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CALIFORNIA MEDICAL ASSOCIATION'S QUARTERLY

OPINION

Up from the **ASHES**

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AS THE CURRENT PHYSICIAN FINANCIAL CRISIS HEADS TOWARD CODE BLUE, PHYSICIANS SHOULD TAKE CONTROL OF THEIR DESTINIES AND REBUILD OUR HEALTH CARE SYSTEM. It is their responsibility to do so. Patients do not expect health plans or hospitals to look out for their well-being, but they do expect physicians to take care of them—not just in examination or operating rooms, but in corporate board rooms and legislative back rooms as well.

There cannot be a more fundamental change in an industry than changing how people get paid. Historically, unlike other industries, physicians have not had to capitalize or organize changes in their business structures or relationships to adapt to market changes. The concept that they must fund and execute the largest corporate reorganization in the history of America is so foreign to physicians, it is no wonder they have spent the last decade resisting, rather than leading the change.

The first step is for physicians to truly own their organizations by capitalizing them adequately and taking as much management interest in them as they would their own practices. To date, physicians have undercapitalized their organizations or let others put up the money—for example hospitals, Wall Street, or other institutions. Not only did physicians lose control of their revenue streams, but all too often the managers of these organizations did not have the experience to organize and run the new medical organizations. A successful medical organization requires just the right melding of medicine, money, and management.

Physicians who did not sell their practices, have, for the most part, looked to undercapitalized and mismanaged IPAs to buffer them from economic changes. But instead of integrating physicians efficiently, IPAs have functioned largely as middlemen whose principal role has been to convert capitation into discounted fee for service.

Physicians have made other fundamental economic errors as well. Rather than raising prices to pay for needed organizational changes (which is what happens in other industries), physicians have cut their own reimbursements.

Simultaneously, doctors have taken on their patients' health care risk. Normally in business, the assumption of risk costs more, not less. Fees should go up, not down.

ORGANIZING IN A NEW WAY

IT IS TIME FOR PHYSICIANS TO LEARN FROM THE MISTAKES OF THE '90s. The collapse of large groups and IPAs confirms that the practice of medicine is truly local. Physicians, therefore, should organize locally into medical bargaining-and-business units. These units would be comprised of 80 to 150 physicians. Larger physician organizations run the risk of becoming mini health plans, not always acting in physicians' best interests.

Unlike IPAs, the bargaining units must be more than paper pushers collecting claims. They must be active engines for operational change in physicians' practices, centralizing such office functions as scheduling, information services, and billing, while generating savings through group purchasing and management.

The idea of local bargaining-and-business units is in harmony with AMA's recent resolution in favor of collective bargaining. These units would negotiate with payers and help physicians adapt to market changes. In most circumstances, these organizations

could negotiate without fear of antitrust repercussions, as long as the bargaining units are also working to make physicians' practices more effective and efficient. Under the Rule of Reason (which governs antitrust analysis for doctors), physicians can organize to negotiate for increased reimbursement if their bargaining unit is simultaneously working to reduce overhead.

The bargaining units should be run by experienced medical group managers, who report regularly to an involved physician board. The board should also appoint and regularly consult a paid adjunct advisory committee—drawn from business, financial, and legal sectors—to aid physicians in making board-level management decisions. This type of structure enables physicians to remain in control, while having access to needed business guidance.

FINDING FUNDING

MEDICAL BARGAINING-AND-BUSINESS UNITS, as well as IPAs and large medical groups, can help capitalize their reorganization by negotiating long-term contracts with malpractice carriers for phased-in risk retention/claims management leading to eventual self-insurance. Such contracts can save physicians up to 60 percent in annual malpractice insurance premiums. By substantially restructuring contractual relationships with carriers, physicians can take greater control over their resources and risks. In turn, malpractice carriers can benefit by securing their market share through long-term agreements with physician groups.

Most physician organizations currently ask for percentage discounts on their annual premiums. By not fundamentally restructuring their long-term relationships to take advantage of the market, doctors and their organizations are leaving millions of dollars on the table.

To achieve the best results, such arrangements must be negotiated with the advice of knowledgeable counsel. Some counsel will work with physicians on a contingency basis.

IT'S OKAY TO SAY NO

PHYSICIANS ALREADY ARE PULLING BACK from assuming too much risk, recognizing that they do not have to participate if they do not understand or cannot afford the risk. They are not signing contracts they cannot afford. The bargaining-and-business units should enter risk relationships only when it makes good business sense to do so, and a reasonable return is paid for assuming the risk. Individually or collectively, physicians should not be afraid to say, "No." When reimbursement levels threaten patient care, as they now do in California, there is a moral and ethical duty not to participate in below-cost care. Any contract or proposal that would put physicians in a position of choosing between adequate patient care and personal financial loss must be turned down. This does not mean that capitation should be rejected out of hand. It means that risk should only be assumed when the physicians understand that risk, and have the information and tools to manage it, along with the financial strength and resources to absorb it.

Now, more than ever, the future of medicine lies in the hands of physicians. Will physicians follow through to create local bargaining-and-business units? Or has financial fatigue or battered-doctor syndrome created an apathy so profound that physicians are willing to stand by and watch the profession be taken over by an army of authorizers. Changing the system will require investment and involvement. It should be done for you as physicians, for all future physicians, and, most of all, for patients. **cp**

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