

September 2022



Physician Independence

"I-N-D-E-P-E-N-D-E-N-T yeah you know what means" -
Independent, Webbie (2008)



About Me

Nikhil Krishnan is a healthcare research analyst, writing about the intersection of healthcare, life sciences, and software. He has a great smile.

He was a senior research analyst at CB Insights, where he built out the healthcare research team. He also authored the weekly CB Insights Digital Health Newsletter, which grew to 90K+ subscribers.

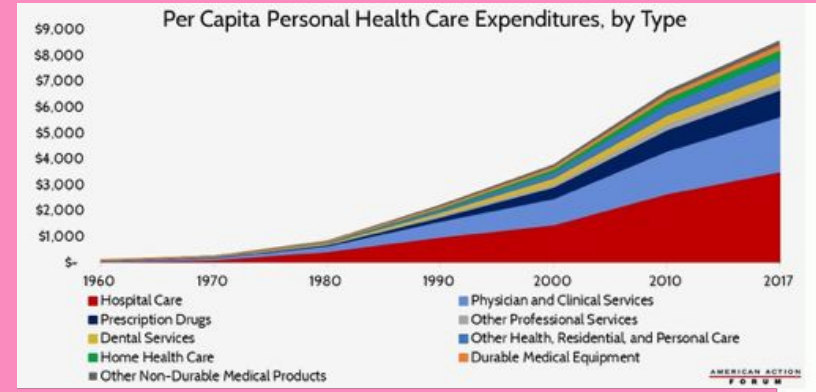
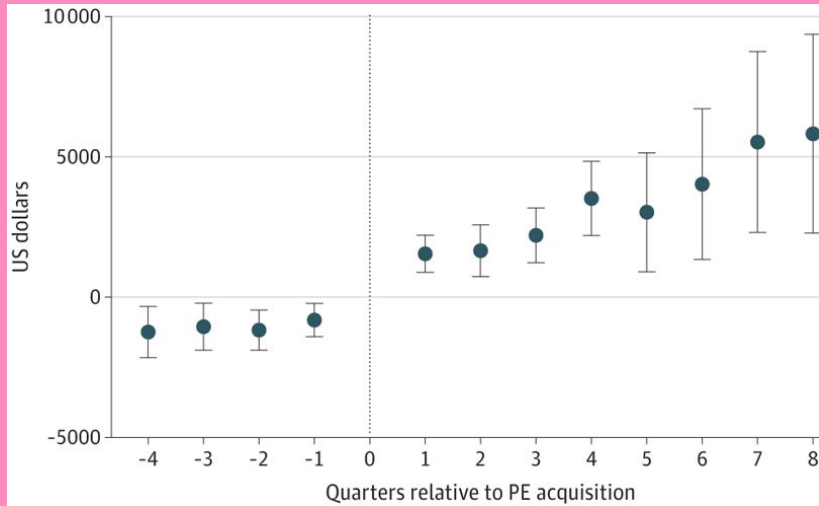
He was also on the Strategic Partnerships team at TrialSpark, a technology company creating a distributed network of clinical trial sites to run faster and more efficient clinical trials.

Currently he writes a healthcare analysis/comedy newsletter called Out-of-Pocket. He is unofficially aiming to be the Guinness World Record holder for most newsletters authored.

Contact: nikhil@outofpocket.health



Hospital care is the highest area of spend in the US and consolidation of hospitals + PE involvement causes prices to increase



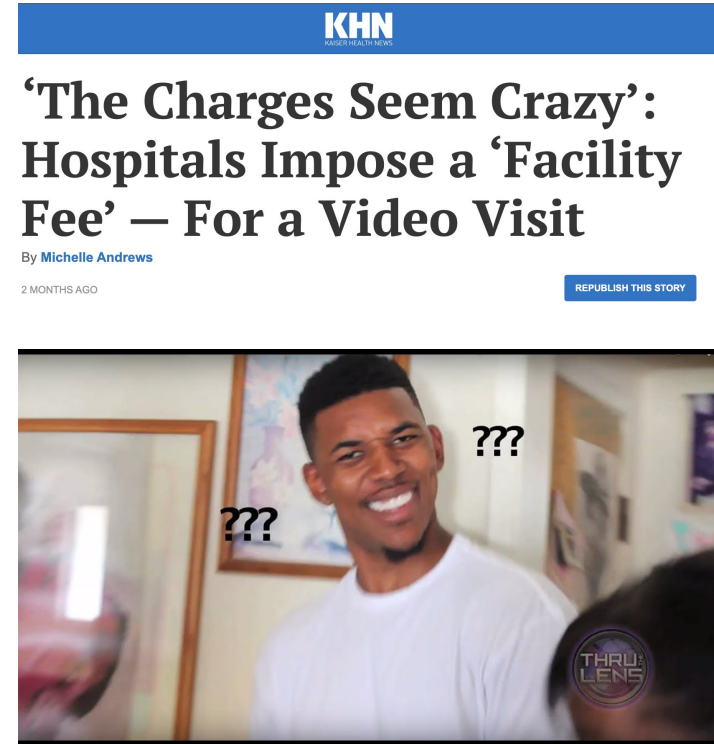
Hospitals will charge a fee for anything if they can

Pat McCabe, senior vice president of finance at Yale New Haven Health System, said he can't explain why Harrison received a notice that she'd be charged a facility fee for a telehealth visit. He speculated that her son's appointment might have been coded incorrectly. Under the new law, he said, the health system hasn't charged any telehealth patients a facility fee.

But such fees are justified, McCabe said.

"It offsets the cost of the software we use to facilitate the telehealth visits, and we do still have to keep the lights on," he said, noting that the providers doing **telehealth visits are on hospital sites that incur heat and power and maintenance charges.**

[Source](#)



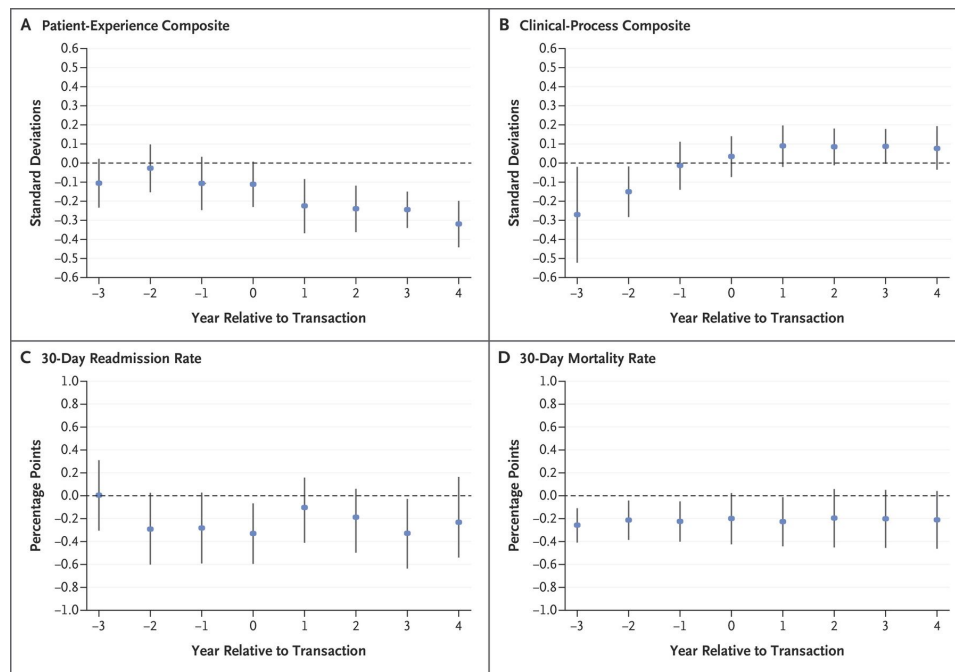
Consolidated hospitals are also worse for patients in most quality scores

Measuring quality metrics of hospitals pre- and post-acquisition shows how quality metrics have fallen across the board + most large fee-for-service hospitals are not willing to move large % of revenue into value-based contracts.

OCT 16, 2019 | MORE ON ACCOUNTABLE CARE

Physician-led accountable care organizations outperform hospital-led counterparts

On average, physician-led ACOs produced almost 7 times the amount of Medicare savings per beneficiary than hospital-led ACOs.



Accountable Care Organizations Are Increasingly Led by Physician Groups Rather Than Hospital Systems

May 14, 2020

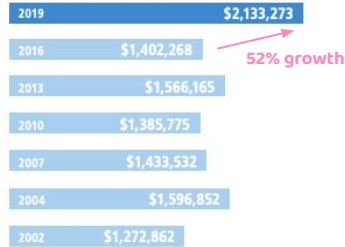
David Muhlestein, PhD, JD, Tianna Tu, BA, Carrie H. Colla, PhD

The American Journal of Managed Care, May 2020, Volume 26, Issue 05

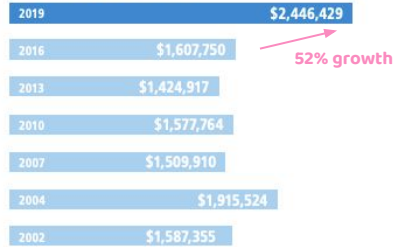
Where is the revenue going? Not physicians

Average annual net revenue generated by physicians for their affiliated hospitals in the previous 12 months

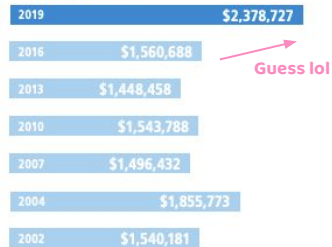
PRIMARY CARE PHYSICIANS



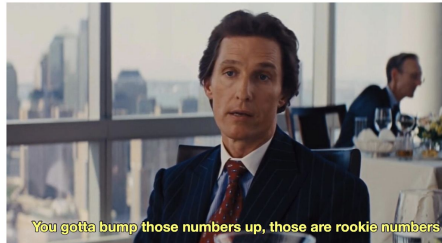
SPECIALIST PHYSICIANS



ALL PHYSICIANS

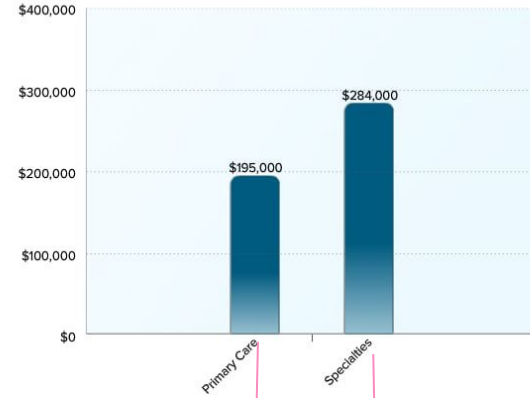


When you do a billion procedures to hit your RVUs and you go to your department head expecting praise, a raise, and a bonus but they have other ideas



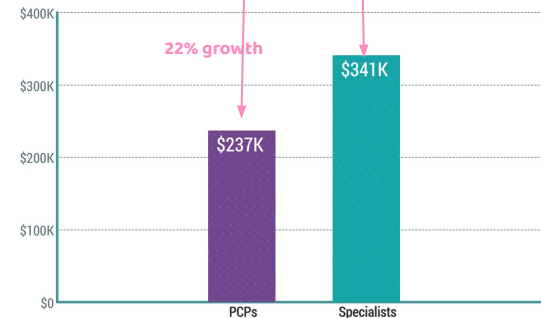
How Much Do Physicians Earn Overall?

2015



How Much Do Physicians Earn Overall?

2019



Physician owners have decreased over time

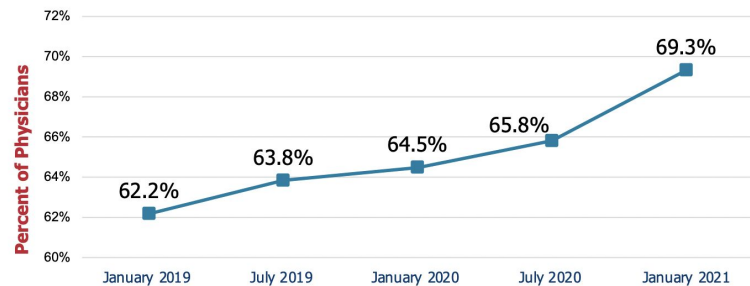
Today more than 2/3rds of physicians work for hospitals or corporate entities

Exhibit 1. Distribution of physicians by employment status and type of practice ¹

	2012	2014	2016	2018
Employment status				
Owner	53.2% ^a	50.8% ^a	47.1%	45.9%
Employee	41.8% ^a	43.0% ^a	47.1%	47.4%
Independent contractor	5.0% ^a	6.2%	5.9%	6.7%
	100%	100%	100%	

National Trends: Nearly Seven in Ten Physicians Employed by Hospitals or Corporate Entities at the End of 2020

PERCENT OF U.S. PHYSICIANS EMPLOYED BY HOSPITALS OR CORPORATE ENTITIES IN 2019-20



- **69%** of physicians were hospital or corporate-employed by January 2021
- Over the two-year study period, the percentage of employed physicians **grew by 12%**

Clinicians under other owners can see their employment change

Wisconsin judge temporarily blocks employees from leaving their hospital jobs

Kevin Reed
© 27 January 2022

Amazon Plans to Shut Amazon Care Service Amid One Medical Overlap

Forbes

DAILY COVER | Dec 16, 2021, 01:37pm EST | 22,725 views

SoftBank-Backed Mental Health Unicorn Cerebral Reneged On Salaries And Health Insurance For Hundreds Of Therapists

Independence and ownership helps physicians feel less burnout

Practice size and practice ownership are big factors when it comes to burnout. Small practices that are clinician owned had way more “zero burnout” clinics.

Non-profit hospital execs thanking frontline physicians for the great job they've been doing and giving a \$5 Dunkin' Donuts gift card



THE PRACTICE OF MEDICINE

EXHIBIT 2

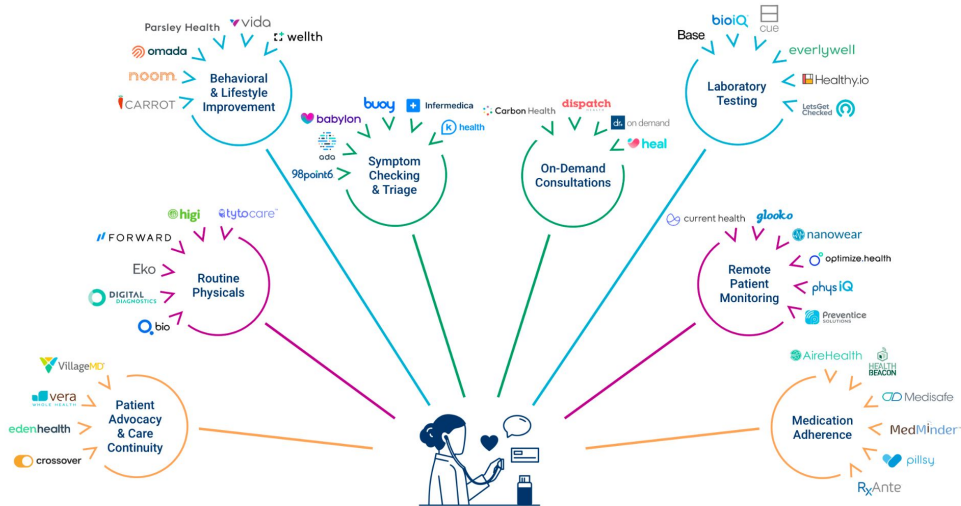
Characteristics of participating EvidenceNOW practices and practice members, 2017

Characteristics	Overall	Zero burnout	High burnout
PRACTICE CHARACTERISTICS			
Number of practices	715	214	94
Practice size (%)			
Solo practice	17.3	30.8	10.6
2-5 clinicians	56.4	53.7	64.9
6-10 clinicians	15.9	7.5	17.0
11 or more clinicians	8.3	4.2	7.4
Practice ownership (%)			
Clinician	40.6	52.8	37.2
Federally qualified health center	18.7	15.4	12.8
Hospital, health system, or HMO	26.3	18.7	37.2
Other ^a	13.1	10.3	12.8
Multispecialty practice (%)	26.4	20.6	24.5

We could see more innovation with more small practices

UNBUNDLING THE FAMILY DOCTOR

Companies targeting primary care



Source: cbinsights.com

CBINSIGHTS

The formation of new practices is good for innovation.

New practices have shorter sales cycles, less complex workflow, and quicker feedback loops, allowing vendors to iterate their product faster.

You can win on user experience and efficiency because the buyer is the user + efficiency gains go directly to their bottom line.

Are the tides turning? Can physician independence make a come back?

Let's discuss

Have hospitals finally lost their appeal?

Surveys of new grads shows that desire to become a hospital employee has flattened and new grads are debating where they want to work

[Source](#)

7.

Which of the following practice settings would you be most open to?

	2021	2019	2017	2014	2011
Hospital Employee	45%	45%	41%	36%	32%
Partner With Another Physician	10%	7%	8%	20%	28%
Single Specialty Group Employee	18%	20%	18%	11%	10%
Multi-Specialty Group Employee	12%	16%	16%	14%	10%
Locum Tenens	1%	2%	2%	2%	1%
Solo	1%	2%	1%	2%	1%
Association	N/A	N/A%	N/A	2%	>1%
HMO	N/A	N/A%	2%	1%	>1%
Urgent Care Center	1%	1%	1%	N/A	N/A
Community Health Center (CHC)	2%	3%	5%	N/A	N/A
Unsure	10%	4%	5%	2%	9%
Other (Student Health, Corporate, etc.)	N/A	N/A	2%	10%	10%

Large hospital negotiating strength is weakening with No Surprises



November 5, 2021



Re: Necessity to amend rate agreement, response needed before November 21, 2021.

Dear Provider:

[REDACTED] is likely aware of the passage of the federal "No Surprises Act" in December of 2020, with an impending effective date of January 1, 2021. Under this law, payments from health plans to out-of-network providers in many circumstances will be set at the "Qualifying Payment Amount" (QPA) which is generally calculated at the median in-network contracted rate for the same or similar specialty within the applicable geographic area. The law applies with respect to out-of-network emergency services, out-of-network professional services at a visit to an in-network facility, and air ambulance services. It applies to our commercial networks (non-Medicare Advantage, non-Medicaid). The QPA paid by health plan to the out-of-network provider constitutes payment in full unless certain limited exceptions apply for a given QPA. These exceptions include express prior patient disclosure and consent, or successful challenge in arbitration.

This new federal law allows a significant change to Blue Cross and Blue Shield of North Carolina's contracting approach with emergency service providers, hospital-based providers, and air ambulance services. Where previous state law could result in an obligation to pay at full charges if no contract is in place, the new law sets reasonable limits on payment at the median in-network rate. Where Blue Cross NC may have previously contracted at what we deemed an inflated rate that is at least somewhat lower than charges in order to avoid paying at full charge, we are now able to seek to contract at a rate more in line with what we consider to be a reasonable, market rate.

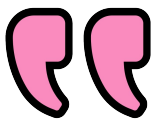
We have identified [REDACTED] as one of our outlier in-network providers with respect to rates. While the exact, final QPAs are not yet available pending upcoming finalization of the Rules to the No Surprises Act, the Interim Final Rules provide enough clarity to warrant a significant reduction in your contracted rate with Blue Cross NC. If we are unable to establish in-network rates more in line with a reasonable, market rate, our plan is to terminate agreements where the resulting out-of-network QPA would reduce medical expenses to the benefit of our customers' overall premiums.

Thanks to the No Surprises Act, hospitals can't push out-of-network bills onto patients and instead will take the median in-network reimbursement for the service in that geography (called the QPA).

This weakens the concepts of networks as a whole + allows small practices to get paid the QPA, which they might not have been able to negotiate up to before.

This levels the negotiating playing ground a bit.

The Tryon vs. Atrium fight



When you're a hospital system, do you think that you are lauded for referring to the hospital across the street? It's essentially a captive referral system, which is why they try and grow bigger and bigger, so they can dominate markets.

We're not going to play that game. We are better at the outpatient side, and that is where 90% of healthcare is practiced. And we're better at it.

-Dr. Dale Owen, Tryon CEO



[Source](#), [Source](#), [Source](#)

90 doctors left Atrium Health simultaneously to form their own practice Tryon Medical Partners after getting out of their non-competes.

90% of patients converted to the new practice.

They now have 11 locations, 105 physicians and 185,000 patients.

Stated goal is to get into VBC as quickly as possible

Supported proposals for reference-based pricing + price transparency in the state

Physicians have leverage, and it's increasing

Signing bonuses to recruit physicians have spiked and the shortage predictions continue to grow

2022 Review of Physician and Advanced Practitioner Recruiting Incentives

15.

Searches Offering
Signing Bonus

	YES	NO
2021/22	2,475 (92%)	220 (8%)
2020/21	1,505 (61%)	953 (39%)
2019/20	2,344 (72%)	907 (28%)
2018/19	2,220 (71%)	911 (29%)
2017/18	2135 (70%)	910 (30%)
2016/17	2,501 (76%)	786 (24%)

16.

Amount of Signing
Bonus Offered
(Physicians only)

	LOW	AVERAGE	HIGH
2021/22	\$5,000	\$31,000	\$400,000
2020/21	\$1,000	\$29,656	\$240,000
2019/20	\$2,500	\$27,893	\$100,000
2018/19	\$3,000	\$32,692	\$225,000
2017/18	\$2,500	\$33,707	\$180,000
2016/17	\$2,500	\$32,636	\$275,000

Projected Physician Shortages by 2034

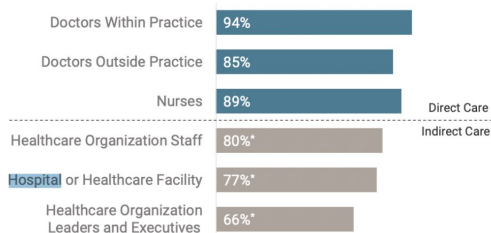
Specialty Area	Shortage Range
Primary Care (e.g. family medicine, general pediatrics, geriatric medicine)	Between 17,800 and 48,000 physicians
Nonprimary care specialties	Between 21,000 and 77,100 physicians
– Surgical specialties (e.g. general surgery, obstetrics and gynecology, orthopedic surgery)	– Between 15,800 and 30,200 physicians
– Medical specialties (e.g. cardiology, oncology, infectious diseases, pulmonology)	– Between 3,800 and 13,400 physicians
– Other specialties (e.g. anesthesiology, neurology, emergency medicine, addiction medicine)	– Between 10,300 and 35,600 physicians

Patients trust their clinicians more than hospitals

Doctors and patients trust clinicians more than other parts of the health care system

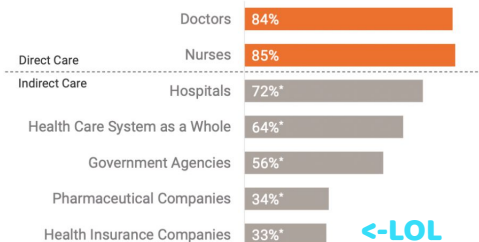
Physicians

For physicians, they trust doctors within their primary place of work and nurses the most compared to other health care entities*



The Public

For the general public, trust is highest for clinicians—doctors (84%) and nurses (85%)*

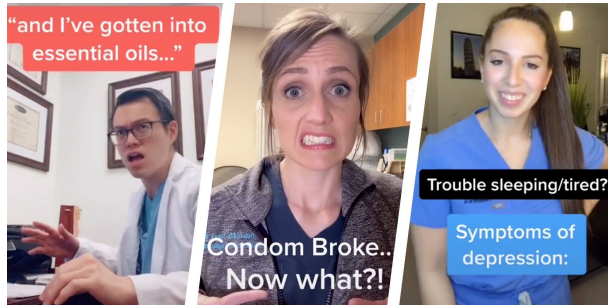
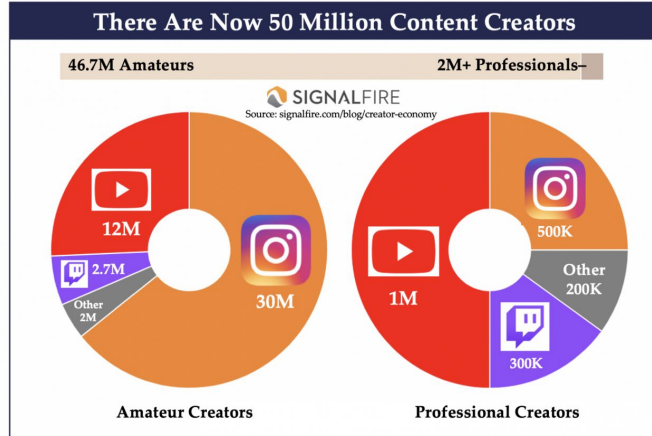


Physician Question: In general, how much do you trust...? (Completely Trust/ Somewhat Trust) General Public Question: In general, how much do you trust ...? (Completely Trust/ Somewhat Trust) * Statistically significant at p<0.05.

Source: The physician survey was fielded using NORC's survey partners to a sample of 600 physicians from January 22, 2021 - February 5, 2021. The general public survey was fielded using NORC's AmeriSpeak panel to a sample of 2,069 adults nationwide from December 29, 2020 - January 26, 2021.

Both clinicians and patients trust other clinicians and front line care delivery professionals more than they trust health organizations and hospitals.

Creator economy is coming to physicians



In other parts of the economy, individuals are becoming great than their parent brands, acquiring customers through different online channels, and building trust. Patient acquisition + new revenue streams (e.g. branded products) could unlock through these channels.

The building blocks are emerging to highlight and guide patients to the right physicians

Who are they?

ribbon

1 Provider Directory

50% of provider directories are incorrect.
How we help:



Real-Time
Updates

Thousands of data
sources for provider
information in real time.



Predictive
Analytics

Algorithms find truth in
messy and noisy
physician information.



Seamless
Integration

JARs and files designed
to be integrated in
minutes, not months, to
get you the data you
need immediately.

Who we work
with

- ✓ Health Insurance
Companies
- ✓ Third-Party
Administrators
- ✓ Digital Doctor
Finders

[Learn More](#)

 **Turquoise Health**

How much are they?

3D Mammogram Screening (TurquoiseHealth)	11203	Search
Filters	142 Results	Sort by distance ▼
<input checked="" type="checkbox"/> Filtering By Service	<input checked="" type="checkbox"/> Learning for Insurance rates of Kingsborough P.C., Kingsborough Jewish Medical Center or 36 other nearby hospitals?	Learn More
<input checked="" type="checkbox"/> Distance Within 100 miles		
<input checked="" type="checkbox"/> Maximum Care Quality		
<input checked="" type="checkbox"/> Price Transparency Rating		
<input checked="" type="checkbox"/> Verified Provider		
NOVICE TRIP 3D Mammogram Screening (TurquoiseHealth)	\$73.00	See All Rates
Estimated Screen Referring Center Center		
1000 York Avenue New York, NY 10008		
0 Miles Away		
NOVICE TRIP 3D Mammogram Screening (TurquoiseHealth)	\$170.85	See All Rates
1000 York Avenue - Kingsborough Medical Center		
400 Calumet Avenue Brooklyn, NY 11205		
1 Mile Away		

Are they good for my issue?

garner



Look under the hood

Our quality metrics will give you greater
visibility into why you should choose a doctor.
We provide the most relevant metrics based on
your search.

Can I get \$ for picking them?



sidecar health

ALL OUR PLANS COME WITH ROBUST COVERAGE

Your Benefit Amount for a Screening Colonoscopy is **\$1,196***

You'll get the same benefit no matter which provider you see. And you can always look up your Benefit
Amount before you get your care.



DOCTOR'S
CASH PRICE:
\$1,196
YOU'LL PAY
\$29



DOCTOR'S
CASH PRICE:
\$1,196
YOU'LL PAY
\$0



DOCTOR'S
CASH PRICE:
\$1,196
YOU'LL KEEP
\$46

Telemedicine-first practices are much lower \$ starting points

The screenshot shows the SimplePractice website's pricing page. It features three main columns for different service plans: Starter, Essential, and Plus. Each column includes a description, a starting price, a 'Start for free' button, a list of features with checkmarks, and a 'Select plan options' link at the bottom. The Starter plan is \$29/mo, the Essential plan is \$69/mo (marked 'Most Popular'), and the Plus plan is \$99/mo. The Plus plan also includes a table of add-on services like insurance claim filing and telehealth.

Plan	Starting At	Key Features	Additional Services
Starter	\$29/mo	Unlimited clients, Paperless intakes, Client portal, Progress notes, Diagnosis and treatment plans, Automated invoicing and billing, Credit card processing, Live customer support, Mobile app.	Telehealth (+\$15/mo)
Essential (Most Popular)	\$69/mo	Everything in Starter, plus: Customizable notes and assessments, Appointment reminders, Secure client messaging, Monarch directory, Professional website, Analytics dashboard.	Insurance claim filing (10 claims included/mo), Wiley Treatment Planner (+\$15/mo), Telehealth (Included)
Plus	\$99/mo	Everything in Essential, plus: Calendar sync, Appointment request widget, Add team members, Add practice managers (\$39/mo per person), Add clinicians (\$59/mo per person).	Insurance claim filing (35 claims included/mo), Wiley Treatment Planner (Included), Telehealth (Included)

Setting up a telemedicine practice can be a much cheaper way to start a private practice + build a patient panel.

Ancillary services like home blood draws and home screening tools can complement them.

Visits can start as primary care, second opinions, etc. to build trust with patients and other physicians before hitting enough to critical mass to open a physical space.

Can we make being in practice more appealing?

What Employed Physicians Like Most About Their Jobs



Back office automation?



New financing structures?



More auditable trail for patient encounters to reduce malpractice risk?



Physician communities?

New companies are betting on independent physicians

Infrastructure for virtual private practice

Ease

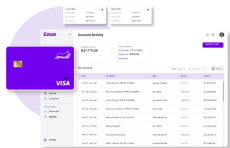
BANKING FOR CLINICIANS

Your payments, banking & cash flow. Easily Managed.

Launch, grow, and manage your private practice with confidence. Easily sync your payments, accounts, and cash flow.

- ✓ Business checking without barriers
- ✓ Cash flow management platform
- ✓ Automate expense tracking

Join Waitlist



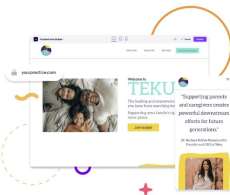
WEBSITES BUILDER FOR PRIVATE PRACTICES

Create a website for your practice in minutes

Bring your brand to life with an easy-to-use website builder built for private practices.

- ✓ Easy-to-edit templates
- ✓ Works on all device types
- ✓ Enterprise-grade security

Join Waitlist



Insurance + Direct Primary Care

taro

Exceptional primary care at the center of our plans

Direct primary care (DPC) is a better form of primary care where you receive all-access membership to a concierge-like, board-certified physician in your community. **With a Taro Health plan, you'll receive a free DPC membership!**

Consistent

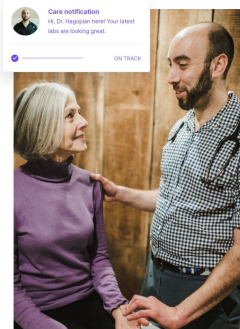
Choose a primary care physician from our network of Taro DPCs. Stay with the same DPC as long as you are a Taro member!

Personalized

Build a relationship with your Taro DPC, a physician who truly knows you and can help you navigate the rest of the healthcare system.

Accessible

See your Taro DPC how often you want at no additional cost, in-person or virtual! Text or call your Taro DPC between visits instead of spending time in urgent care.



Helping independents take part in Value-Based Care + create physician communities

Aledade

Beginning October 2022, Aledade will provide up to 20 PGY-2 family medicine residents the opportunity to enter the program and take advantage of an innovative learning experience coupled with financial benefits.

Physicians participating in the program will:

- Review value-based care and practice management modules
- Study journal articles
- Contribute to asynchronous discussion with peers
- Join physician-lead small group sessions
- Receive 1:1 mentorship

Participants may also choose to engage in a subsidized onsite clinical experience with one or more Aledade ACO member practices, clinics or CHCs.

Throughout the program, FIRST participants will be eligible for various financial benefits as well, including monthly stipends, signing bonuses, transitional expenses, and more. At the end of residency training, FIRST participants will be expected to serve for 3-5 years in an Aledade member practice, clinic or CHC of their choice.

Summary of points

1

Hospital consolidation and PE ownership need to be reversed - corporate ownership generally yields higher prices and worse outcomes for patients while physicians get less \$ for their work

2

We should want more physician ownership - more physician-owned practices means hopefully less burnout, a more competitive services landscape, and more innovation

3

Hospitals may be losing their stranglehold - a combination of regulatory changes like the No Surprises Act, legal cases like the Tryon Health lawsuit, and physicians having more leverage in a workforce shortage has weakened hospital leverage

4

New tools give individual physicians more opportunities - telemedicine, social media, pricing transparency, and practice infrastructure tools have potentially made individual practice ownership more attainable

September 2022



Thank you! Let's get into the discussion

Questions? Email nikhil@outofpocket.health

