Alignment in healthcare today occurs for multiple reasons, as discussed in Chapter 1. One important outcome realized through alignment is “strength in numbers.” The strength in numbers concept is familiar to most people, as it applies to a number of industries, not just healthcare. For example, auto industry unions, such as the United Auto Workers (UAW), are an example of strength in numbers throughout the history of America’s auto industry. Through the UAW, auto industry workers (along with those in other industries represented by UAW) have achieved labor and compensation standards that may not have been achieved without the ability to collectively bargain with employers. The basis for the strength in numbers concept is that people working together for a central purpose are more likely to succeed than those who face work challenges alone. In this chapter, we discuss ways that the strength in numbers concept applies within healthcare—specifically in aligned relationships—and proffers advantages to health systems, physicians, and patients.

**Strength in Numbers’ Impact on Health Systems**

One of the reasons health systems want to align with physicians is to increase the size and strength of their overall provider network. For example, many health
systems are interested in aligning with primary care physicians, who will then “feed” the remainder of the specialty physicians within the health system. This type of thinking reinforces that the health system, while made up of individual and multiple parts, relies on all of these parts as a whole to be successful. Once the health system aligns with primary care physicians who are dedicated to seeing the system succeed, it has found a way to ensure other segments of the system (namely, the specialists) are more likely to be successful as well. In this way, most systems realize that to be successful, they need to have a greater number of primary care physicians who can support their key growth and development goals.

Building upon the strength in numbers concept, health systems also recognize that aligning with primary care physicians reduces competition. For example, when Health System A acquires a primary care practice and employs its physicians, it eliminates the possibility for Health System B to do the same; this results in a stronger physician network for Health System A, and proactively stymies additional competition from Health System B.

Another way that strength in numbers applies to aligned relationships is that when health systems work collaboratively with their physicians, they are able to ensure a wider scope of services is offered. Most hospitals are utilizing a multiple approach to alignment, meaning that they are pursuing alignment through various structural models and with different groups and specialties. This is often a wise strategic decision on the part of the system, as alignment is typically not best effected through a “one-size-fits-all” approach. As a result, health systems are beginning to appreciate the fact that they can extend their reach further once they align with
a wider expanse of physicians and specialties. Often, the ability to provide a
greater scope of services bolsters the hospital’s reputation in the market and can
help retain patients who want to receive all of their services in one place. In short,
being able to offer a comprehensive range of services, as is possible through an
alignment strategy, helps the hospital better meet a community’s needs.

While health systems have historically been competitors with physicians, the
popularity of alignment has allowed health systems to realize that they become
stronger when they work with, as opposed to compete with, their medical staff.

**Strength in Numbers’ Impact on Physicians**

Today, the pressures on private practice physicians are greater than they perhaps
have ever been. Declining reimbursement, increased supply expenses, competition
from other practices and hospitals, and a necessity to actively manage the medical
practice in addition to a busy clinical practice are just a few examples. Through
alignment, however, many of these pressures are reduced or eliminated. There-
fore, one of the most significant effects of alignment on physicians is the ability to
shift some of the pressures they currently face to their strategic partner.

Contracting with private payers is one example of a key pressure facing physi-
cians today. In a time when physicians feel additional recognition is warranted
for the medical services they perform, payers are cutting back on reimbursement.
Although many practices are able to achieve rates from private payers that are
equal to 110% or greater of the Medicare fee schedule, there are other practices
that are forced, by virtue of the market in which they operate, to accept
reimbursement at or below Medicare rates. When practices align with a health system and transition the responsibility for payer contracting to that system, almost without exception the rates practices receive going forward are greater than what they had received historically. This is because they gain strength in aligning with a system that negotiates on their behalf as part of the larger entity. Although the increase in reimbursement from payers varies by specialty and certainly by market, health systems typically receive 5%-15% greater reimbursement than the physician practices in their same community.

In many alignment models, practices are able to enjoy the benefit of these greater reimbursement rates. While the increased reimbursement cannot be shared directly with physicians for compliance reasons, the higher total revenue increases the pool of funds available for distribution to physicians as compensation. As a result, physicians may experience higher compensation than they had historically because of improved payer contracts. This, however, is only possible because they were able to leverage strength in numbers by aligning with a health system.

Another key pressure faced by physicians today is increasing competition from hospitals. Physicians and hospitals have always been competitors, but many physicians feel this pressure has increased in recent years. In fact, alignment can be seen as a driver for this increase in competition. As many hospitals begin to employ greater numbers of their medical staff, other physicians see themselves as being “shut out” and feel that the employed physicians are given preferential marketing, easier access to block time, and other perks not afforded to private practice physicians that make it easier for the employed physicians to be successful. One way to face the increasing pressures from other physicians and their
health system partners is to become aligned as well. Think of the old adage, “If you can't beat 'em, join 'em.” Once aligned, physicians are part of a supportive network in which to succeed, rather than being seen as a competitor. Now the aligned physicians may become privy to increased marketing efforts on their behalf, more operating room time, and the like, which allows them to better compete with other physician groups. Strength in numbers is on their side. Physicians can effectively mitigate the number of challenges they face today through partnering. Alignment allows them to share responsibility with another entity, often one that is larger in size and stature, and can help bear the burdens of the day-to-day practice.

**Strength in Numbers’ Impact on Patients**

Some communities fear that consolidation between hospitals and physicians will result in the rationing of care for patients under the guise of more streamlined, cost-effective care. Largely, this is because patients have a limited understanding of what alignment means, and what hospitals and physicians seek to achieve as a result of it. They may not understand that *lower-cost* care at the risk of *lower-quality* care would never be in a hospital’s best interests (or physicians or patients). Moreover, patients may potentially have the most to gain as a result of alignment.

As opposed to lower-quality care or fewer services, patients stand to benefit significantly from alignment. One benefit is the transparency of data that can result. Often, when physicians and hospitals align, they transition to a common information technology (IT) platform; most often, physicians adopt the inpatient
and ambulatory IT systems within the health system. This allows patients nearly seamless care across a host of providers. For example, through the physician and hospital’s interconnected IT system, physicians are able to access lab results, imaging tests, and orders for a patient made by another physician. Having access to a wealth of historical and concurrent data from other providers allows physicians to best treat their patients. It can help reduce the risk of prescription drug interactions, duplicative testing, and overlapping care. This level of IT integration would be more challenging—and maybe not possible—without alignment.

In addition, many organizations now offer the ability for patients to access their medical records through a Web-based portal. In this single portal, a patient can log in to the website using his or her secure user name and password and access medical records and test results, schedule appointments at both physician offices and the hospital, and communicate with a wide range of providers, who can also view this same information for their common patients. Through a connected communication network and shared data channels made possible by common IT, patients also benefit from strength in numbers.

In review, alignment allows health systems and physicians to join forces and leverage their shared strengths. Their strength in numbers results in improvements for health systems, physicians, and patients.

**Overarching Pros and Cons of Alignment**

Chapter 1 outlined many of the reasons alignment is currently being pursued by hospitals and physicians alike. In this chapter, we identify several of the
overarching pros and cons of alignment. The advantages currently being experienced may be offset by the factor that they are not guaranteed for the future.

**Economics**

Many physicians see alignment with a health system as a way to increase (or at least stabilize) their compensation. One pervasive real-life example of this is cardiology. Due to the Medicare reimbursement cuts implemented in 2008, private practice cardiologists realized a significant decline in reimbursement for their nuclear and echocardiogram studies. Overnight, the same procedures rendered in the same location by the same technicians and interpreted by the same physicians were reimbursed by Medicare at 80% or less of the prior-year reimbursement. These services, which had historically had a tremendous profit margin, were beginning to run at a loss in some practices. As a result, many cardiologists began to look at alignment with a health system to eliminate further erosion of their income.

At present, hospitals are still able to pursue reimbursement methodologies for Medicare patients that are not availed to physicians, such as hospital outpatient department (HOPD) rates and provider-based billing (PBB). In the case of cardiology, many practices sell (or lease) their nuclear and echo machines to their local hospital, which can take advantage of HOPD rates. In this manner, hospitals are able to receive significantly greater reimbursement for the same ancillary cardiology tests, even when they are offered in the physician’s practice. It is important to note that HOPD billing for ancillaries requires a number of criteria be met, including mileage restrictions, appropriate signage, a separate
entrance, etc. As part of the due diligence process, health systems need to ensure they meet all criteria before they begin billing as an HOPD.

In addition, hospitals can pursue PBB for aligned physicians, which allows for greater reimbursement for ambulatory services (primarily evaluation and management services). The magnitude of the increase under PBB reimbursement may be less than the increase for services billed as an HOPD; however, it is still greater than the amount the practice is eligible to receive. In a time when every penny counts for healthcare organizations, HOPD and PBB are an attractive reimbursement methodology. While no one is certain how long these types of payments will last (as many do not consider this methodology to make sound fiscal sense in that the same procedures would be paid at such different rates), they are a viable, compliant strategy at present.

As a result of their ability to participate in alternative reimbursement methodologies which afford them greater revenue, hospitals are in a position to share this increased revenue with physicians (although, as noted earlier in the chapter, this cannot be shared directly, particularly for Medicare patients). In turn, the physicians realize greater compensation than they had historically. Therefore, a compelling economic return for both health systems and physicians is one of the overarching pros of alignment.

**Operations**

In a market that has multiple hospitals within a single health system in a limited geographic area, many practices provide services at multiple organizations. This is often seen in a large metropolitan area where a health system has a single large
hospital, as well as smaller hospitals in the suburbs or nearby outlying areas. While this may be necessary due to the complexity of services to be provided (for example, Hospital A may have the appropriate equipment and technology to support pediatric orthopedic procedures, while Hospital B may not; as a result, all pediatric orthopedic cases within a specific orthopedic practice are taken to Hospital A), in many cases the need for practices to perform services at multiple hospitals decreases their operational efficiency. However, in an aligned relationship, there is often the opportunity to realize more streamlined operations.

In the example above, Hospital A may be willing to assign block scheduling for pediatric orthopedic cases, thereby guaranteeing physicians dedicated operating room time to complete their cases. Or, the health system may be willing to hire a mid-level provider who would support the orthopedists (both in the operating room and by rounding on inpatients) so they can be more efficient. Also, the system may be willing to provide economic support (through a guaranteed salary or payment for windshield time) to the orthopedists so there is not a punitive impact to the physicians as a result of their coverage of multiple systems.

One of the overarching pros for alignment is the ability for physicians and health systems to work together to improve operational efficiencies and to do so in a way that will increase revenue for the system and protect the income of the physicians. **Data sharing**

While fee-for-service has historically been the driver for payment within the healthcare industry, in an accountable care world, it is likely that the primary drivers will be focused on quality and outcomes. To demonstrate high-quality
and positive outcomes, all organizations must look closely at their IT systems. Organizations that are unable to track quality and outcomes will be unable to report on them; in turn, they may find themselves in a situation where they will not be paid for services. However, implementing IT can be costly, and widespread data sharing cannot occur without multiple parties contributing information into the system. Hospitals are often willing to bear the costs of implementing IT for their aligned physicians, recognizing the potential downstream (i.e., future) dividends it may provide. Likewise, physicians are more willing to actively participate in a common IT system post-alignment with its strategic partner and find direct value in this shared reporting. With a shared vision in mind, developing comprehensive data sharing between hospitals and physicians becomes much easier in an aligned relationship. And this data sharing will improve quality and outcomes, which may ultimately drive reimbursement.

While a change to reimbursement based on quality and outcomes may still be on the horizon, it is more likely to occur than ever before. Participation in a comprehensive IT system that allows for shared data, as is made possible under an aligned model, becomes a proactive way for health systems and physicians to prepare for the future.

**Responsiveness in an accountable care era**

As discussed earlier in this chapter (and in further detail in Chapter 3), one of the overarching pros of alignment is the opportunity it provides both physicians and hospitals to work more closely together in an effort to adapt to the changing reimbursement paradigm and the new accountable care era in which we find ourselves today. Having an alignment structure in place becomes the foundation
upon which accountable care structures can then be built, whether it is a patient-centered medical home, a clinically integrated network, a quality collaborative, or an accountable care organization. Just as alignment does not need to mean employment, accountable care structures also do not require employment to be at the foundation of their model. Many of the new accountable care structures work well with non-employment, contractual relationships.

**Cons of alignment**

Although alignment has a number of positive attributes, there are also some potential challenges associated with it. One of the most significant is the pervasive lack of trust that can be inherent in these relationships. Physicians often feel that they have lost some control over the practice, which creates discomfort and potentially some friction with the hospital. Some hospitals also prefer to oversee and unduly control the practices with which they have aligned, thereby creating a legitimate loss of autonomy for the physicians.

In some of the more complex forms of alignment, there are longer-term contracts that tie the parties together, which can make an unwind more difficult. Unwinding the arrangement (through the necessary legal or financial steps) can also be a challenge in models where assets are purchased and would need to repurchased by the original party.

Physicians also struggle with the fact that non-compete clauses are often present in their agreements with the hospital, which can make separation difficult, particularly in cases where the non-compete allows them to return only to private practice (but not align with another hospital/health system for a defined period of time).
Finally, sometimes alignment relationships can become burdened with bureaucracy, causing decisions about the practice, including staffing, to be slow moving. Physicians in private practice are typically able to be quite nimble, and as a result do not understand or agree with the time it may take to get decisions made and implemented.

**Summary**

Like many industries, healthcare has found a way to utilize the strength in numbers concept to create the greatest possible outcomes. Overall, it has resulted in positive change for health systems, physicians, and patients. In a way never seen before, alignment is helping different components of the healthcare continuum come together in support of common goals: patient-centered care, improved quality, and positive outcomes.

**REFERENCE**

1. Unproductive work-related time spent in the car is known as “windshield time.”