Published in Anesthesiology News
October 2007

ANESTHESIOLOGY GROUPS CONFRONT THE FOUR Fs – Part 1

BY: MARK F. WEISS, J.D.

In the mid-1980s, a prominent West Coast anesthesia billing service told its clients they had only to follow three simple rules to be successful: Do the cases. Turn in billing information. Go home. Then, they would be paid.

Fast forward to today. Far too many anesthesia groups have a business model based on that same philosophy, one that was, even in the 1980s, an idealized *present*. Too many practices operate as a collection of individuals whose purpose is to provide services at a hospital. Although these groups are more financially integrated than a confederation of independent practitioners tied together by virtue of staff privileges, from a business and psychological perspective, they have not evolved much during the past 20 years.

This failure to change may not have resulted in disaster—yet. But in the coming years, it well could. The healthcare world is changing faster than ever. Industry, political and societal forces are shaping the future of anesthesia practice. Unless anesthesiologists are content to allow someone else to write the story of anesthesia services, group leaders must plan now for the future.

Through a process that I call "focus on the future," group leaders must identify the trends affecting the specialty as a whole as well as those particular to their group, then develop a plan to maximize the chances for the group's continued success.

Three broad categories of specialty-wide trends are affecting the future of anesthesia practice: increasing competition, decreasing reimbursement and complicating expectations.

Increasing Competition

Four trends combine to result in increasing competition for anesthetizing sites: outsourcing, hospital closures, certified registered nurse anesthetist (CRNA) independence, and complementary and alternative medicine (CAM).

Outsourcing

Mention medical outsourcing to most physicians and they will likely launch into a discussion about the impact of dislocation technology, such as teleradiology. But another type of outsourcing is having an impact on the number of surgeries being performed in the United States: the outsourcing of cases to foreign facilities.

Facilities focused on "medical tourism" are attracting patients from the United States for procedures ranging from cosmetic surgery to neurosurgery. Hospitals such as Bumrungrad in Bangkok, Thailand, compete in terms of world-class care, five-star customer service and, especially, price.

Hospital Closures

A 2003 report from the U.S. Department of Health and Human Services found that between 1990 and 2000, 7.8% of all rural hospitals and 10.6% of all urban hospitals closed. The trend appears to be continuing. As hospitals close, the number of anesthetizing sites decreases, as does the demand for anesthesiologists. Even assuming that patients will seek treatment at nearby facilities, anesthesiologists from the newly shuttered hospitals will be looking for work.

CRNA Independence

CRNAs are here to stay. More than 30,000 now practice in the United States. Fourteen states have opted out of Medicare's physician supervision rule, and the overall trend is toward independent practice nationwide.

The competition between CRNAs and anesthesiologists will not be won based on the level of safety and care. It will be won on the basis of who tells the most convincing story to the public and payers. Nurse anesthetists are politically and organizationally up to the challenge, much more so than organized medicine to date.

Complementary and Alternative Medicine

The Centers for Disease Control and Prevention has stated that 62% of American adults used some form of CAM during 2002. Excluding prayer-based therapies, 36% of adults use some form of CAM therapy each year. In 1997, spending on CAM therapies was estimated at between $36 billion and $47 billion. Any trend away from surgical solutions will decrease the call for anesthesia care.

Decreasing Reimbursement

Three trends combine to result in decreasing reimbursement for anesthetizing sites: hospital pressure to reduce stipends, the effect of entitlement programs and decreases in overall reimbursement relative to cost of operations.

Vanishing Stipends

Although significant money can still be obtained from hospitals to subsidize collections, hospitals are beginning to actively oppose this trend. Facilities are fighting harder to avoid payment of substantial stipends, citing real and imagined regulatory concerns, creating schemes to bring in hospital-controlled CRNAs and pleading the effects of their own poor economics.

Growing Entitlement Programs

In addition to cutbacks in entitlement program reimbursement, the percentage of patients covered by Medicare and Medicaid is increasing. Private insurers continue to negotiate rates tied to Medicare payments. The larger the proportion of a group's revenue that is already discounted, the smaller the remaining proportion that can, even theoretically, be devoted to higher-paying work.

Decreasing Reimbursement Relative to Rising Costs

Although the unit values received from some payers may be up in terms of gross dollars, low-paying Medicare and Medicaid populations are increasing, and the growth in overall collections has not outpaced the increase in the costs of operations. Perhaps the most significant factor is the demand for compensation from existing and to-be-recruited physicians. Beginning packages, after calculating the impact of recruiting bonuses, malpractice insurance and benefits, can top $400,000.

Complicating Expectations

Two emerging trends serve to further complicate the situation: hospitals' desire to control anesthesia and the "lifestyle" commitment.

The relationship between hospitals and anesthesia groups has never been static. Like a pendulum, power swings both ways. Provider shortages have given groups increased leverage to demand financial support. Yet these demands, and the related fact that hospital administrators see physicians' compensation expectations as unreasonable, are beginning to result in attempts to gain back control. This is evidenced by hospitals' attempts to replace physicians with CRNAs, whom they see as less aggressive (perhaps wrongly), and by their demands for more control over group membership and performance as a condition to giving financial support.

Shunning Group Think

Money has historically been the big motivator. For generations, there was little resistance to the tradeoff between significant compensation and the high demands required in order to earn it. A different trend is emerging, mostly among younger physicians, who place a greater value on lifestyle factors. Practice location, days off, reduced call and more, not less, charity work are among their issues.

If groups do not plan for the impact of these trends, they will fail to continue to thrive in the future. In the next issue, we'll explore the steps groups must take to ensure that they even have a future.

___

Mark F. Weiss is an attorney who specializes in the business and legal issues affecting anesthesia and other physician groups. He holds an appointment as clinical assistant professor of anesthesiology at USC's Keck School of Medicine and practices with the Mark F. Weiss Law Firm, a firm with offices in Los Angeles, Santa Barbara and Dallas. He can be reached by email at markweiss@advisorylawgroup.com and by phone at 800-488-8014.