

MEMO

To: MMA Board of Trustees
From: Independent Practice of Medicine Task Force
Re: Recommendations
Date: May 19, 2012

Action Requested

The Independent Practice of Medicine Task Force requests that the MMA Board of Trustees adopt the report and recommendations that have been developed through the work of the task force and its members.

I. Background

The Independent Practice of Medicine Task Force was convened in October 2011 in response to a 2010 House of Delegates resolution (HD-R302-2010). The resolution directed MMA to establish a task force to develop strategies to address the issues and challenges facing independent medical practice in Minnesota.

The MMA Board of Trustees approved formation of an Independent Practice of Medicine Task Force (See Task Force Charter in Appendix A.). A nine-person group of independent practice physicians, one clinic administrator and two MMA staff members met four times over five months and the completed following work:

- Developed a definition of independent practice.
- Developed a report on the demographics of independent practice – by clinic, location, size, and specialty (see Appendix B.).
- Used task force meetings to discuss issues and opportunities facing independent practice.
- Developed a special event “The Changing Face of Independent Medicine” which brought together more than 90 independent physicians and clinic administrators from around the state. The event featured:
 - Jeremy Lazarus, MD, president-elect, AMA who spoke on ‘national trends in independent practice’ and the resources AMA, has to help such practices.
 - Facilitated small group discussions about the issues and opportunities facing independent practice.

- Used the information developed at the task force meetings and at the event to identify 15 issues for further discussion, determine each issue's uniqueness to independent practice, and prioritize the top issues.
- Refined the independent practice issues and developed recommendations for the MMA Board of Trustees.

Definition of Independent Practice

One of the key assignments of the group was to develop a working definition of independent practice. This definition guided task force deliberations and demographic analysis.

Definition: An independent medical practice is defined by three characteristics:

- Physician ownership
- Physician governance
- Physician-owners who have business/financial risk

Demographics of Independent Practice

Nationally, about 65% of physicians are in independent practice, and according to Dr. Lazarus and the AMA, this number is expected to decline given that approximately 65% of established physicians and 49% of physicians completing residencies are choosing to practice in settings other than independent practices. The profile of independent practice in Minnesota reveals the following:

- Of the 12,500 – 15,500 practicing physicians, approximately 4,000 – 4,500 work in independent practice – or about 30%. Similar to national trends, this number appears to be declining as physicians continue to leave independent practice for other settings.
- There are currently 650-750 independent practices in Minnesota.
- Independent practices come in all sizes (solo to 50+), many specialties (more than 75), and are scattered throughout Minnesota.
- About 35-40% of MMA's 5,000 regular active members work in independent practices.

Key issues for Independent Practice

The task force identified an initial list of key "issues" based on task force discussions and input from the special event (see Appendix C. for a comprehensive list of identified issues). The task force subsequently prioritized three central issues and four recommendations for further discussion and board review. It also requested attention be drawn to one issue that did not reach the recommendation level – capitation and new payment models. The three central issues are:

- **Recognition of independent practice** – Recognize independent practice as essential to the health care delivery system because it offers physicians and patients a viable choice for work and for care.
- **Fair contracting** – Advocate for policies that, for example, call on payers to reimburse providers the same payment for the same service regardless of who provides the service. This language is consistent with MMA’s reimbursement policy.

A second concept to ensure fairness is to support physicians’ and patients’ ability to choose their physicians without regard to practice arrangement or financial consideration.

- **Administrative burdens** – Develop policies and actions that help reduce administrative burdens on physicians, such as: mandates for reports that don’t offer ‘value’ to patients and employers; prior authorization; claims processing resubmissions and the number and redundancy of performance measures.

Capitation/New payment models – this issue did not rise to the recommendation level, but task force members felt that some payment models, particularly capitation, placed independent physicians at a disadvantage and deserved to be acknowledged as an important issue that affects independent practices.

The remaining issues were deemed to be of lower priority, lacked widespread support among task force members, or were not necessarily unique to independent practice.

Recommendations follow on page 4.

II. Recommendations

To help advance MMA activity on the three central issues identified by the task force – recognition of independent practice, fair contracting, and administrative burdens – the following four recommendations for MMA policy and subsequent action are recommended for approval by the MMA Board of Trustees:

1. That the MMA work to recognize independent medical practice as an essential and valuable component of a pluralistic health care delivery system.
2. That the MMA pursue the development of policies and actions that promote greater equity for physicians in independent medical practices with respect to health plan contracting.
3. That the MMA pursue the development of policies and actions that support physicians' and patients' choice of physician, regardless of their practice arrangement.
4. That the MMA work to reduce the administrative burdens facing physicians.

III. Appendix

A. Independent Practice of Medicine Task Force Charter

A trend in medical practice has been the increasing number of “independent” physician groups that are consolidating or being acquired by hospital or clinic systems. In Minnesota, over the past 25 years, this trend has been accelerated with the emergence of several large health systems across the state caring for patients. This shift has created challenges and uncertainty for physicians who choose to practice in an independent practice setting.

In 2010, a resolution was passed at the House of Delegates (HD-R302-2010) that directed MMA to establish a task force to develop strategies that address the issues and challenges facing independent medical practice.

In an effort to understand the unique needs of independent medical practice in Minnesota, MMA will identify the issues and concerns facing independent physicians and their practices. From this review, MMA will outline priorities and develop strategies to address independent practice needs.

Outcomes of the Independent Practice of Medicine Initiative

- Develop a small task force of independent practice physicians and administrators to guide the review.
- Develop a working definition of independent practice.
- Understand the demographics of independent practices in Minnesota.
- Begin to understand the special needs of independent practice physicians through task force discussions.
- Work with the task force to organize a special event bringing together independent practice physicians from throughout Minnesota and give them the opportunity to express their opinions, concerns, and ideas about independent practice.
- Use the information from the task force and from the event to outline priorities and develop strategies to address issues and challenges. Work with the task force to refine the priorities and strategies and develop recommendations for the MMA Board of Trustees.
- Report the results to the House of Delegates in September 2012.

Structure

- Task Force: Task force will be comprised of 8 to 10 independent practice physicians and clinic administrators. Task force members will represent: metro and outstate areas; primary and specialty care; and large and small practices.
- Leadership: The task force will be convened and facilitated by staff.
- Meetings: Task force will meet two or three times to develop definition, begin discussion of special needs, and set up special event. Meetings will be scheduled during October and November in the early evening hours. Members will be able to attend via telephone.
- Event: A major event designed to bring independent practice physicians together will be planned.

Independent Practice of Medicine Task Force

Member	Specialty	Location	City	Practice Size
Lee Beecher, MD	Psychiatry	Metro	St. Louis Park	1
Kevin Donnelly, MD	FM	Outstate	St. Cloud	47
John English, MD	FM	Metro	Apple Valley	Retired/ER
Thomas Flynn, MD	Oncology	Metro	Multiple	58
Adam Kim, MD	Gastro	Metro	Multiple	70
Maria Loerzel, MD	FM	Outstate	Willmar	9
David Luehr, MD	FM	Outstate	Cloquet	16
Richard Morris, MD	Allergy	Metro	Maple Grove	3
Jeff Schackor	Clinic Admin	Metro	Multiple	Multiple Clinics
T. Michael Tedford, MD	ENT	Metro	Edina	1

Staff

Robert Meiches, MD, MMA CEO

Terry Ruane, Director, Marketing and Communications

B. Demographics of Independent Practice

The charter called for developing a picture of independent practice in Minnesota. This was a challenging task because no source clearly identifies such practices. We used four databases (MMA, MMGMA, Minnesota Healthcare Network and Minnesota Independent Practice Association) to develop this summary.

Because of the lack of definition of independent practices, and because of the constantly changing nature of independent practice, exact numbers should be considered within a wider range.

Summary of Independent Practice Demographics

- Nationally, about 65% of physicians are in independent practice
- In Minnesota approximately 30% of physicians are in independent practice

- There are 12,500 – 15,500 practicing physicians in Minnesota
- About 4,000 – 4,500 are physicians in independent practice
- About 40% of MMA’s 5,000 regular active members are independent (2,000-2,500)

Sizes of Independent Practices (number of physicians)

Total Practices	Solo	2-4	5-10	11-24	25-49	50+
700	300	200	110	60	14	12

- 70% of practices are 1-4 person clinics
- Majority of physicians are in larger practices

- More than 75 specialties are represented by independent practice – the most common are: family medicine, psychiatry and ophthalmology

- Independent practice can be found in nearly 200 communities throughout Minnesota with the largest concentrations in Twin Cities, Duluth, St. Cloud, and Mankato

C. Issues identified as Important for Independent Practice

Fifteen issues from task force and special event discussions were identified as the most important issues facing independent practice and prioritized by the task force. From these issues, the task force refined three central issues and four recommendations to present to the Board of Trustees.

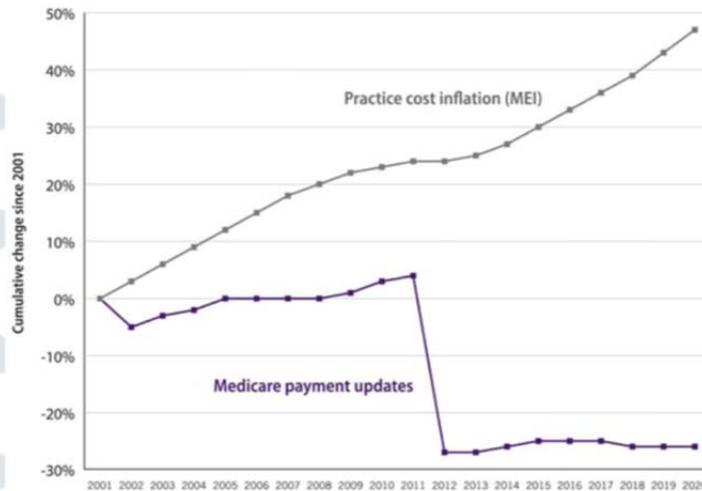
1. Fair contracting/Level playing field (12, U)
2. Reduce administrative and regulatory burdens (8, U/A)
3. Recognition that the independent practice of medicine is essential (6, U)
4. Competition from large systems (5, U)
5. Capitation (5, U/A)
6. New payment models – fairness/ethics for all (3, U/A)
7. Any willing provider (2, U)
8. Ensure quality of care is consistent across all settings (1, A)
9. Payment/reimbursement reform – flow of dollars to clinics/physicians rather than hospital/systems (1, A)
10. Ability to adapt to new models (1, U/A)
11. Taxation and business models (1,U)
12. Provider tax (1, U/A)
13. Access to lobbying support – otherwise IP do not have a voice (0, U/A)
14. Access to capital (ex. connectivity/interoperability of EHR) (0, U/A)
15. Cost transparency to patients (0,A)

(U – unique to IP; A – all practices; U/A – all practices but more challenging for IP)



Growing Reimbursement Gap

AMA



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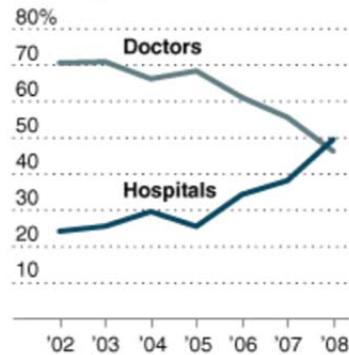
Trend toward Consolidation

More Physicians Joining Hospitals

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- 65% of established physicians
- 49% of physicians completing residency

Percentage of medical practices owned by ...



Source: Medical Group Management Association

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