

Managing through an Acquisition: Communication Key When Physician Practices Join Larger Organizations

Save to myBoK

By Mark Crawford

Migrating their patient records to an EHR system is not the only challenge physician practices must manage when they are acquired by a larger organization. Good communication is the foundation of all success.

An increasing number of small physician practices are being acquired by hospitals and other healthcare organizations. It is a sign that the business of healthcare is changing.

“Within the last two years the trend seems to be physician practices approaching hospitals and asking to be employed by those hospitals,” says Jan Crocker, director of practice operations for Lakeland Health Care in St. Joseph, MI. “Part of the reason ... is that an increasing number of younger physicians do not want to manage a practice and would prefer to be an employed physician.”

EHRs a Factor Driving Acquisitions

Practices that become part of a larger health system can leverage the strengths of larger organizations. They can offload some personnel issues, such as hiring professional coders, gain benefit in negotiating third-party payer contracts, and receive help in staying compliant with a rapidly changing regulatory environment.

Keeping current with coding regulations is a major part of that benefit. Reimbursement by Medicare and Medicaid for in-patient procedures or services must be coded using the ICD-9-CM code set. But a big change is coming. “By 2013 ICD-9-CM will be updated to ICD-10,” says Crocker, “a significantly different platform or methodology with a definite learning curve.” Getting up to speed on ICD-10 will be much easier for physicians who are employees of hospitals and can rely on the support of professional coding staff, she notes.

There is another elephant in the exam room that is increasingly influencing acquisitions: by becoming part of a larger system, practices get help in selecting, financing, implementing, and maintaining expensive and complex electronic health record (EHR) systems.

Many physicians are interested in the meaningful use EHR incentive program, but even with bonus payments to offset the costs of the technology, joining the program may represent more than many practices can undertake. Even medium-sized practices may lack the time, money, and expertise to implement and manage the systems.

Crocker points to the example of computerized physician order entry, or CPOE, which practices must implement to qualify for the meaningful use program. “Small practices typically don’t have an IT expert on their staff to help with this requirement,” she says. “A hospital, however, already has this in place—by complying with this requirement as employees of the hospital, physicians can still receive a portion of the incentive.”

For other physician practices, acquisition is simply a prudent business decision—a matter of survival. “We have acquired 18 practices over the last three years, mostly smaller practices with three physicians or less,” says Lance Smith, associate compliance and privacy officer for Health Quest Systems, a healthcare system consisting of three hospitals as well as physician practices and urgent care centers in the mid-Hudson River Valley region of New York.

“The practices were all struggling financially, being located in small rural towns with limited growth in patient population,” Smith says. “These clinics are in areas that are served by the hospitals in our system, and Health Quest Systems was looking

to expand its reach and let the public know about the hospitals nearby through these acquisitions.”

No matter the business reason for an acquisition, the transition from independent practice to part of a large organization requires close attention to patient information, an understanding of expectations, and good communication on both sides.

Due Diligence: Reviewing HIM Procedures

Part of the hospital's due diligence before acquiring a practice is conducting a thorough evaluation of the practice's HIM procedures. “Potential big surprises can include incomplete paper medical records, poor diagnoses and procedure coding, including evaluation and management coding, lack of office staff with HIM knowledge, and lack of written policies and procedures regarding authorizations and release of information,” says Crocker. “If auditors find serious problems like unsigned notes, undated entries, or sticky notes in files, steps are immediately put in place to correct these deficiencies.”

Most small practices still use paper records and typically do not have written policies about how to handle medical records. The state of the medical records in small practices can vary drastically from superb to seriously noncompliant—it's not surprising that hospitals sometimes find the physician practices they are evaluating for possible acquisition do not fully meet the standards of HIM documentation. “Forms may not be dated or haven't been signed by the physician, who may be planning to sign them when the patient comes for the next appointment, to save time,” Crocker says. “That is typically forgotten if the patient doesn't return.”

Hospitals may also evaluate a practice's privacy and security procedures. Mary Poulson is regional director of compliance for western regions for MEDNAX Services, Inc. in Englewood, CO. “Some smaller physician practices are just not aware of how to manage health information and continue to store old records in public storage warehouses and throw records into dumpsters,” she says. “However, under the leadership of a larger organization, health information management and other regulatory requirements can be initiated, developed, and implemented via a combined training effort with the new practices and within the necessary time frames.”

Managing Records

Physician practices continue operating with their existing HIM systems until the hospital determines what sort of EHR system to implement.

Once acquired, of course, the goal is to have the physician practice operate under the same system the hospital uses, streamlining the exchange of medical information. “Because these small practices are now under one corporate umbrella, having a system in place that is accessible to all the practices and the hospital makes the transfer of information for treatment much smoother,” Smith says.

A universal system improves the quality of patient care, creates consistent policies and procedures for coding and documenting medical care, helps with regulatory and accreditation compliance, and provides economies of scale for providing HIM support across owned medical practices.

The transfer of information did not happen all at once for the practices acquired by Health Quest Systems. Practices maintained a hybrid record as they were brought online, maintaining active paper records during the transition.

Poulson notes the importance of appointing people from both the hospital and the practice to work together in a respectful manner to ensure a smooth and secure transfer of information.

“Meet not only at the hospital, but also at the practice, so everyone can try and understand each other's environments,” she recommends. Hospitals can provide “cheat sheets” with the names and numbers of hospital staff that physicians and practice staff can call when they have questions.

To make the transition go as smoothly as possible, hospital representatives can be on-site for a period of time to assist with the transition. “We have a specific integration department which places staff on site at the practice for up to a month to help them work through the transition,” Poulson says. “Working with the practice staff in their own environment causes less anxiety and they feel more comfortable moving to new systems in their own environment. It also works well to assign each practice employee a hospital ‘buddy’ that they can call when they have questions or concerns.”

Transferring physician practice records to a hospital EHR system can produce unexpected challenges, especially regarding privacy. “The biggest privacy issue we have seen is when a patient does not want other HQMP clinics to have access to his or her records,” says Smith. “We had that situation when a patient wanted to go to another HQMP clinic for a second opinion, but did not want her primary doctor to know that she went for this second opinion.”

Managing the Relationship

Smooth transitions require understanding on both sides. Problems flare up, for example, if the hospital tries to run the practice’s HIM issues as if they were the same as the hospital’s HIM issues. Documentation and coding requirements differ between hospital and practice settings, and confusion can ensue when either staff lacks basic knowledge of the other’s processes.

For example, outpatient services are reimbursed differently in a hospital setting than in a physician practice; the same words can have different meanings. Crocker uses evaluation and management codes as an example. Physician practices use E&M codes to document patient care. In hospitals, evaluation and management codes pertain to services such as nursing and respiration therapy.

“This is where it is very useful to have personnel who have worked in both hospital and physician practice settings and know the coding practices of both,” Crocker says.

Education and background often differ between hospital and practice staff, and the different level of training can result in miscommunication and misunderstanding. Hospitals require information management staff with specific skill sets, Crocker notes. “They must code diagnoses and procedures and design the flow of medical information through the hospital and comply with regulations and legal requirements regarding medical records.” In most small and mid-sized physician practices, the employees who file reports, pull charts, and code procedures are likely billing staff.

For Poulson, perhaps the biggest surprise is finding that “practices sometimes think they can continue doing everything the way they always have done and continue making decisions like they are a sole proprietorship.”

“Employees of the practice are familiar with their own systems, and the challenge is to win them over to a new system,” she says. “It takes continual communication to make sure they are part of the solutions to problems that arise, that their voices are heard, and that their opinion counts. It’s not as much about managing the information as it is about managing the people. Listen, observe, be respectful, and value everyone’s opinion.”

Mark Crawford (mark.crawford@charter.net) is a freelance writer based in Madison, WI.

Article citation:

Crawford, Mark. "Managing through an Acquisition: Communication Key When Physician Practices Join Larger Organizations" *Journal of AHIMA* 81, no.11 (November 2010): 28-31.

Driving the Power of Knowledge

Copyright 2022 by The American Health Information Management Association. All Rights Reserved.