Trends in Physician Practice Settings:  
Shift from Independent Private Practice to Hospital-centric

Some still consider the current US healthcare system to be a “cottage industry”, lacking in standardization and integration of care, which adversely affects the quality of medical care provided and acts as a barrier to healthcare reform initiatives (e.g., system-wide technology adoption). The current shift in physician medical care, from independent physician and group medical practices to hospital employment of physicians and acquisition of physician group practices, is considered, by some, as a means of correcting the fragmented nature of the healthcare industry. This trend, however, is not entirely unprecedented. A 2007 study by the Center for Studying Health System Change, for example, found a significant decrease in the number of independent and two-physician practices from 1996/1997 to 2004/2005. Many experts are hopeful that this growing trend in physician-hospital alignment initiatives will positively benefit healthcare delivery practices in the future.

A key driver of the increasing trend in physician employment and practice acquisition by hospitals is the downshift in reimbursement for physicians in general, and certain specialties in particular. The 21.2% cut to the Medicare physician fee schedule conversion factor, scheduled to take effect on March 1, 2010, and the additional bundling of specialty procedure codes (e.g., cardiology, radiology) are of major concern for physicians in private practice, as it is often more difficult for physician group practices to absorb losses in profitability and practice overhead costs than hospitals. Hospitals are also eager to acquire physician practices in an effort to provide integrated “one-step service” for patients, reduce market competition, firm up referral sources, and benefit from the higher revenues garnered by many specialties, such as gastroenterology, neurosurgery, and cardiology, among others.

These increases in hospital acquisition of physicians and group practices will likely gain momentum as reimbursement continues to downshift for physicians and discussion regarding new initiatives in healthcare reform continue. However, the success of physician-hospital alignment is not without its concerns, following the failure of physician employment initiatives in the 1990s. As the mode of US healthcare delivery continues to evolve, driven by changes in reimbursement and regulatory reform, the success of physician-hospital relationships, and their effect on access and delivery of healthcare services, is still uncertain.

3 “ACC’s Lawsuit Against Medicare’s Physician Fee Cuts Dropped”, by Renée Tomcanin, (January 19, 2010), Becker’s Hospital Review:
5 “Physician Employment 2.0”, by Aaron Deboer, Ryan Strattenfield, and Anita N. Iyenger, H&HN Magazine, (September 21, 2009)
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: “The U.S. Healthcare Certificate of Need Sourcebook” [2005 – Beard Books], “An Exciting Insight into the Healthcare Industry and Medical Practice Valuation” [2002 – AICPA], and “A Guide to Consulting Services for Emerging Healthcare Organizations” [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored “Research and Financial Benchmarking in the Healthcare Industry” (STP Financial Management) and “Healthcare Industry Research and its Application in Financial Consulting” (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.

Anne P. Sharamitaro, Esq., is the Vice President of HEALTH CAPITAL CONSULTANTS (HCC), where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in “Healthcare Organizations: Financial Management Strategies,” published in 2008.