Executive summary

Health reform hopes to improve health care by broadening the population that receives health care coverage, and raising the quality of health care, among other things. However lofty the goals, the implementation of health reform will undoubtedly create a number of new challenges for specialty practice.

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Challenges of health reform

The goals of health reform include improving the quality of health care and extending medical coverage to over 30 million people during the next decade. Achieving these goals will require change, which presents a number of new challenges for specialty physicians who still need to manage their practices in the most efficient, cost-effective manner. Here are the five biggest challenges specialty physicians face from health reform:

1. Pressure from physician shortages

According to The Physicians Foundation, specialty physicians will need to reexamine their roles to accommodate the increased demands of health reform, a challenge that will be compounded by an increasing shortage of primary care physicians.

What’s more, there’s evidence that the large influx of newly-insured patients from health reform could exacerbate the physician shortage, placing additional pressure on specialty practices to pick up the slack. The result could be an influx of unqualified referrals to specialty physician practices, simply to stem the tide of increased patient demand at family medical/primary care physician practices. If patients — including Medicare and Medicaid enrollees — find it increasingly difficult to access physician services in a timely manner, then health reform will have created significant additional demand for specialty physician services without creating enough new physicians to meet existing and emerging demands.¹

2. Physician reimbursement pressures

State-based insurance exchanges are the required health reform destination for those interested in purchasing health insurance. While the exchanges have no established track record and vary widely from state to state, specialty physicians will need to rely on them for reimbursement. As many as 35 states elected not to have an exchange and partially or completely defaulted to the federal exchange, which has had a number of technology challenges.

What’s more, opting out of participation in insurance exchanges may not be easy for specialty physicians, who could be forced on to the exchanges to retain current patients who’ve migrated there or to accommodate lower-income employees who ended up on the exchange because their employer subsidy was far less than they could get on the exchange. Access concerns have also been raised for specialty physicians who are already overburdened and have no room for new patients due to the growing shortage of doctors. This further complicates specialty physicians’ ability to participate in insurance exchanges.²

Receiving a large number of new patients from insurance exchanges creates a number of risks for physicians, including concerns about lower reimbursement rates and lower-income patients, who may not be used to following treatment regimens and who now have to deal with relatively high deductibles and co-pays — out-of-pocket costs they may be unused to paying. As a solution to this risk, specialty physicians may need to collect large deductibles up front or start billing for them on patient credit cards. The Affordable Care
Act (ACA) also furnishes a *payment grace period* of 90 days for patients who stop paying, during which time physicians must continue to offer services. This puts physicians in a position of having to render services for which they may never be paid.³

3. **New payment methods replacing fee-for-service**

New payment methods brought on by the ACA may change the fee-for-service model, moving to payments based on outcomes, bundled payments, patient-centered medical homes and accountable care organizations, which require sophisticated IT systems, data reporting and network sharing. This could be a problem for physicians used to getting paid based on the number of tests and procedures they perform rather than the quality and outcome of their services.

The new federally recognized Accountable Care Organizations (ACOs) and the government’s Center for Medicare & Medicaid Innovation are taking their first cautionary steps with *new payment methodologies*. However, many commercial payers are moving ahead at a fast clip, according to Deborah Walker Keegan, PhD, President of Medical Practice Dimensions, a consultancy in Asheville, North Carolina.

Keegan warns that the transition from fee-for-service to new payments might be bumpy, where physicians *will be living in two worlds* during the next five years — fee-for-service and the new payments — and it will be *very, very confusing*: “Your whole revenue cycle gets affected,” she said — not to mention the additional time, cost and resources physicians will need to spend to master new payment methodologies.

New payment methodologies also require sophisticated IT systems, a great deal of data-reporting, and shared networks, requiring physicians to undergo a *cultural transformation* where they learn how to work in a team and share clinical decisions with other caregivers.⁴

4. **Non-insurance/concierge practice models**

The challenges of health reform, such as declining reimbursements, increased billing administrative efforts and treatment pre-authorization barriers, may induce certain specialty physician practices to consider *non-insurance options*, such as a concierge/direct-contracting practice. Concierge practices offer health care services to a defined group of patients, charging them directly with a monthly fee. Ostensibly, the arrangement offers patients more interactions with doctors through unlimited longer appointments and better access to physicians by phone or email.⁵

Concierge arrangements are on the rise, with an estimated 5,500 concierge practices nationwide, according to *Concierge Medicine Today*, a trade publication for the industry. Inexpensive practices are fueling the *growth rate* in concierge medicine, which adds offices at a rate of about 25 percent a year, according to the American Academy of Private Physicians. This trend puts additional pressure on specialty physicians to evaluate non-insurance options, and the challenge to evaluate change after working under the familiar fee-for-service model.⁶
5. Electronic health record incentives and ICD-10 conversion

The Center for Medicare & Medicaid Services (CMS) now grants incentive payments to specialty physicians who’ve made every effort to adopt, implement or upgrade certified Electronic Health Records (EHR) technology. The CMS EHR incentive program operates by voluntary participation, but negative adjustments will be applied to specialty physician Medicare/Medicaid fees if they fail to join in by 2015.7

EHR incentives are not part of the ACA, but the goals of both overlap, including enhanced patient safety and new efficiencies in the delivery of health care. The modernization of outdated health record systems is vital to health reform, placing renewed emphasis on IT to provide cost containment and improved access. This has prompted specialty physicians to pursue EHR implementations, but concerns about finding EHR vendors with particular EHR implementation expertise and updated information technology in their specialty has proved to be a challenge.8

ICD-10 billing and coding system changes remain critical to health reform and CMS initiatives, reflecting mutual goals of better care and better access at a lower cost. But specialty physicians have identified them as a leading issue weighing on finances, in addition to declining reimbursements and regulatory requirements from the ACA.9

Evaluating your strategy

Specialty physicians may require additional support to examine the financial implications of new physician payment methods and reimbursement pressures. You may require help developing the vital practice management skills you’ll need to successfully navigate the changes of health reform, such as budget planning tools and easy-to-use graphs to help you analyze your practice’s performance. A reliable financial partner can help do some of the heavy lifting, enabling you to find the best solutions for managing the health care concerns and challenges of your specialty practice.