

Potential Impact of the Affordable Care Act on Private Practice Physicians

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Practice Points

- Several provisions of the Patient Protection and Affordable Care Act add up to physicians seeing more patients with better insurance policies; however, the long-range potential impact on private practice physicians becomes more ominous as more provisions rollout.
- With the development of Accountable Care Organizations and Medicare bundled payments, more private practices may be absorbed by hospitals.
- Medicaid expansion, which begins this year, may mean that hospitals will get most of the new Medicaid patients and will hire even more physicians away from private practices to treat them.

The Patient Protection and Affordable Care Act (PPACA) has traveled a long and bumpy road since it was first signed into law in 2010.¹ The constitutionality of its key provisions was subsequently upheld by the Supreme Court in 2012.² Two years later, the journey is far from complete, as the complex law will not take full effect until 2018 at the earliest.³ From the outset, a key problem for physicians was the disappointing fact that the 2 essential provisions sought by physician groups—tort reform and revision of the ill-conceived Medicare compensation rules that threaten to cut payments by 25% every few months—were never addressed.⁴

Nevertheless, many of the law's provisions have favored physicians in the short-term. Insurers cannot cancel policies that have already been issued and they cannot exclude applicants who were previously uninsurable due to preexisting conditions.⁵ This provision indirectly triggered the Supreme Court's involvement because insurers cannot afford to cover individuals with preexisting conditions without mandating that all individuals purchase health care coverage.

Otherwise healthy individuals would have no reason to buy health insurance until they got sick, the equivalent of waiting to buy fire insurance until your house is aflame. The case before the Supreme Court centered on the constitutionality of this individual mandate, which was ultimately upheld.²

Other provisions under the PPACA include prohibition of lifetime coverage limits and guaranteed coverage for dependents on their parents' policy until 26 years of age.⁵ Early retirees do not have to risk going uninsured until they qualify for Medicare, and Medicare's infamous "doughnut hole" will close.⁶ Small businesses will now receive tax credit incentives to insure their workers.⁷

All of these provisions add up to physicians seeing more paying patients with better insurance policies; however, as additional provisions rollout, the other shoe begins to drop. The long-range potential impact of the PPACA on private practice physicians becomes more uncertain and more ominous. Of particular concern is the progressive transition away from the traditional fee-for-service payment model, which comes in the form of a series of policies collectively known as physician payment reform.⁸ The PPACA mandates the formation of Accountable Care Organizations to improve the quality and efficiency of care.⁹ The buzzword will be "outcome": the better your measurable results, the higher your reimbursements. The

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implementation of Accountable Care Organizations is supposed to reward quality of care over volume of procedures, but the result could be exactly the opposite if less-motivated providers cherry-pick the quick and easy cases that pose the least amount of risk and refer any time-consuming or complex cases to tertiary centers.

Medicare has started rolling out a national program of payment bundling. The fee for a single hospital admission, for example, will be issued as a single bundled payment that will have to be divided among the hospital and treating physicians.¹⁰ The idea, ostensibly, is to encourage physicians and hospitals to work together for “more coordinated care,”¹⁰ but arguments over how to divide the pie could, once again, have the opposite effect. It will not take long for hospitals to figure out that they can keep the whole pie for themselves if the partnering physicians are their employees. Look for more private practices to be absorbed by hospitals, which already employ more than half of physicians in some cities.¹¹

In November, after a 1-year postponement, states must begin to implement a Small Business Health Options Program, or SHOP Exchange, which allows small businesses (≤ 50 full-time equivalent employees in 2015 and ≤ 100 starting in 2016) to pool their resources to buy health insurance.¹² At that time (as is currently the case), most individuals will be required to buy health insurance or pay a fine (or a tax, according to the Supreme Court)² if they do not. Employers who do not offer coverage will face fines and other penalties, and health insurance companies will begin paying a fee based on their market share, which will no doubt be passed along to those they insure, nullifying some of the savings garnered by the SHOP Exchanges, which are already predicted to be marginal.¹³ Whether the SHOP program will work to the benefit or detriment of private practice physicians is very much an open question.

The Medicaid expansion also begins this year,¹⁴ but few physicians are likely to accept more Medicaid patients unless the compensation increases, which is unlikely to happen without substantial reductions in the states’ woeful budget deficits and probably not even then because state governments already complain about their Medicaid budgets.¹⁵ Hospitals, with their deeper pockets, will get most of the new Medicaid patients and will hire even more physicians away from private practices to treat these patients.¹⁶

These provisions of the PPACA could pose potential problems for private practices, but it is still too early for reliable predictions. The 2012 Supreme Court decision notwithstanding, some key provisions remain open to considerable interpretation at both federal and state levels. Depending on the results

of elections this year and in 2016, along with other variables, much can happen between now and the full implementation of the PPACA, from modifications and amendments to outright repeal of one or more components. Only time will tell.

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