

# Introduction to Building a Clinically Integrated Community

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# Introductions

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- Gerry Hinkley, Pillsbury Law
- Walter Kopp, HFS Consultants



# Presentation outline

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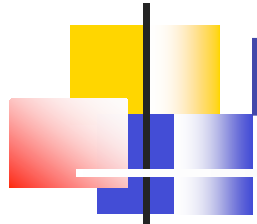
- Evolution of medical groups
- Market evolution for physicians
- Why develop a clinic
- Economics of clinics
- Organizational models
- Implementation Planning
- Next steps



# Evolution of medical groups

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- Aging of Medical Staffs
- Physicians leaving for employment options at Kaiser and Sutter
- Profits from ancillaries used for cross subsidy of PCPs
- Physician networks are aging and must reposition
- Repositioning specialists



# Market evolution for Physicians

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- Kaiser and Sutter building regional fully integrated medical groups including wrap around physician networks
- John Muir, Valley Care, North Bay, PAMF and other regional groups forming foundations
- Regional physician networks looking at forming foundations, building EMRs and HIEs
- Hospitals seeking to work with physicians to satisfy demand for health and pension benefits



# What Physicians can gain from alignment with Hospitals

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- Help with coming transition to medical home
- Meet the demands of new graduates
- Enable electronic records and data exchange
- Alternatives to Kaiser, Sutter
- Position for Healthcare Reform

# Aligning a Physician integration approach with Hospital strategic goals



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- Can this structure help better position the Hospital with the physician community?
- Should the Hospital support a separate structure to manage all outpatient services?
- How can the Hospital work with this group of physicians to best serve the community?
- Are the support systems in place adequate?
- Is the IT structure adequate?
- Identify critical success factors

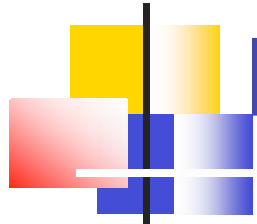


# Achieving Hospital-Physician alignment

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- Many hospitals have a diverse collection of physicians serving different communities
- Some physicians are not suited for group practice
- It is a challenge to work with these diverse physicians and bring together a group
- This requires a diverse strategy that aligns with physicians in the manner that works best for them
- A one size fits all strategy will not work here





# How Hospitals provide support

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- Help physician community to understand the need for a group
- Assist with legal analysis of options
- Identify physician leaders
- Engage qualified Medical Group Managers
- Provide access to capital
- Integrate information systems



## Clinic organizational models

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- Hospital based clinics – H&S Code 1206(d)
- Foundation – H&S Code 1206(l)
- Community Clinic – H&S Code 1204 (licensed), H&S Code 1206(b) (gov't exempt)
- Rural Health Clinic – federal qualification for hospital-based clinic
- Wrap around physician network



# Examples of Hospital-affiliated clinics

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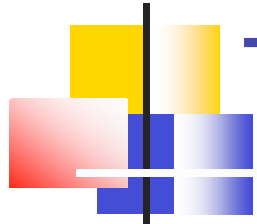
- Sutter Health (1206(l))
- Chinese Hospital – SF (1204(a))
- Delano Regional Medical Center (1204(a))
- Enloe Medical Center (1204(a))
- John Muir Health – Rossmoor (1206(l))
- Lodi Memorial Hospital (1204(a))
- Alameda Hospital (1206(b))
- Marin Healthcare District (1206(b))



# Economics of Hospital-affiliated clinics

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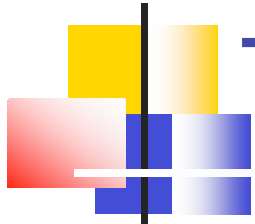
- Paying fair market compensation to physicians can challenge clinic profitability
- Treating the Hospital and Clinic as an integrated enterprise permits a pooling of revenues to support clinic capital needs
- Stabilizes key practices that are vulnerable
- Positions the Hospital to help other vulnerable practices and recruit new physicians consistent with strategic plan
- Allows Hospital to recruit physicians who want to serve the community but do not want responsibility for business operations



## The case for a 1206(b) clinic

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- Hospital districts are eligible to form 1206(b) clinics
- As a government community clinic exempt from licensure, they are cheaper and easier to establish and operate
- Good incremental approach
- Allows flexibility for RHCs, 1206(d)s to operate in tandem
- Does not require sizable medical groups as contracting partners



# The case for a Rural Health Clinic

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- Hospital-based H&S 1206(d)
- RHCs are relatively easy to establish and can get significantly greater reimbursement for low income patients
- Healthcare reform will create opportunities for SVMH to reach out to low income communities as the uninsured become insured
- Increased eligibility for Medi-Cal will increase demand for services
- Increased payment for Medi-Cal for primary care physicians will make RHCs more economically viable



# Implementation planning

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- Physician leadership
- Organizational structure
- Practice acquisition
- Physician contracting
- Payor contracting
- Management systems
- Space
- Marketing
- Staffing
- Policies and procedures



# Physician leadership

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- Physician leader to engage physicians, coordinate efforts with Hospital
- Respected leader
- Respected for quality
- Ability to deal with difficult issues in an objective and impartial manner that commands respect





# Organizational structure

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- Legal analysis of options
- Leadership team
- Reporting relationships
- Alignment of goals



# Practice acquisitions

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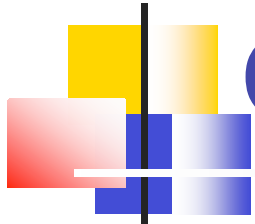
- Terms at fair market determined by independent valuation
- Compensation for physicians based on objective external analysis
- Productivity and performance incentives
- Purchase of hard assets, not soft
- Physicians keep AR, but hospital can help collect



# Physician contracting

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- Individual professional service arrangements
- Group professional service arrangements
- Contract incentives
  - RVU Productivity (acuity adjusted)
  - Collections
  - Compliance
  - Quality Metrics
  - Patient Satisfaction
  - Other



# Corporate practice prohibition

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- Generally, lay entities cannot employ physicians or hold themselves out as practicing medicine
- Compliance requires recognizing in form and fact that Physicians' practice must be unfettered
- Relationships between Hospitals and Physicians must be structured to accommodate compliance



# Payor contracting

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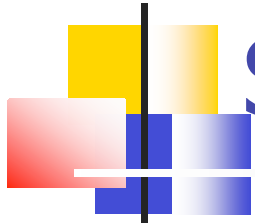
- File for Medicare change of venue billing certification
- Contract with Health Plans
- Physicians assign revenues, which allows for immediate transfer of contracts



# Management systems

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- Buy vs Make a physician billing system
- Review managed care contract options
- Review financial systems and internal controls
- Review options for EHR and HIE
- Assist Physicians to meet Meaningful Use criteria
- Assist with health plan contracting
- Review options for integrating with the Hospital



# Space

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- Identify Space options
- Review potential new and existing space
- Review ADA compliance
- Understand Market segmentation
- Potential applicability of OSHPD-III



# Marketing

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- Review market segmentation
- Review options for marketing by segment and location
- Review branding options

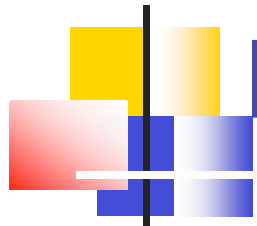




# Staffing

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- Identify and reassign existing staff
- Consider options for hiring staff of existing practices
- Consider other staffing options



# Policies and procedures

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- Review current Policies and procedures
- Develop recommendations for changes
- Review with Medical Staff leadership
- Communicate and implement policies



## Next steps

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- Authorize project to proceed
- Develop comprehensive work plan
- Board and Management to review progress
- Identify physician leadership
- Begin implementation
- Establish organizational structure, policies and procedures
- Expand physician marketing efforts



# Discussion/questions

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