significant competitors in the concierge medicine space are also venture and private-equity backed.

So, while the opportunities and options for primary care physicians improves, the ability of hospitals to attract and retain these physicians may become increasingly difficult and certainly more expensive. Many leading hospitals employing primary care and other physicians already struggle with how to most effectively compensate these providers to retain them over the long haul. In addition, it is not clear that hospitals are attracting the best practitioners. With the rise of ACOs, having more physicians will not necessarily be better if their practice habits are not cost effective and patients are not retained.

What options are available to hospitals and health systems in this difficult and competitive marketplace?

First, hospitals should look closely at developing relationships with Federally Qualified Health Centers (FQHCs). With significant federal funding for expansion of existing FQHCs as well as for new FQHCs, hospitals should examine potential relationships with these FQHCs since they will attract primary care physicians looking to eliminate their student loans for medical school. Hospitals have traditionally avoided developing FQHCs because the regulations required consumer control. However, FQHCs could be a real opportunity for hospitals to retain and grow market share. ACOs also receive significant financial incentives to maintain relationships with FQHCs.

Second, since hospitals will need to continue to address the issue of keeping patients who cannot get access to primary care out of the emergency room, one strategy is to expand the use of nurse practitioners and physician assistants. Health care reform provides for additional reimbursement for these practitioners. However, retail clinics provided by national chain retail pharmacists use nurse practitioners and physician assistants and could make recruiting these practitioners increasingly difficult in local markets. Hospitals may need to consider developing new delivery models or creating new relationships with retail clinic providers.

Finally, hospitals should consider one of the challenges to be an opportunity. Since concierge medicine offers an attractive option for primary care physicians and their patients, hospitals could offer their employed physicians an opportunity to serve concierge patients. Since these patients pay to have an enhanced relationship with a physician, they are less likely to change physicians. The physicians also typically work less and earn above market rate compensation so hospitals with a large pool of concierge patients may gain a competitive recruitment advantage if appropriately managed. While these models have not to date been implemented for hospital employed physicians, there is no reason that hospitals cannot develop such approaches in conjunction with many of the current concierge medicine companies.

With competition for primary care physicians, physician assistants and nurse practitioners intensifying over the next few years, new payment models will make it imperative for hospitals and ACOs to devise new relationships and strategies with these primary care providers. FQHCs and concierge medicine strategies may offer hospitals new opportunities to protect and grow their market shares by retaining primary care practitioners and their patients.

If you have a question on this material or would like to discuss legal services, please contact us at **healthcare@duanemorris.com**.

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