



Surviving Chaos: Private Practices Facing New Realities



Disclaimer

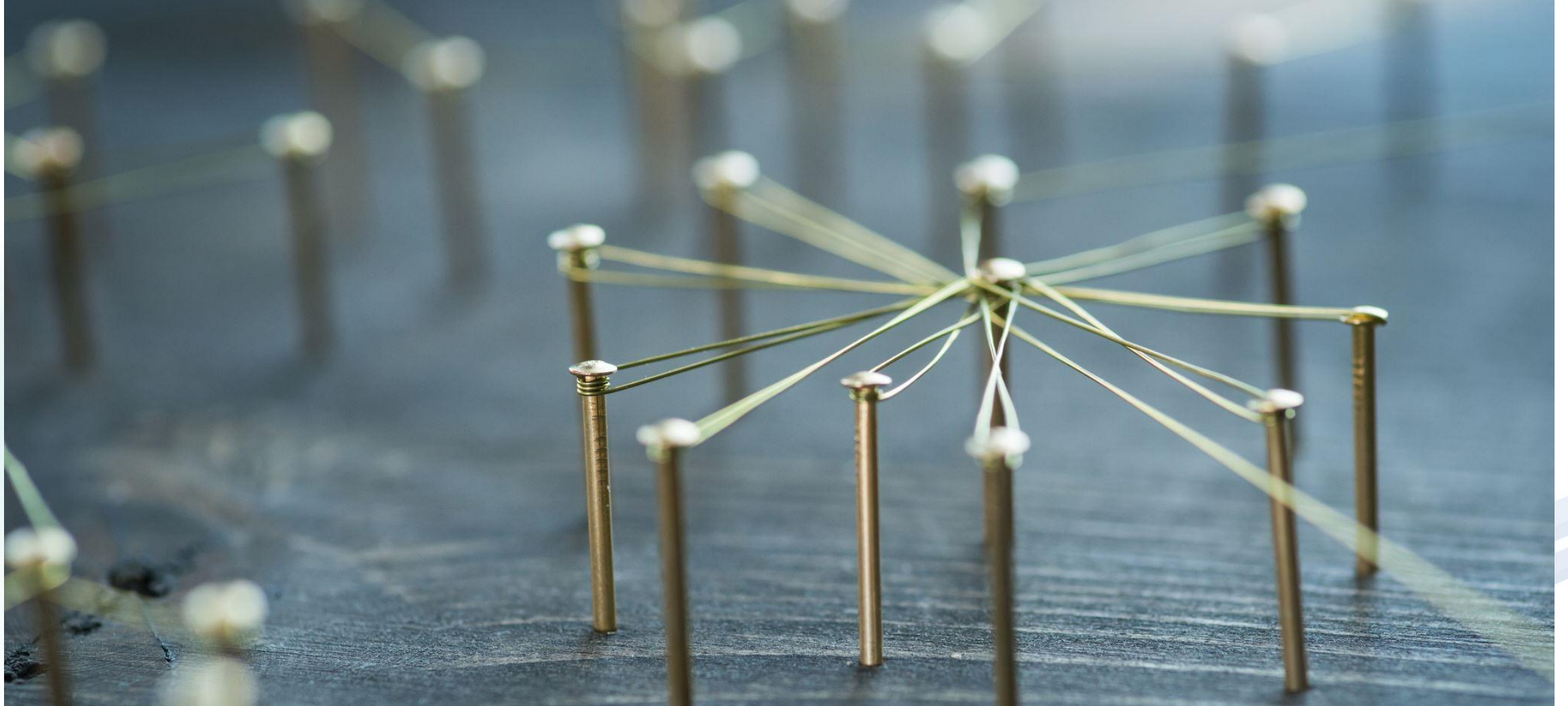
All images captured and utilized in this presentation are all from free sites.

Slides are documented when referring to other source material.

Some information is captured utilizing the ChatGPT program to collate the information in a succinct manner

All products that are listed as examples are not being promoted. They are simply being utilized to demonstrate market examples.

First...the why in this discussion



Not necessarily new...but SEVERELY impactful

Overhead costs are sky rocketing

Reimbursement issues...not just carriers but Governmental as well

Burdensome elements of regulatory issues and administrative issues

Market Consolidation – Health systems and Super Groups

Staffing – Hard to retain talent in ALL areas

Advancements in technology and the costs associated to keep up

The Patient has changed...Expectations for convenience and lower costs

Work life balance

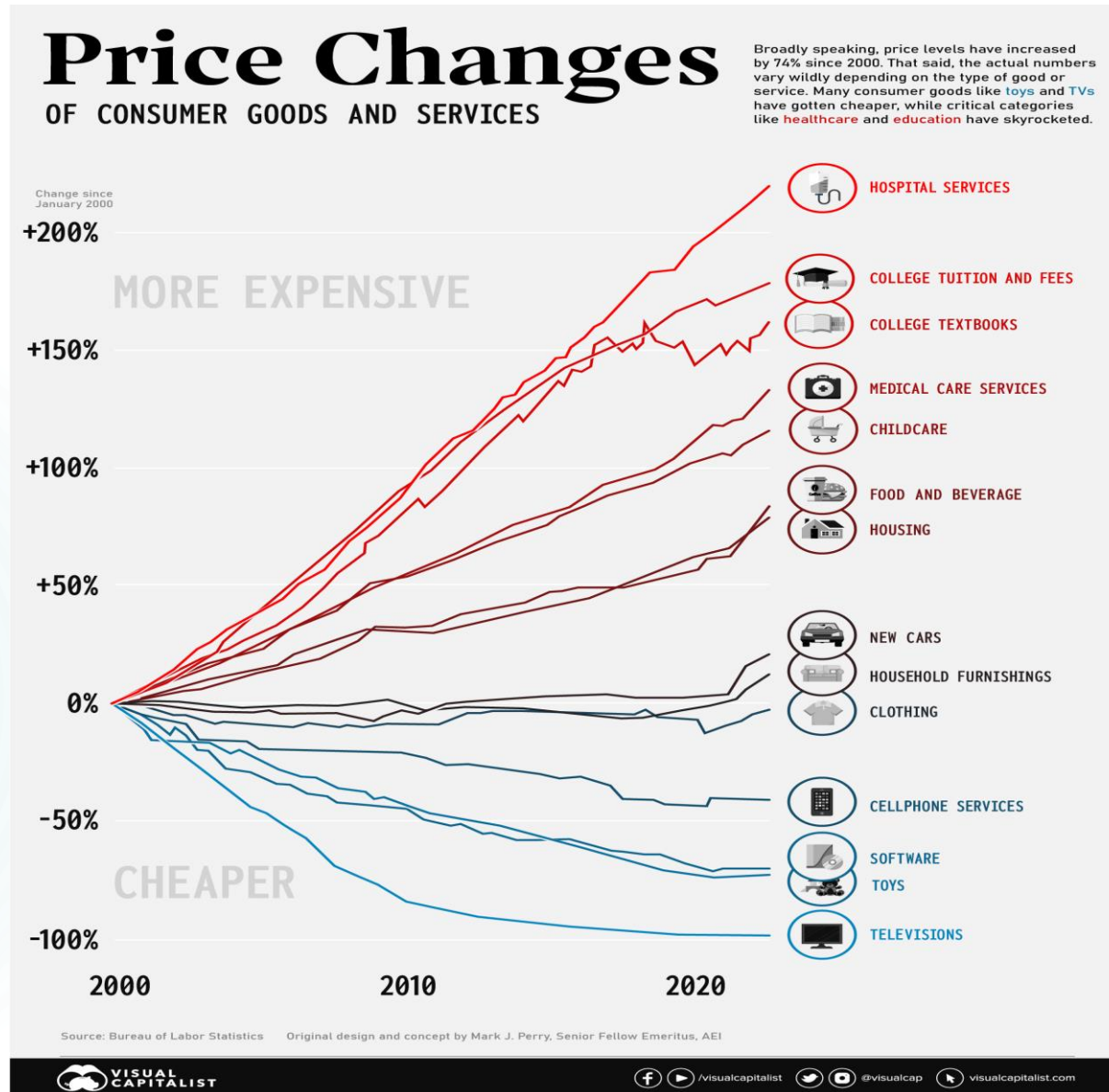
COVID changed the world a bit



Highlighting the chaos



Overhead...a doctor's favorite word



What specifically is driving this?

Increase in labor costs

Increase in medical supplies and medical equipment

Increase in regulatory compliance

Increase in malpractice expense



Just an example of real world

BECKER'S
ORTHOPEDIC REVIEW

How inflation is impacting orthopedics

Orthopedic

Claire Wallace - Thursday, February 15th, 2024

Philadelphia-based Rothman Orthopedic Institute is laying off 5% of its workforce, citing that "Inflation, healthcare labor, and other costs of providing medical care are growing faster than reimbursement for healthcare services."

<https://www.beckersspine.com/orthopedic/58939-how-inflation-is-impacting-orthopedics.html>



Let's not forget revenue

- ▶ **Continued pressure on successfully negotiating with payers**
- ▶ **Continued flat reimbursement of Medicare and Medicaid**
- ▶ **Growth of Medicare Advantage Plans and Medicaid Managed Care**
- ▶ **Growth in “reimbursement games” around coding**



Those who have the gold...make the rules



Let's visit a site to see some growth of the payers

- ▶ <https://www.macrotrends.net/stocks/charts/UNH/unitedhealth-group/stock-price-history>
- ▶ <https://www.macrotrends.net/stocks/charts/CI/cigna-group/stock-price-history#:~:text=The%20Cigna%20Group%2052%2Dweek,last%2052%20weeks%20is%20284.19.>
- ▶ <https://www.macrotrends.net/stocks/charts/HUM/humana/stock-price-history#:~:text=The%20latest%20closing%20stock%20price,above%20the%20current%20share%20price.>



An odd impact that all of us probably face

US healthcare

Majority of debtors to US hospitals now people with health insurance

Analysts say a 'sea change' occurred in the American healthcare system from when only a tenth of debt came from the insured

Jessica Glenza

🐦 @JessicaGlenza

Thu 11 Jan 2024 08.00 EST

“These stories really grind my gears,” said Szaflarski. “The idea of patient responsibility” - those deductibles and coinsurance requirements - “was not an idea created by healthcare providers. They were vehicles created by payers,” referring to insurers.

“Obamacare” plans - that is insurance plans people buy as individuals on state exchanges - are notorious for such high deductibles. Federal regulations allow insurers on state exchanges to charge an individual as much as \$9,450 out of pocket in 2024 - *not including* monthly payments called premiums. That limit is predicted to **grow to \$14,100 by 2030**. And because healthcare costs are rising faster than wages, those expenses are predicted to eat up an ever-larger share of Americans' paychecks.



It's not just the private carriers...

Alabama Medicare: 99213				
Year	2000	2010	2020	2024
Non-Facility Allowable	\$ 43.79	\$ 63.68	\$ 71.06	\$ 82.30
Facility Allowable	\$ 31.66	\$ 47.62	\$ 49.88	\$ 60.39



Where is this chaos taking us (or has taken us)?



First question...is the independent physician becoming an endangered species?



General impression that feels “right”

How would you rate the state of independent healthcare practitioners as a whole in the United States today?



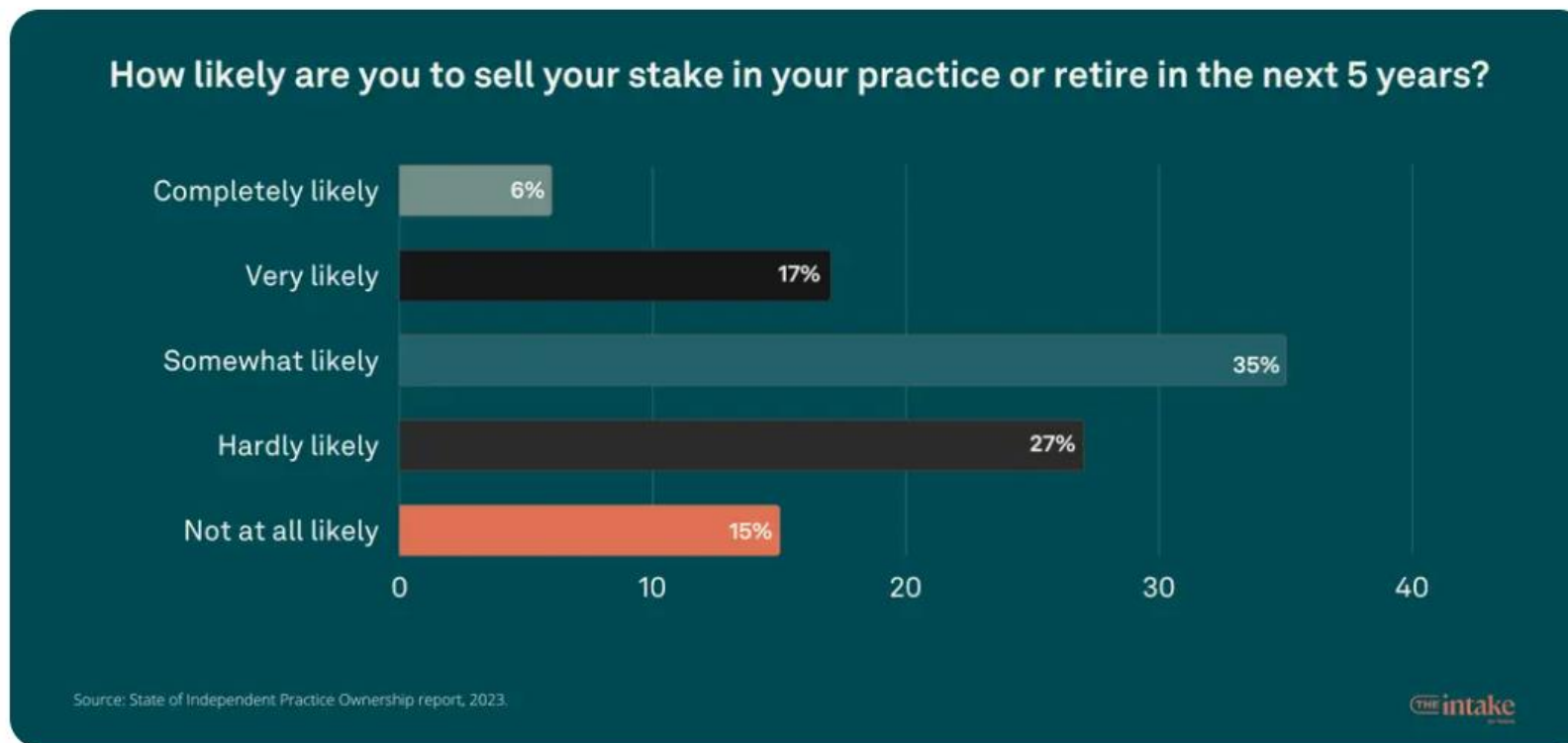
Source: State of Independent Practice Ownership report, 2023.

the intake

More than a third of independent practice owners say the state of the industry is terrible or poor.



Feels right too...



Majority of practice owners say it's at least somewhat likely they'll sell their stake in the practice.



An intermission moment to discuss local alignments

Practice ownership

The most dramatic shift over the last 10 years has been in practice ownership. Between 2012 and 2022 the share of physicians working in private practices fell by 13 percentage points from 60.1% to 46.7%. In contrast, the share of physicians working in hospitals as direct employees or contractors increased from 5.6% to 9.6% between 2012 and 2022. The share of physicians working in practices at least partially owned by a hospital or health system increased from 23.4% to 31.3% between 2012 and 2022. In 2022, 4.5% of physicians worked in a practice owned by a private equity group, similar to the percentage in 2020 when the AMA first added private equity to the analysis.

<https://www.ama-assn.org/press-center/press-releases/ama-examines-decade-change-physician-practice-ownership-and#:~:text=Practice%20ownership,-The%20most%20dramatic&text=The%20share%20of%20physicians%20working%20in%20practices%20at%20least%20partial ly,31.3%25%20between%202012%20and%202022.>



Goal: Serving the Community



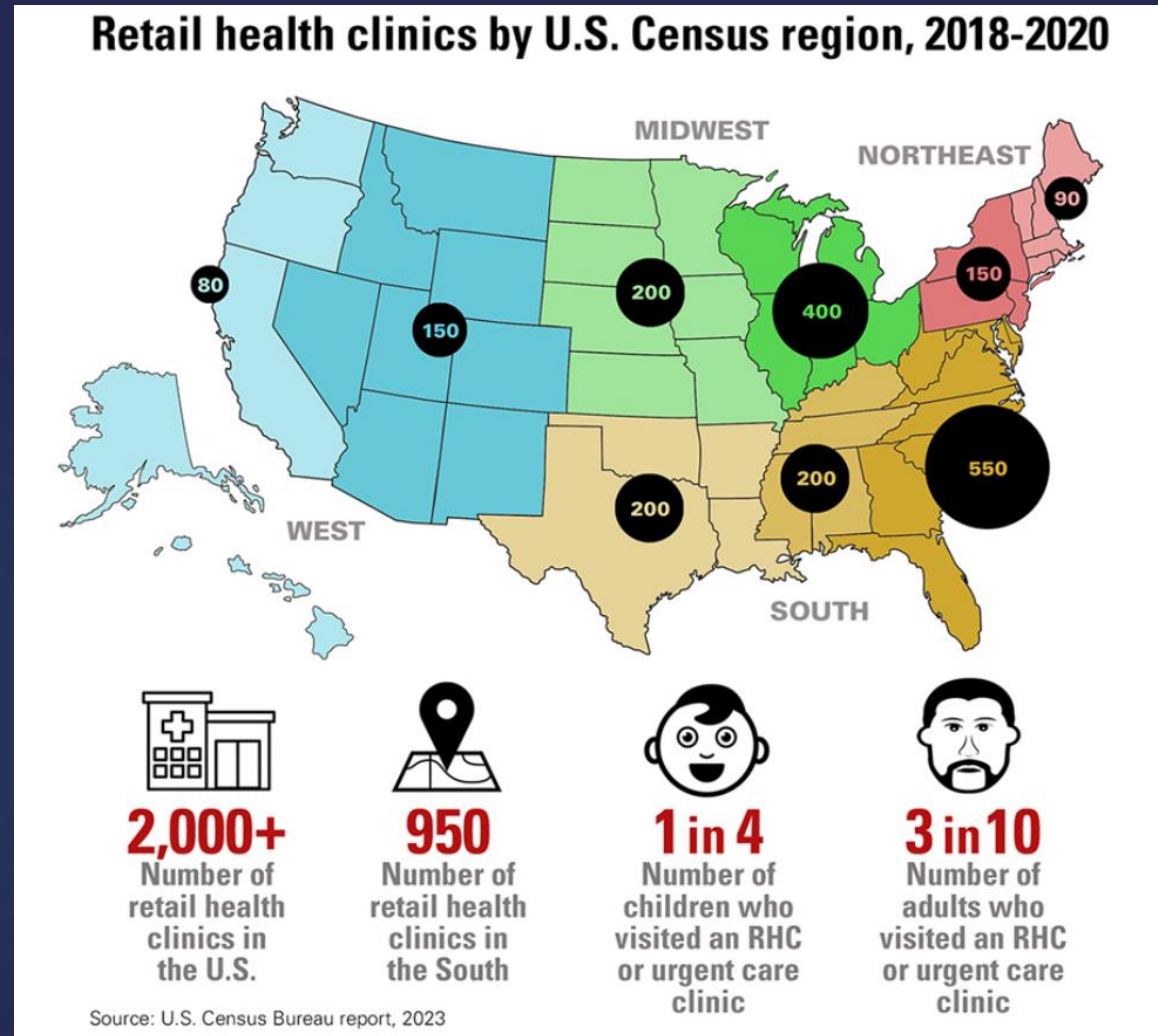
So where is the chaos?



Corporate America → Chaos



Let's start at our local pharmacy and grocery store



Kroger (#3 behind Walmart and Costco)

Kroger Eyes Opportunities In Senior-Focused Primary Care, Rolls Out Service In Atlanta Clinics

December 14, 2023 - Kroger is piloting value-based primary care clinics as it joins a growing list of retailers looking to cash in on the booming sector of senior-focused medical care.

The grocery chain has teamed up with Better Health Group, a provider network, to shift some of its in-store clinics, called The Little Clinic, into primary care centers for seniors, in addition to offering regular services.

Better Health Group is rolling out the value-based model at eight of Kroger's Atlanta-area stores.



Yes, Walmart is # 1

Dive Brief:

- Walmart plans to expand its network of medical centers in 2024, including a launch into two new states, as retail health giants race to build out their primary care footprints.
- The company announced Thursday it plans to open 28 new Walmart Health centers in 2024, bringing its number of total locations to more than 75.
- Walmart Health will open clinics in Missouri and Arizona for the first time, while deepening its presence in Texas by expanding in the Dallas area and growing into Houston, according to the announcement.

<https://www.healthcarelive.com/news/walmart-health-plans-double-medical-centers-in-2024/643922/#:~:text=Now%2C%20Walmart%20Health%20has%20grown,by%20the%20fall%20of%202023.>

Walmart  Health

Services ▾

Providers

Locations

Patient Portal ▾

Medical services and treatments

Primary Care

- Annual Checkup
- Medicare Wellness Visit
- Sports, School or Camp Physical
- Well-woman Visit
- Back Pain
- Medication Refill
- Chronic Care Management
- Pre-employment Physical
- TB Screening
- Allergy Symptoms
- Birth Control
- Hypertension

Sick or Injury Visit

- Cold or Flu
- UTI
- Rash
- Stomach Pain
- Headaches
- Cuts
- Fever
- Injury

www.walmarthealth.com

Here's something crazy to consider

LIST OF ACQUISITIONS BY CVS

- 1969: CVS acquired by Melville Corporation
- 1988: Heartland Drug (Boston area pharmacy chain)
- 1990: 500 Peoples Drug stores from Melville Corporation
- 1997: Over 2,500 Revco drug stores
- 1998: 207 stores from Arbor Drugs
- 2000: Stadtlander pharmacy (specialty pharmacy company)
- 2004: 1,268 Eckerd drug stores and Eckerd's PBM/mail-order business from JCPenney
- 2006: 700 freestanding drug stores from Albertsons (Osco and Sav-On stores)
- 2006: MinuteClinic
- 2007: CVS and Caremark Rx merged to form CVS Caremark
- 2008: 541 Longs Drug stores
- 2014: Coram specialty infusion services
- 2014: 33 Navarro Discount Pharmacies
- 2015: Omnicare long-term care pharmacy services
- 2015: Target's 1,600+ pharmacies
- 2017: Aetna (completed 2018)
- 2022: Signify Health
- 2023: Oak Street Health

<https://www.historyoasis.com/post/cvs-health-acquisitions>



Simplicity of Amazon

one medical



Stay healthy at the speed of Prime

Now Amazon Prime members can add a One Medical membership for only \$9/month or \$99/year.*

Get started on Amazon

[*Purchase terms apply.](#)

Already a One Medical member? [Follow these steps](#) to apply the Amazon Prime savings.

Have a sponsored membership? [Click here.](#)



What's the point? Moving upstream...



...controlling the resource



And Private Equity? Why are they in the space?

- ▶ **Fragmented Market**
- ▶ **Steady Demand as population is aging**
- ▶ **Technology Advancements and providers inability to afford investment**
- ▶ **Money...financial incentives of a positive return on investment**



Rising prices or improved negotiations with size?

BUSINESS

Private equity investors raising U.S. medical prices, study says

Researchers examined the effects of private equity firms buying up physician practices



By [Peter Whoriskey](#)

July 10, 2023 at 12:08 p.m. EDT

<https://www.washingtonpost.com/business/2023/07/10/private-equity-raising-prices-doctors-practices-private-equity-doctors/>



Is this a ruse? Are we asking the right question?

How long does a Private Equity Group wait before selling your Company again?

The time between a private equity group (PEG) buying a business and selling it again is typically referred to as the holding period. Most people think of a private equity holding period as between 3 and 5 years, given that a PEG typically has limited partners (investors) who want to see their money returned to them, with capital appreciation, and within a reasonable period of time.



The question is: Who is the buyer?



Disclaimer: This may be a bit anecdotal



Hmmmm...

The UnitedHealth Group subsidiary

The UnitedHealth Group subsidiary is the largest employer of physicians in the United States and has acquired several practices over the past year. Optum has more than 4 million patients in fully accountable care arrangements, which is expected to grow to 5 million by the end of 2024, Dr. Desai said. Nov 29, 2023



Becker's Hospital Review

<https://www.beckershospitalreview.com> › optum-added-... ⋮

[Optum now has 90,000 physicians - Becker's Hospital Review](#)

During a presentation at UnitedHealth Group's 2023 investor conference on Nov. 29, Dr. Desai said Optum has nearly 90,000 employed or affiliated physicians and another 40,000 advanced practice clinicians serving tens of millions of people.

<https://www.beckershospitalreview.com/legal-regulatory-issues/optum-added-nearly-20-000-physicians-in-2023.html#:~:text=The%20UnitedHealth%20Group%20subsidiary%20is,Desai%20said>



Connecting the dots

"Our data suggests that private equity has now entered into nearly every field and industry in health care, most recently in behavioral health and primary care, particularly those that participate in value-based payment arrangements."

- Jane M Zhu, MD, MPP, MSHP
Oregon Health and Science University

<https://nihcm.org/publications/the-growth-of-private-equity-in-us-health-care-impact-and-outlook>

Optum Health, the company's healthcare services subsidiary, served more than 4 million patients in value-based arrangements in 2023. UnitedHealth Group expects that number to grow by 750,000 in 2024. Optum Health's revenues grew by 34 percent to \$47 billion.

<https://healthpayerintelligence.com/news/unitedhealth-group-saw-revenue-and-enrollment-growth-in-2023>



How do we survive?



Learn and Adopt Value Based Care



Join a local ACO or CIN...if it doesn't exist, be a trailblazer



Use analytics within your system more effectively. Identify the high risk patients and devise intervention plans



Direct contracting with payers for population health management



Focus on Technology



Improve communication pathways with convenience



Telehealth --- it's not just a COVID solution



Remote patient monitoring



Emphasize operational efficiencies



Seems simple but this is a typical area of problems for practices



Another key area for utilizing analytical tools to make processes more efficient...i.e. What are your top 5 denials? What is done to correct this DEFICIENCY?



What technology has been shared with patients? Can they self schedule? Can they do credit card on file? Can they communicate questions (regardless of reason) via texting or email with the portal? Can they check in online?



Lean into consumerism – what is the patient experience?



Are your patients satisfied? Have you asked?



Does your patient want to be involved in their care?
Have you asked?



What does your patient expect? Have you asked?



Engagement is the key within this framework.



Be different – Specialize and Niche in areas



When you are part of the crowd...you have to stick out



What services make you unique? Can you capitalize on these services and do them BETTER or CHEAPER than others without sacrificing quality and profitability?



Are there unique certifications that your providers could apply for? Rising above the others with the certifications can create a niche experience for your patients.



Be Adaptive – Engage and Empower Yourself



Stay up to date on as many areas as possible



Engage with colleagues and peers to share knowledge and experiences



Sign up for “news” in all facets of the industry...tidbits and headlines can be excellent resources to stimulate seeking the deeper knowledge



Alignment – Strategic Partnerships

Are there others in your community who want to come together?

Are there others in your specialty that want to come together?

Are there employers in your community who want to work directly with providers?

Can you position your practice for value-based/risk type models with local employers?

Who is your biggest threat? How do you find strategic solutions to minimize this?



What about Hybrid Survival?



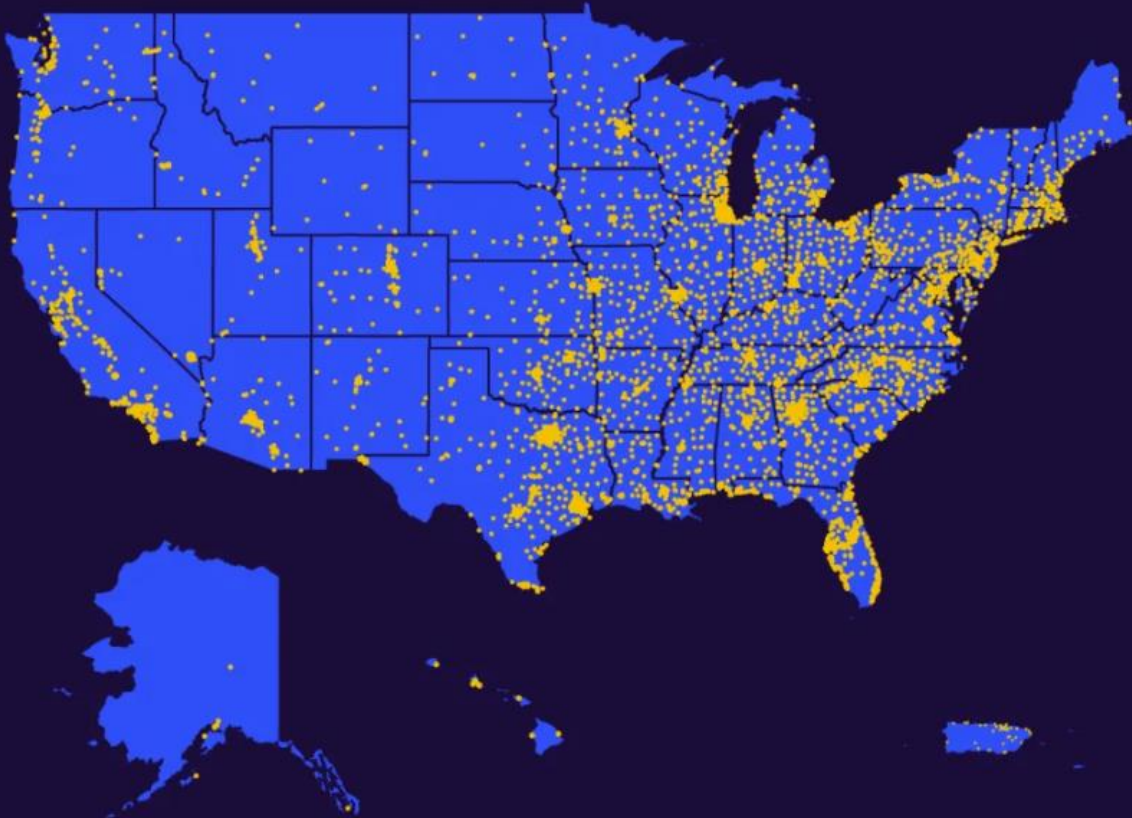
Cam, how might this strategy look?



If we have time...some validation of thoughts

THE UNITED STATES OF WALMARTS

Walmart runs 4,703 locations in the U.S. The retail behemoth continues to leverage its footprint while also evolving for the e-commerce age.



<https://www.cnn.com/videos/business/2024/02/22/walmart-mammogram-healthcare-cprog-af-orig.cnn>

YAHOO!
FINANCE

SOURCE: STORE WEBSITE





Thank you!

Cameron Cox, III, MHA, FACMPE

(919) 368-0741

cam@e3c3consulting.com

www.e3c3consulting.com