Hospital-physician relationships

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A mix of collaborative strategies

- Financial incentives for clinical integration with community physicians
- Physicians as employees
- Hospitalists
- Hospital recruitment of physicians to community practices
- Physician liaisons
- Joint ventures
- Participatory bonds

Hospitalists: A rapidly expanding specialty

- Responsibilities include daily patient management of admitted patients and contributing to process improvement efforts.
- Number of hospitalists nearly doubled in last 5 years
  - Over 11,000 in 2003 (AHA)
  - 24,000 projected for 2008, and 30,000 by 2010 (SHM)
- Playing an increasing role in Medicare
  - SHM projects the proportion of Medicare beneficiaries treated by hosptialists to double by 2010, from 20 to 40 percent.
- More likely to exist in large, teaching, and urban hospitals
- Less likely to exist in rural hospitals

Two forms of employment with common compensation formula

- Employed directly by hospital
  - 34 percent employed by a community hospitals (SHM)
- Employed contractually by hospital through other entities (SHM)
  - 31 percent through hospitalist-specific group practice
  - 20 percent through medical school or academic program
  - 16 percent through other physician group practice
- Most common compensation formula for all hospitalists:

Fixed Salary	+	Volume-based bonus incentive

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What hospitalists offer primary care and specialist physicians

- Eliminate traditional hospital “rounds”
- Create opportunities to increase their patient volume in the outpatient setting
- May reduce exposure to complications associated with the inpatient hospital setting:
  - Malpractice law suits
  - Uninsured patients who can not pay

Why hospitals use hospitalists

- Fill the treatment gap left by PCPs and specialists
- Create measurable efficiency gains
  - Reduce patient length of stay (0.4 days/stay shorter)
  - Lower patient costs per stay ($268 lower)
  - Neutral impact on quality metrics (mortality & readmissions)
- Generate patient referrals through community physicians who desire their presence in the hospital
- Consistent presence enables patient safety and process improvement initiatives

The effect of hospitalists on Medicare spending

- Most common model of compensating hospitalists may increase volume and not focus on quality
  - Paying based on volume increases incentives for admissions and consultations
- Medicare payment often favors the most common model
- More constructive models include quality-based bonus incentives, including reducing readmissions

Attract physicians, grow volume

- Joint ventures
- Comanagement arrangements
- Virtual gainsharing
- Hospital recruitment of physicians and marketing their services
- Hiring physicians as employees

How one physician employment model works

- Physicians' salary solely based on their volume of services; bonuses for retirement may be earned for achieving other goals
- Health system enables physicians to do more services in the same amount of time
- Health system profits from the volume of services physicians are motivated to provide (e.g. imaging, DME, pharmacy, physical therapy)

On balance

- Hospitals and physicians are collaborating
- This collaboration can improve efficiency and possibly quality
- But it is often designed to increase volume