

PHYSICIAN SUPPORT ORGANIZATIONS (PSO) FOR COMMUNITY HOSPITALS

ASSUMPTION

All business and financial arrangements between hospitals and physicians will affect, positively or negatively, the personal relationships between hospital management and physicians, including the physicians who are not a part of the business or financial arrangements. Therefore, at some point the hospital needs to level the playing field by offering appropriate, but not necessarily the same, helps to all staff physicians.

RATIONAL

There is a demonstrated need among physicians for an avenue through which the practice owners have access to qualified support services to assist in the operation of their practices. The viability of such services has been evident for years, but the willingness of physicians and hospitals to recognize such need and be willing to pay for such services is just now emerging.

Currently, many physicians are being forced to consider whether their practices can survive in the present and future healthcare environment. Many are not sure where to turn for help and are considering mergers, or the sale of their practice to health systems or larger practices, in order to avoid future financial risk and/or avoid continued management of their practice. **Many physicians are confused about how to effectively manage a practice and are looking for objective, knowledgeable advice.** Physicians who choose to retain their practices need new methods of management and access to quality practice services and products if they are to compete successfully.

Additionally, many community hospitals are finding that they must be in a position to employ physicians as many young physicians do not want to manage their own practice; or the hospital may need to arrange a period of employment or a contract guarantee as a funding mechanism to attract physicians to the community. Additionally, some physicians who have a mature practice may tire of the constant need to manage and fund their practice and may look to the local hospital to purchase their practice. Also, physicians who want to begin to develop a strategy to retire may want the hospital to assist in that process by purchasing their practice several years before they are ready to retire and have the hospital hire a replacement physician to take over the practice

Such arrangements require the hospital be involved in the operational and financial aspects of practices and must apply management processes to the practices they are funding. The services and products needed for such management can be provided through a PSO.

Offering a wide variety of services needed by medical practices, through a hospital managed Physician Support Organization could provide a continuing source of interaction between the hospital and its staff physicians, and if handled successfully, could cause a deepening and positive relationship between hospital and physicians.

REASONS FOR THE DEVELOPMENT OF A PSO ARE:

- Physicians need such services and products and, in smaller communities, such services can be hard to find.
- Physicians do not have much time to look for such services and may not have the business experience necessary to make informed decisions about the appropriateness of such products and services for their practice.
- Hospitals need to find ways to enhance their relationships with their staff physicians and build additional lines of communication and mutual trust.
- Hospitals who manage medical practices need such products and services.
- There is rising demand among physicians to consider outsourcing needed services, particularly where experienced staff is hard to find.

- If needed services and products are not made available by the community hospital, staff physicians may look to nearby regional hospitals to provide such.
- Such services and products, available under the umbrella of a PSO would be an asset in recruiting new physicians to the area and may keep staff physicians from relocating.
- Such services and products may be the difference between some practices surviving or not.
- The pooling of the purchases of such services should provide cost savings over the normal cost to individual practices.

MISSION

The mission of the PSO is to deliver a wide variety of quality business, administrative, regulatory and financial services to staff physicians who own and manage medical practices or for hospital departments who are involved in the ownership/management of medical practices. The primary focus is to provide services that enhance the ability of the practices to provide quality health services and maximize net revenue. Additionally, the interaction required between hospital/PSO and physicians to exchange such services should create an environment conducive for enhanced professional relations between the hospital and physicians.

SERVICES NEEDED BY PHYSICIANS AND HOSPITALS WHO OWN OR MANAGE PRACTICES

- Accounts Receivable Billing and Collection
- Payer Contracting/Credentialing
- Creation of Customized Policies and Procedures
- Development of Periodic Financial and Productivity Reports
- Periodic Coding and Documentation Audits
- Creation of Customized Job Descriptions and Performance Evaluations
- Creation of Quality Assurance and Utilization Review Policies
- Strategic Planning
- Personal Financial Planning
- Creation and Maintenance of Compliance Plans
- Creation and Maintenance of OSHA Manual
- Create and Monitor Annual Practice Business Plan
- Practice Management
- Office Cleaning
- Waste Management
- Temporary Staffing
- Practice Consulting
- Group Purchasing
- Facilities Management

METHODOLOGY

Most hospitals or hospital systems, when creating an MSO/PSO desire to develop the services offered “in-house” as executives and managers want to have control over the process and the results.

That is understandable, but many community hospitals do not have the resources to build and maintain a full compliment of services in-house and so do not develop the services needed or give up some autonomy by going to a regional system to have such services available and in doing so expose their physicians to competitive neighbors.

The cost for the creation and maintenance of a PSO can be difficult to afford by a small hospital. The cost to create one from “scratch” can be several million. Most MSOs, or PSOs, are anchored by a practice

billing and management software. Other products and services are generally ancillaries to the billing and managing function.

For the past several years I have been formulating a different approach that can provide the same hospital/physician opportunities as a traditional MSO, without the normal capital and on-going cost of development and maintenance of such services. It requires a whole new approach, which is based in the development of local, regional and national networking relationships with firms that provide the services and products outlined in this report. The keys to success of such a venture are:

- The degree of due diligence applied to the development of the networking relationships,
- The ability of the creator of the PSO to have experience in what constitutes excellence in the services listed here,
- The ability of the creator to negotiate financial discounts for products and services which are passed on to the staff physicians, or hospital.
- The appointment of an appropriate hospital person to oversee the PSO,
- The ability of the hospital employee/manager to be a proper mediator between the physicians and the entities offering services,
- The ability of the PSO manager to continually present the PSO as a positive asset to the physicians,
- Whether the physicians come to rely on the PSO as a trusted avenue for practice management assistance, and;
- An understanding of how to provide such services without running afoul of regulations.

CAUTIONS

1. Negotiating services and products from firms in the community can be complicated by the selection of one provider. In some cases it may be better to not offer the service.
2. Business persons who have influence with the hospital may put undue pressure on the hospital.
3. The person appointed by the hospital to manage the PSO should have no favorites among the vendors.

Needed services can come from several entities:

1. Each hospital has its own unique set of capabilities which may be utilized. Examples may be credentialing, billing, practice management, PRN staffing.
2. The community may have services it can contribute such as financial planning or accounting
3. Regional firms can supply services such as practice consulting or creation of compliance or regulatory manuals
4. Other services, not otherwise available, may be created and offered by the hospital.

PRIORITIES (Phase 1)

1. Develop a core list of services needed by the three types of physicians the hospital serves; those employed, those contracted and the independent physicians.
1. Determine what of the listed services are already available and from what sources.
2. Develop a public relations and marketing plan that displays the services to the appropriate physicians
3. Determine what of the services are needed by the hospital to attract and retain physicians
4. Determine the cost for services which must be offered to certain of the staff physicians on a fair market basis.

SUMMARY

During the past twenty years damage has occurred to communities and hospitals as physicians either left the community or associated with larger area hospitals to get away from the management and financial responsibility of their practice and to facilitate a desire to develop a retirement strategy. Many physicians

have sold their practices to outside hospitals as they see that as the only way they will ever get their invested capital out of their practice at retirement.

A PSO specific to community hospitals can be valuable in strengthening the ties between staff physicians and the hospital. With the advent of ever more complicated regulations that will continually plague physicians, physicians will increasingly look to their local hospital to provide ways to shield them from such difficulties. Without any formalized methodology to provide such services, community hospitals are in danger of losing physicians to larger communities and hospitals that can provide such services. **The cost of replacing needed physicians will be higher than the cost to provide the needed services to keep them.**

David Shipman
Ruiz & Associates

Phone: 816-587-1818
E-mail: dshipman@wehelpclientsucceed.com

Publications related to this topic on website www.practicesupport.com include:

[Physician Management Tools for Physician Retention](#)

[Assist-a-Doc Tools](#)

[Physician Recruitment and Employment - A Complete Reference Guide](#)