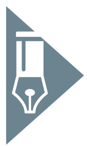

Cold Iron Truth

Strategic planning for physicians

BY BRETT M. COLDIRON, MD

Most of us have a 5-, 10-, or even a necessarily vague 15-year plan for our practices. As you begin your New Year assessments, keep the following overriding considerations in mind to aid in your planning.

1) You are probably never going to be reimbursed better than you are today.

"Wait," you say, "Don't we get occasional Medicare updates?"

Yes, but these never keep up with inflation, just as any unlikely increases from private insurers always lag behind the cost of providing the service and have been grinding down toward Medicare rates – or even below them – for years. Any other sweeping insurance proposals, such as Medicare for All, include a hefty cut to physician reimbursement.

One exception might be allowing those under age 55 years to buy into the existing Medicare program, which would be beneficial in areas where current private insurers and Medicare Advantage plans pay less than Medicare. You could see some increase if you are on the right side of bundled payments, although this has been more of a threat of penalty rather than a reward so far.

2) Don't expect an imminent repeal of the ACA.

The Affordable Care Act (ACA) favors large groups, and it's likely to remain the law for at least 5-10 years. Republicans could not repeal it when they held both the Senate and House, as well as the presidency, and certainly Democrats won't repeal it.

There are myriad regulations and rules that allow only larger groups to reap the benefits from the ACA. Recall President Obama visiting the Cleveland Clinic and touting it and the Geisinger Clinic as examples of the way American medicine should be practiced.

Participation in alternative payment models that bypass many of the onerous requirements of "quality improvement," and may even allow shared cost savings, are practical only for large groups. A notable exception is the recently proposed "site neutrality of payment" rule proposed by the current administration. This reduces by 50% or so the premium paid to large physician/hospital groups that are not located on the hospital campus to the prevailing rate of pay in the community. No more $3,000 echocardiograms that used to cost $300.

Still, this does not increase the overall payments to physicians. Possibly, the proposed new telemedicine reimbursement rules may allow you to more efficiently manage patients without dramatically increasing your overhead.

3) Medicare recipients are going to grow exponentially.

An estimated 10,000 Baby Boomers are turning age 65 years every day. This ensures an increasing supply of patients, but also strains a federal government that has overpromised on Medicare and Social Security benefits. Recall that on average every Medicare recipient takes out far more than what they put in to the program.

It is pay-up time, and the IOUs in the lockbox are unredeemable. This makes inflation and cutting reimbursements the easiest way to cope with older voters and a looming budget crisis.

4) Physicians are the weakest leg of the health care chair.

Hospitals, pharma, and insurers all have more powerful lobbying groups, donate more, and are better organized than physician groups. In our system of government, that means they will be favored in health care–related legislation. Physicians are the easiest to cut, although we account for only 15.9% of expenditures, according to 2014 data from the AMA.

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The hospitals can close, insurers can refuse to write policies, and pharma can refuse to develop new drugs or manufacture generic ones. Big money (for example, Amazon, Berkshire Hathaway, and JPMorgan Chase) wants to consolidate health care and vertically integrate it. Most physicians cannot even unionize.

So what cheerful conclusions can we draw? If you go to work for a big group, try to negotiate the least restrictive practice covenant possible – or at least one that is not applicable if you are terminated without "cause." The big group may have to disgorge you someday, and it could be disastrous to have to move or not be able to practice. If you opt for a small group or private practice, keep it lean. Build no palaces. There are special small-practice situations that will survive or even prosper. Tightly managing your overhead is the key to survival.

Young physicians should recognize that the opportunity costs of an extensive residency after medical school may not be worth it. In fact, considering tuition that results in huge debt, lost income, and lost years of practice, high school graduates aspiring to a career in health care may do better from an economic perspective by pursuing a career as a nurse practitioner or physician assistant than one as a physician. The ACA, with its favoritism to large groups, will not be repealed anytime soon, and the regulations favoring larger groups are not even under discussion. This makes even hospital management more attractive as a career choice.

5) You'll be doing more with less.

With a projected shortage of more than 100,000 physicians in the next 11 years, prepare for a high volume of patients, less pay for each encounter, and responsibility for multiple extenders. Practice will be much more stressful and difficult than simply managing your own panel of patients. Expect physician networks so narrow that they include only primary care physicians, with all other physicians having moved, died, or retired.

Start thinking about integrating telemedicine into your practice because this may be a lifeline considering the most recent Medicare final rule that provides for payment for several new telehealth codes.

That all said, I must quote a lawmaker who, when discussing the ACA, told me "Well, you doctors are awfully late to the punch bowl" to which I replied, "Without doctors, there is no punch in the punch bowl." ■

Dr. Coldiron is in private practice but maintains a clinical assistant professorship at the University of Cincinnati. He cares for patients, teaches medical students and residents, and has several active clinical research projects. Dr. Coldiron is the author of more than 80 scientific letters, papers, and several book chapters, and he speaks frequently on a variety of topics. He is a past president of the American Academy of Dermatology. Write to him at dermnews@mdedge.com.