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Exploring Employment Models for Gastroenterologists: Which Is Right for You?

Dr. Buch:
There are a variety of employment models available for gastroenterologists today. Mega-groups in gastroenterology and acquisition of practices by private equity is increasingly part of the landscape.

Welcome to *GI Insights*. This is your host, Dr. Peter Buch. Here to sort out this situation is Dr. John Allen. Dr. Allen is Clinical Professor of Medicine at the University of Michigan School of Medicine. He is also the Chief Clinical Officer at the University of Michigan Medical Group and AGA Board Secretary Tressure. Also editor and chief of GI and Hepatology News. Dr. Allen, thanks so very much for joining us, here today.

Dr. Allen:
Thank you.

Dr. Buch:
The practice models have dramatically changed since we both completed our fellowships. What would you tell a GI fellow about the prospect of starting out in a small or medium-sized practice in 2021?

Dr. Allen:
Peter, that's a great question. And you were right in your introductory remarks: the landscape is definitely changing. The odds of entering a small group practice and remaining in a small group practice is diminishing. And even medium-sized practices are also disappearing through consolidation and acquisition. I recently had conversations with a Yale GI fellow who went into practice in a medium-sized group and elected not to go into practice in a large private equity-backed group and 6 months after she joined, the group was acquired by that private equity group. So this is a very, very rapidly changing field and private equity is coming in, hospital systems are buying practices; Optum, which is a subsidiary of UnitedHealth Group is also buying practices, including GI. So this is a changing landscape.

Dr. Buch:
As a follow-up for that question, are there certain areas of the country more hospitable to small or medium-sized private practices?

Dr. Allen:
Most urban centers have gone through waves of consolidation. So the odds of finding a small practice in an urban or metropolitan area is really fairly low. In rural areas, it's still definitely possible and I also don't wanna discount the fact that there's some really high-quality solo practices and small group practices out there that are highly efficient, very patient-centric, but it takes finding one and that's difficult. The regulatory environment, the relentless uptick of labor costs and equipment costs are all driving small practices into some sort of consolidation or association. But they still are out there; there's still opportunities.

Dr. Buch:
So as a follow-up question for that and just referring to the GI fellow from Yale, what advice would you give to that young individual looking to join a small or medium group in gastroenterology and just say that they'll be able to stay there for more than just a few years?

Dr. Allen:
I would give them advice that this is still a wonderful field to go into. The business model within a practice does not have to affect your own professional satisfaction or your patient relationships. I think you have to be ready for a change in the business model and be open to that. If you're absolutely wedded to one business model, that honestly may change in the next 3, 5, 10 years. But there's still

wonderful opportunities out there and it's still a great field to go into, no matter what the size.

Dr. Buch:
So, next question, Dr. Allen: what will value-based reimbursement mean for our practices?

Dr. Allen:
Yeah, that's a really good question and a very complex question and I'm gonna try to answer it as simply as possible. If you look from a health system standpoint, and I work closely with two health systems, one is Michigan Medicine and the other is a large health system based in the twin cities of Minnesota and both entities are heading into value-based reimbursement at a health system level. Just to give an example: Michigan Medicine has about 60 commercial Medicaid and Medicare advantage contracts and plans, as opposed to about 14 to 16, and those plans are not related to any sort of quality metrics, 14 to 16 plans are linked in some way to value-based payments and that's increasing.

Alina, which is the other hospital system has about 13 plans that are linked to value-based reimbursement and most of those include two-sided risk. However, if you're working as a gastroenterologist within those systems, you're still, for the most part, working on a fee-for-service model. So it doesn't directly affect you, except for perhaps, some more scrutiny in terms of utilization.

I think a bigger issue is there are commercial companies that are developing that are positioning themselves to contract with large employers; for example, multi-state employers and they are developing to provide frontline and often virtual gastroenterology care and then secondarily contracting with local providers to provide services like hospitalization and procedures and things like that. So I think those two areas are not only coming but they're here now and will affect our practice of gastroenterology.

We tried to do bundle payments, for example, around colonoscopy, and there are few examples, one in New jersey, that I know of, one in Pennsylvania, but those are really rare. We just have not been able to crack into a free-pay bundled arrangement with any sort of major payer again with rare exception.

Dr. Buch:
For those of you just joining us, this is *GI Insights* on ReachMD. I'm Dr. Peter Buch and joining us to talk about GI practice models is Dr. John Allen.

So, let's talk about this: what are the advantages and disadvantages of a practice being acquired by a hospital system?

Dr. Allen:
So, if a practice is acquired by a hospital system, first of all, your business pretty much has to be confined to that hospital system going in. If you're a large practice, like I was at Minnesota Gastroenterology, we covered 4 or 5 different health systems and at least 2 or 3 times in the history, a health system came to us and said, you know, "Carve out 8 to 10 gastroenterologists and come work for us." That just didn't work for our practice model. But if you're a smaller practice that works exclusively within a health system, being acquired by a health system can be a positive. They certainly have deeper pockets and greater capitalization, so that would be an advantage. Plus, you have a ready referral system that is quite good, for everything from routine gastroenterology up to the highest intensity in interventional endoscopy.

The downside is that you will have to meet productivity targets, financial targets, your practice structure may be different than you would like. They may have advance practice providers, Nurse Practitioners, and PAs primarily see a lot of patients and that may be uncomfortable for some. So it's really a mixed bag. But there are some very successful and very professionally satisfying venues when you're working for health system.

It also depends, of course, on the quality of the health system and its financial stability and whether it's looking to merge with another health system, for example. All of those things are quite regional in their influences.

Dr. Buch:
So let's now move on to private equity acquisition of practices. What are the pros and cons of being acquired by private equity?

Dr. Allen:
So the advantages are they bring in a lot of professional expertise, management expertise, they offload all kinds of things like billing and coding, human resources, hiring and firing personnel, so there are a lot of advantages there and they too have pretty deep pockets. But it is different. Private equity is a financial model, and you have to realize that when a private equity group acquires a practice, it's doing so with the expectation of a fairly significant annual return, 20, 30%. And the only way to do that is to increase revenue or decrease overhead.

So increasing revenue, for example, they might acquire 4 or 5 or 6 practices and then roll them up into a single tax-identification number

and use that as the reimbursement basis for a payor. In terms of additional revenue, they can bring in new clinical service lines, whether it's capsule endoscopy or anesthesia or pathology or other things like that, and those are really very good. What concerns me a little bit is there have been statements out there that this model is great to be regionally dominant, so you can negotiate with payors and it increases the power of practices and particularly preventing other practices from entering a market. Well, those are all very close to anti-trust statements and you have to be careful. If you're leading with a statement that we're doing this to provide a single basis for the electronic medical record so we can do quality improvement and patient-focused things, it's much better to lead with that type of promise and not so much a financial promise.

The pros of being acquired by a private equity, if you're a senior partner, are that you get a cash payout up front and then when the practice is again sold, you get a further cash payout. You are working for a discount compared to what you might earn before the acquisition and that's used to fund the management and fund the management company, but it's that cash payout that is one of the great advantages that is being taken care of.

To get back to your original question, the cons about this are again this is a financially-driven model where productivity is really emphasized and you have really lost control in terms of hiring and firing, your practice structure, perhaps, there are pressures to be highly-productive and, in some cases, that might alter your clinical decisions; that's one of the downsides of a private equity acquisition.

Dr. Buch:
Let me ask you this, in terms of finances, aren't there limitations about how much we can have profitability year after year after year in a gastroenterology practice without working 24 hours a day and stressing out all of our employees?

Dr. Allen:
You've hit the nail on the head, Peter. And not only that, but either cutting support or shifting practices to a lower-paid licensed professional like a Nurse Practitioner or a Physician's Assistant. One of the things about gastroenterology practices really in the last 5 to 10 years is there's still a number that are relatively small, not particularly well-managed and so accumulating those, at least in that first acquisition phase, you can really strip out a lot of expenses by economies of scale and centralization of a lot of processes. I mean, think of pre-authorization for example. It's really, once that's done, you know, how much more can you strip out for that second sale? And again, we haven't seen a second sale yet, so I think that that's something that we will watch closely.

Dr. Buch:
And ultimately, what it comes down to as your pairing away costs and expenses and stretching out your staff, quality is gonna be ultimately on the line and can you comment about that?

Dr. Allen:
I would answer in two ways. First of all, yes, if you're sacrificing quality for cost, I think that's certainly a danger. But the other thing is with accumulation of a whole number of practices onto a single EMR platform, it gives you the opportunity to do some really deep quality analysis, some analytics. Think about adenoma detection rate, which is probably the most common thing we measure, all of a sudden, you're able to measure across, you know, 5, 600 gastroenterologists and really develop some excellent educational materials to really bring those low adenoma detection rate physicians up to par. So I think the opportunity for quality improvement is certainly there. Doing predictive analysis, you know, we have SonarMD, for example, which is a predictive model for inflammatory bowel disease in getting in complications, implementing those type of programs can really help alert you to patients' needs in ways that we couldn't do in a small practice as much. So I think there are a lot of opportunities to improve quality but if the major focus is cost-reduction and increasing productivity, then the danger is that quality might slip.

Dr. Buch:
And all of these discussion points are perfect segue to my next question. What would you say to the most junior of gastroenterologists whose practice is about to be acquired by private equity?

Dr. Allen:
Number one, hopefully in your contract, you have prepared for that eventuality because it's a very common scenario. I would sit down in your partners meeting and really start expressing some of the fears, you know, what is this gonna mean for my life, what is it gonna mean for my productivity, what does this mean for my support staff, and really be clear about what you want as well.

But again, as with anything, whether you're in academics or a health system, or a private equity, there are wonderful practices out there and, you know, if you can negotiate, if you can express what's important to you, you can achieve that, so I think that I would not fear it. I would simply be very up front, talk it through with your partners and there's some practices that have walked away from private equity deals because of just these types of fears.

But again, I just wanna say that no matter what your business model is, the field of gastroenterology is still quite exciting, the ability to

bring in new technology and different service lines is there and is really a great opportunity with, you know, a capital-backed practice, so I would be very optimistic, frankly, and keep that attitude.

Dr. Buch:
Before we conclude, what message would you like to share with our audience today?

Dr. Allen:
You know, I'm coming to the end of my career, I started as a gastroenterologist in 1980, that's when I started my fellowship and I have taken a very eclectic path through the VA, through small group, through large group, private practice, to academic centers, the fact is that if you stay in there and are truly honest with yourself about what you want, it is achievable. Gastroenterology is a wide-open field that is still very well-supported and compensated, and it remains exciting. We are on the front lines of a lot of technology. It's just really a wonderful field and with all the noise going on out there, whether it's political or financial, you can work your way through that and still have a tremendously satisfying professional life.

Dr. Buch:
Amen. That's all the time we have for today. I wanna thank Dr. Allen for sharing his expertise with us.

Dr. Allen:
Thank you very much, Peter. I appreciate it.

Dr. Buch:
For ReachMD, I'm Dr. Peter Buch. To access this episode, as well as others from this series, visit ReachMD.com/GIInsights, where you can Be Part of the Knowledge. Looking forward to learning with you the next time. Thanks for listening.