Consolidation and the Independent Medical Practice

What are the Advantages of Joining a Physician-Owned Mega-Group?

It is no secret that hospitals are actively acquiring independent medical practices throughout New York State. While this may be a viable option for many practices, it is not the only option. Recently, there has been an increase in the number of independent medical practices that are joining together to form larger group practices, commonly referred to as “roll-ups”, “mega-groups” or “super-groups” (we will refer to these groups as “mega-groups” here). Mega-groups can either be the result of a consolidation of practices or the merger of several practices into one larger one. In the end, however, the result is a single larger group practice that bills and operates under one tax ID.

So what is driving the increase in the number of physician-owned mega-groups in New York State? The answer, simply put, is that size apparently DOES matter in today’s world of health care. A larger practice will have a larger number of patients under their care, which translates to greater market share. Several of the more common advantages of physician owned mega-groups are as follows:

- Remaining independent of hospitals and established large multi-specialty practices.
- Greater likelihood for success with managed care negotiations.
- Greater likelihood for success in meeting new quality care initiatives, such as pay for performance (P4P), bundled payment initiatives and value-based pricing.
- The ability to share financial risk, which is a requirement for participation in many new payment models.
- Reduced overhead and greater economies of scale.
- The ability to participate in ACO’s.
- The ability to provide ancillary services, such as lab work, radiology and other diagnostic testing.
- Greater leverage in negotiating physician-hospital arrangements.
- For specialists, the ability to maintain existing referral sources.
- Greater access to capital, e.g., private equity, MSO development.
- Access to bank financing for EMR and other technology upgrades.
- Greater ability to retain and attract top doctors.

In the end, any potential mega-group formation has to be evaluated from both an operational and financial standpoint to determine the group’s feasibility. Those physicians charged with overseeing the evaluation should seek proper legal and financial counsel so that all relevant matters are properly addressed. A thorough evaluation, one that is transparent amongst all of the physicians who are considering joining the mega-group, will make the process and ultimate decision for each physician that much easier.

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