

The Business of Medicine

Everything you need to know about the business of medicine to help you navigate the complexity of healthcare.

ElationHealth

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Introduction

The role of the physician in the business of medicine is rapidly evolving. The complexity of treating patients and running a medical practice has increased. Keeping pace with technology adoption, policy changes, and emerging new payment models highlight the need to focus on the effective operations of a medical practice. Balancing the art, science, and business of medicine has become the new normal for any physician, whether you run your own practice or work for a hospital.

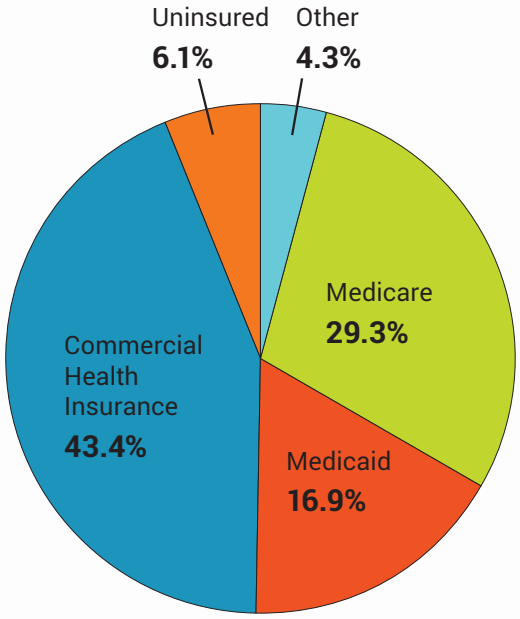
This eBook will advance the fundamental business knowledge needed to maximize care quality and reduce costs in a clinical setting. It serves as a primer on the financial and administrative aspects of medicine. Physician leaders suggest that understanding the business side of medicine could lead to better productivity, higher patient satisfaction and quality of care, less burnout, and greater reimbursements.[1] We hope to give you a toolkit to thrive in today's healthcare environment while continuing to put patient care at the heart of medicine.

[1] *The New England Journal of Medicine, Leadership Development in Medicine, May 2018.*



Today's healthcare landscape

The biggest buzzword in healthcare today is "value-based care." The acronyms are evolving rapidly, with MIPS, HEDIS, CPC+, HCC, APM – just a few of the most important concepts to understand. What are these new measures and programs, and why do they matter? One of the most impactful changes is in how physicians are paid. In the past, fee-for-service (FFS) was king. Physicians performed a service and received a fee. Recently, policymakers have shifted away from FFS and toward value-based care where physicians are paid based on patient health outcomes. We'll go over value-based care and the policies related to it shortly (see pages 5-7). Before we do – let's take a look at where physician revenue is coming from and the models of healthcare reimbursement.



Source: American Medical Association

This chart illustrates a snapshot of an average physician's patient mix. A large proportion of physician reimbursement comes from commercial health insurance, but Medicare and Medicaid, two public programs, are also significant payor sources for independent physicians.

Explaining value-based care

The Centers for Medicare & Medicaid Services (CMS) is driving the transition from fee-for-service reimbursement to value-based care. CMS payment policies are the most aggressive in offering capitation, large bonus payments, and introducing practice transformation requirements around use of technology, care coordination activities, and more. For the agency, it's part of a larger strategy to "reform how health care is delivered and paid for."[2] They have tied incentive payments to the quality of care physicians provide their patients.

According to CMS, value-based care supports its three-part aim of:

- **Better care for individuals**
- **Better health for populations**
- **Lower cost**

Value-based care focuses on how a physician's patient-related activity addresses chronic illness, prevents expensive specialty care or hospitalizations, and rewards the practice for taking a comprehensive view of caring for the patient. Understanding the incentives tied to following up on past diagnoses and completing specific assessments during the clinical encounter are critical to success for the physician and the patient. Rather than relying on the number of patient visits per day as a measure, the physician can look to the value of the care provided and the resulting patient health status as a determinant of value-based care.

Value-based care focuses on the quality of patient care rather than the quantity of patients seen.

[2] *Centers for Medicare & Medicaid Services, CMS' Value-Based Programs.*

Health policies independent physicians need to know

Health policy is affecting the way physicians work and receive reimbursement now more than ever before. Below is a glossary of the health policies that affect independent practices the most.

HIPAA: The Health Insurance Portability and Accountability Act (HIPAA) is a federal law that governs health-related transactions and procedures to protect patient health information and patient privacy.

Learn more about HIPAA compliance. 

MACRA/QPP: Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) enacts the Quality Payment Program (QPP). The QPP rewards value and outcomes through two tracks: the Merit-based Incentive Payment System (MIPS) and Advanced Alternative Payment Models (APMs). For independent physicians, the choice of tracks is a matter of eligibility and the level of risk involved.

Learn more about the nuances of MACRA. 

MIPS: Performance in the MIPS track is measured through the data clinicians report in four areas – quality, improvement activities, promoting interoperability (formerly Advancing Care Information), and cost.

APMs: The APM track involves taking on more risk but offers additional incentive payments. There are two types of APMs:

Advanced APMs – In the Advanced APM track of the Quality Payment Program, physicians may earn a 5 percent incentive for achieving threshold levels of payments or patients through Advanced APMs. Independent physicians who achieve these thresholds are excluded from the MIPS reporting requirements and payment adjustments.

MIPS APMs – Most Advanced APMs are also MIPS APMs. This means that if an eligible provider participating in the Advanced APM does not meet the threshold outlined above to become a Qualifying APM Participant (QP), they are excluded from MIPS. If this occurs, the MIPS-eligible clinician will be scored under MIPS according to the APM scoring standard.

CPC+: Comprehensive Primary Care Plus (CPC+) brings together Medicare, commercial insurance, and state-run insurance plans. It provides doctors the freedom to care for their patients the way they think will deliver the best outcomes and to pay them for achieving results and improving care.

Primary Care First: Primary Care First builds on the underlying principles of the current Comprehensive Primary Care Plus (CPC+) model. It's designed to increase rewards and reduce administrative burden for independent physicians. Explore the details of Primary Care First

Check out the Primary Care First factsheet 

HITECH Act/Meaningful Use: The Health Information Technology for Economic and Clinical Health (HITECH) Act was signed into law in 2009, as part of the American Recovery and Reinvestment Act (ARRA), to "promote the adoption and meaningful use of health information technology." Incentives integral to the HITECH Act were designed to encourage independent physicians to adopt the use of electronic health records (EHRs).

Medicare Advantage: Patients who qualify for Medicare can receive their coverage through one of two programs: Original Medicare or Medicare Advantage Plans (also known as Part C or MA Plans). In Medicare Advantage Plans, Medicare pays private companies a predetermined monthly rate for each beneficiary. This payment rate is determined according to the financial risk of the beneficiary, but does not depend on the cost of the services actually used by the beneficiary. Then, the private company pays the healthcare provider. Thus, the cost risk is carried by private insurance companies. The Affordable Care Act of 2010 enacted significant changes to payment policy; by reducing federal payments to Medicare Advantage plans over time, the ACA aims to lower the costs of care of private plans so that they are comparable to those of traditional Medicare.

Learn more about these changes and how they affect physicians. 

HCC Score: The Hierarchical Condition Category (HCC) model is used to understand the severity of each patient's health status and adjust payments appropriately. HCC codes are used to calculate reimbursement for programs like Medicare Advantage.

HEDIS: The Healthcare Effectiveness Data and Information Set (HEDIS) was created by the National Committee for Quality Assurance (NCQA) as a comprehensive set of standardized performance measures used to measure the clinical quality performance of health plans. In other words, HEDIS measures how well health plans give service and care to their members. For physicians, HEDIS can be used to identify and eliminate gaps in care for the patients assigned to their panel.



New practice models

In response to shifts in medicine and healthcare, new models of care are taking root. Some of these practice models are driving innovation and creating new opportunities for physicians to provide high-quality care. Learn more about the differences between these models below.

ACOs: Accountable Care Organizations (ACOs) involve shared responsibility between doctors, hospitals, and other healthcare providers for the cost of healthcare. These providers come together voluntarily to give coordinated high-quality care to the Medicare patients they serve.

IPAs: Independent physicians Associations (IPAs) enable providers to remain independent in their practices while enjoying the benefits of being a part of a larger business entity. IPAs offer physicians the chance to be a part of a larger group, primarily for the purposes of contracting with third parties, for pursuing business ventures, and for reducing overhead costs.



Benefits of independent care

An independent physician is a physician who owns a majority of their practice and has key decision-making rights for the practice. Some benefits of becoming an independent physician are:

- The ability to practice medicine and run a practice, all on your own terms
- Having full control over the management and financial health of the practice
- Being able to grow and compete in the local market
- The ability to make informed, strategic decisions
- The ability to thrive through industry changes
- Being connected and integrated with hospitals while still being independent

Recent studies reaffirm the idea that independent practices not only provide high-quality care but are also the most cost-effective site of service for the delivery of care.[3]

[3] LUGPA, JAMA Study Reaffirms Independent Medical Setting is the Most Cost Effective.

The importance of independent practices

At its core, the work of healthcare is exceedingly personal and intimate. Patients trust healthcare professionals to provide a service that means a lot to them. Some of the work, like checkups, are routine, but healthcare professionals often serve their patients at times of great need and personal vulnerability. That's why independent physicians are important – they have more time to spend on patients to understand their needs and concerns, and in that time create strong relationships.

Independent physicians also have freedom that other doctors who work in large organizations don't. With their patients in mind, independent physicians are:

- Free to work with all health systems
- Free to offer all treatment choices
- Free to refer patients anywhere that is necessary
- Free to give patients all their medical options all the time

An independent network of physicians provides patients with the ability to select from a complete array of health professionals rather than being limited to a selection within one corporation. This means that their patients can get the very best care they might need.[4]

Independent physicians have the freedom to provide the best possible care for their patients – with no limitations.

Status of independent care

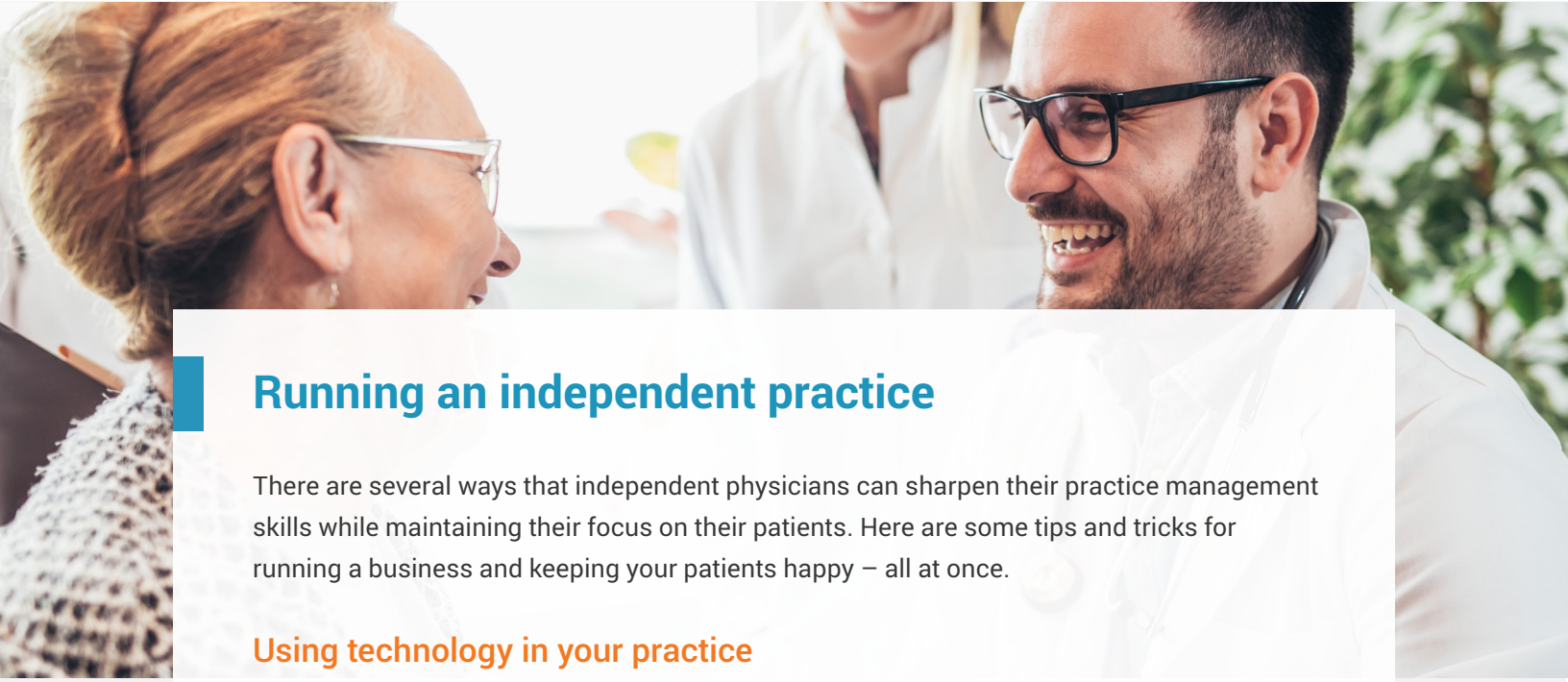
Contrary to popular belief, private practices are not headed toward extinction. Though the numbers are down slightly, just under half of all physicians owned equity in their practice in 2016. Even with the added administrative burdens of regulations and reporting requirements, independent physicians are still focused on providing quality care and on developing productive relationships with their patients.

As recently reported in Medscape,[5] the independent private practice is here to stay, as a permanent fixture within the healthcare landscape. This is possible mostly due to "emerging new business models, cost-saving technological advancements, and the tenacity of physicians determined to practice medicine on their own terms."

Many independent physicians actually leave employment in larger healthcare facilities to launch their own practices. According to the Medscape article, "more than half (52%) of all self-employed doctors responding to Medscape's 2014 Employed Doctors Report say they were previously employed."

[4] AJMC, ACA Marketplace Premiums and Competition Among Hospitals and Physician Practices, Feb 2018.

[5] Medscape, Private Practice -- Down but Far From Out, Nov 2017.



Running an independent practice

There are several ways that independent physicians can sharpen their practice management skills while maintaining their focus on their patients. Here are some tips and tricks for running a business and keeping your patients happy – all at once.

Using technology in your practice

Before the widespread adoption of EHRs, independent physicians would need to complete a file full of paperwork on a patient, review the information prior to the patient visit, and potentially wait for faxes of additional paperwork from specialty providers after the visit. Time was wasted on excessive documentation and delays in receiving information from other providers, which further increased the potential for errors and duplication – then along came the EHR.

EHRs enable physicians to easily input patient data and to have immediate access to other providers' data on that patient. In addition, the EHR, often referred to as an EMR or electronic medical record, improves "patient safety by requiring computer-based physician orders that eliminate illegible handwriting and misinterpreted verbal orders," according to the Harvard Business Review (HBR).[6]

Diagnoses are more accurate, particularly for patients with chronic or complex conditions who require coordinated treatment by multiple physicians. EHRs enable those physicians to collaborate to ensure that duplications or errors are reduced and even eliminated when prescribing medications, ordering lab tests, and developing a detailed healthcare plan.

Want to learn more about EHRs?

- EHR History
- How to Pick an EHR
- Using an EHR in an Independent Practice

[6] *Harvard Business Review, How the EMR is Increasing Innovation and Creativity in Healthcare, October 2017.*

Staffing an independent practice

As an independent physician, you have been trained and educated to treat patients. Your staff is essential to keeping your practice running smoothly. As shifting payment and business models place more demands on care coordination and patient engagement, staff play an increasingly patient-facing role. The office staff at independent practices play a key role in ensuring that patients are happy and that you are able to give your attention to their medical needs.

Some of the tasks performed by office staff at independent practices include:

- Greeting and checking in patients
- Managing co-pays
- Accompanying patients to the exam room
- Performing clinical tasks to supplement the physician encounter
- Answering phone calls
- Helping patients navigate their health record and their care plans
- Scheduling appointments
- Checking insurance eligibility
- Intaking new patients
- Auditing charts and other billing-related functions

With a capable team in your office, you can spend less time worrying about administrative details and more time focusing on patient care.

When determining the number of office staff needed for independent practices, it is helpful to check industry benchmarks. It is also important for you to have an understanding of how you work – and how you prefer to work. For example, if you are well organized, tend to stay on schedule, and are generally able to complete your paperwork in a timely fashion, you will need less help in the office. If your independent practice uses an EHR system that virtually eliminates the abundance of paperwork found in a typical medical office, you will also need fewer staff members.

Gauge carefully the number of staff members you will need, be sure they know their specific responsibilities, and train them in medical office and customer service skills. Your patients will appreciate the treatment they receive from your dedicated staff, before and after they receive treatment from you as their physician.



Patient engagement and care coordination

Patient engagement is an important part of an independent physician's role in providing high-quality care. Patient engagement means more than having a conversation during a visit. If you are a primary care physician, it means quarterbacking the patient's care, following up to ensure the patient is completing their care plan, communicating test results, and checking in on the progress of the patient's medical plan. It also means the difference in having that patient return for follow-up visits and quite possibly even the difference in the future health and welfare of that patient.

Key steps to improving patient engagement and care coordination:

- Continuing patient communication beyond the office visit
- Utilizing the features of an EHR
- Encouraging patient interactions at critical touch points
- Understanding interoperability

Understanding interoperability

For independent providers, providing coordinated care can be a huge challenge. When your patients see specialty providers, have lab tests, or receive services at other healthcare facilities, the primary care provider can be left in the dark. For high-quality, coordinated care, this information is essential in making the right care decisions for patients, and it's all about interoperability.

Interoperability has become a huge healthcare buzzword. How does it make a difference in patient care?

HIMSS defines interoperability as "the ability of different information systems, devices or applications to connect, in a coordinated manner, within and across organizational boundaries to access, exchange and cooperatively use data amongst stakeholders, with the goal of optimizing the health of individuals and populations."[7]

Deep-dive into the details of interoperability.

The most important outcome of interoperability is ensuring the physician can use the information that is being shared. As an independent physician, you need to be able to interpret data quickly and easily to provide your patients with quality coordinated care.

Faxes, emails, and even phone calls provide ways to share patient information. However, ***digital*** interoperability, where electronic systems are in sync, is more elusive.

Unfortunately, the lack of investment in integration tools and interoperability from large health systems means that often, EHR data is siloed in hospital EHRs and can't be integrated to ambulatory EHRs or easily acted upon by physicians or patients.

APIs, HL7 technologies, and other integration protocols are growing, however, and more healthcare IT companies are taking an open approach to interoperability. Application program interfaces (APIs) can be a big driver for toward a more interoperable patient record. APIs essentially enable software systems to access each other's information and can allow

[7] HIMSS, *What is Interoperability?*

physicians to deliver extraordinary patient care and revolutionize medicine.

all of the members of a care team across applications to access patient information, including crucial data that has been inputted by other providers the patient has seen for care.

Conclusion

By taking the time to understand the business of medicine, you've set yourself on the right path toward laying the groundwork for a successful career. Taking the time to understand business and administrative principles now will give you more time to focus on great patient care later. We at Elation understand how the competing aims of running a successful medical practice and providing patient-centered care can feel overwhelming.



We're dedicated to developing resources and tools that make the long-term success of your practice compatible with your short-term goal of providing phenomenal patient care.

Additional Resources

Elation's Resource Center:

Elation Health's resource center was built as a one-stop shop for finding all the most relevant information for independent physicians from HIPAA compliance to a guide on starting a direct primary care practice. We recently updated our resource center to reflect new and emerging topics relevant to the way independent physicians deliver care.

Elation Health Blogs:

Elation Health's blogs regularly publish independent practice-focused content that can help you stay on top of today's health care landscape so that you have more time for your patients. Posts are written by healthcare experts and cover a wide variety of topics including policy news, primary care research and trends, and resources for alternative practice models. Save time and energy by getting relevant and timely posts like these when you subscribe:

- Selecting a practice management system for your independent practice
- How independent practices can succeed with MACRA

- What is the patient load sweet spot for independent physicians?

About Elation

Elation Health brings the right information, at the right time, to support the craft of independent primary care. Elation's certified, cloud-based EHR system connects patients and providers in a dynamic health information network, enabling collaboration on mutual patients at the point of care. Elation's "Clinical First" design is trusted by a network of over 200,000 physicians practicing within independent primary care practices and other innovative care models. Elation Health allows

