

Clinical Transformation: New Business Models for a New Era in Healthcare

Accenture research shows that independent physicians continue to dwindle and that those remaining will turn to subscription-based models to sustain profits and improve care.

Increasingly private practice doctors have sacrificed their independence to seek employment, according to Accenture, as independent physicians have dropped from 57 percent in 2000 to 39 percent in 2012. By the end of 2013, Accenture estimates the market will comprise of only 36 percent of independent physicians.

"1 in 3 physicians seeking to transform to subscription-based care."

Accenture Physicians Alignment Survey 2012.

As the physician employment trend continues to accelerate, those who remain independent are beginning to test alternative business models. Of those who remain in independent practice, Accenture estimates one in three independent physicians will aim for higher yields by adopting subscription-based care models, and this trend will increase 100 percent annually for three years.¹

The Accenture Physician Alignment Research reveals (See Physician Employment Trends chart) that business operations are one of the main reasons why 61 percent of physicians have decided to seek employment, with cost and expense of running a business indicated as the chief concern for 87 percent of those independent doctors surveyed. Physicians who wish to remain independent have to find ways to lower their cost structure or improve their revenue. Subscription-based practices have the potential to do both.

A graphic featuring a close-up of an owl's face, looking directly at the viewer. The owl is positioned within a blue, stylized arrow shape that points to the right. The arrow is composed of two overlapping triangular sections, one above and one below the owl's head.

High performance. Delivered.

Doctors who convert to subscription-based models that shift the focus away from service volume will not only access greater financial rewards, but will also gain the flexibility to get back to the basics of patient care. Patients could also reap the rewards by gaining enhanced access to care at a service level they can afford.

The pluses for patients and physicians

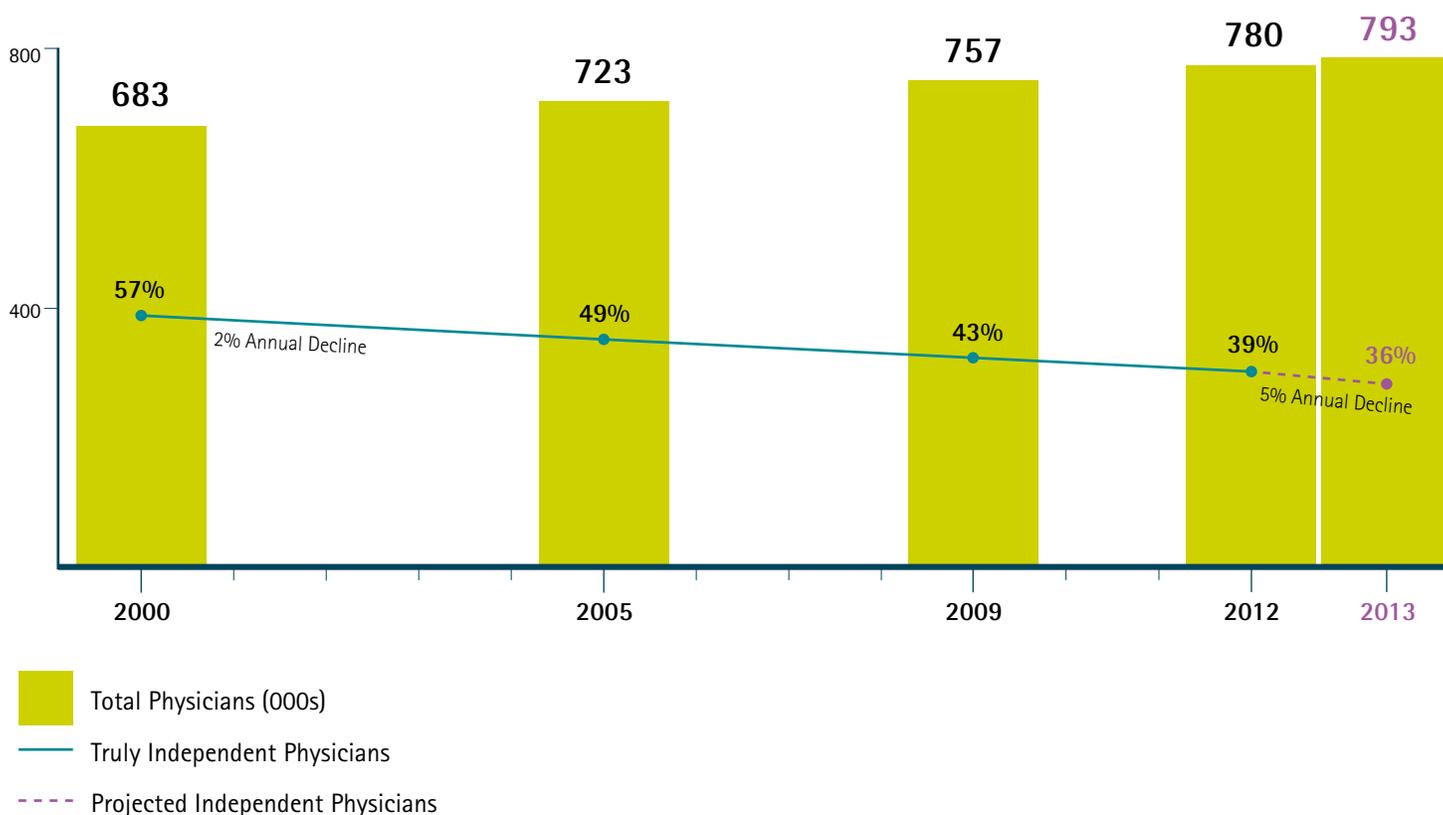
There is a wide range of subscription-based models. The associated costs range, too. According to Accenture's research, the most common include high-end concierge medicine and direct pay models. Subscription-based practices charge anywhere from \$60 to \$30,000 per year, with costs varying according to the population served.²

¹ American Academy of Private Physicians (AAPP)

² Wharton – Health Economics

Physician Employment Trends*

According to Accenture research, physician employment will accelerate over the next 18 months.



Concierge practices

Concierge services are often offered in a premium setting and have a large markup. For patients, concierge medicine offers primary care—often with 24/7 access. Concierge practices promote the fact that the physician personally attends to coordinating care needs and helping their patient navigate the healthcare system, thus improving the quality of care. Patients can also sometimes access a spectrum of ancillary services that include nutritional guidance, medical spa, fitness, wellness and advanced diagnostics.

For doctors, concierge care offers the potential to significantly boost revenue while decreasing patient panels by up to 90 percent.³ However, this model would require physicians to increase capital expenditures in acquiring sophisticated equipment. These practices also

require physicians to emphasize the communication and service aspects of their practice. This transition is not always a natural one. Physicians might also increase operating expenses to onboard a larger staff to meet the needs of their clientele. Furthermore, the market for serving high-net-worth individuals is narrow.

Concierge practices, such as Virginia-based Guardian 24/7, offer “unprecedented medical protection to a demanding audience.” Founded by former White House physicians, the group offers access to its care by invitation only.

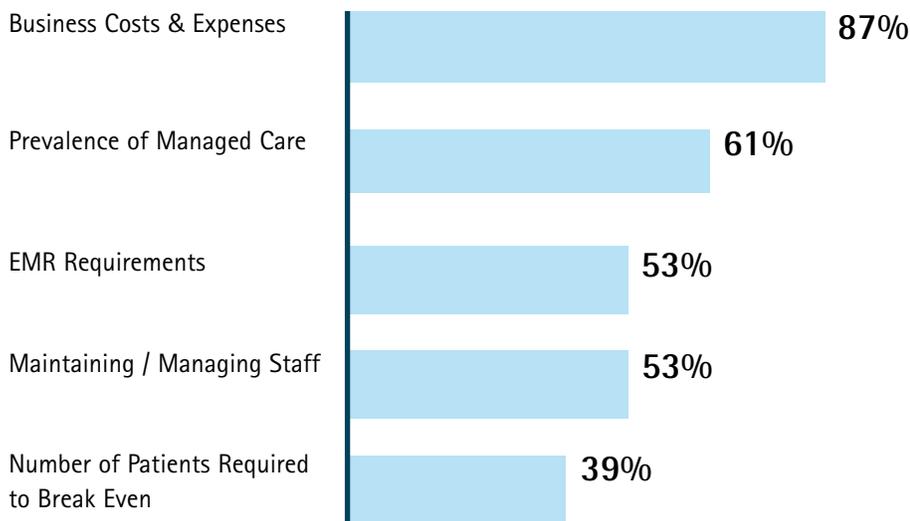
Direct pay subscription models

Such models offer many of the same services as concierge practices, but at a lower price. Patients at One Medical in San Francisco pay an annual membership fee to receive care. One Medical offers same-

day appointments, online prescriptions and email access to doctors—all for approximately \$150 to \$200 a year. At the Multnomah Family Care Center, a Patient/Physician Cooperative in Portland, Oregon, patients pay a one-time enrollment fee to join, and then pay monthly membership and primary care provider fees, which combined average less than \$60 a month.⁴

Medical cooperatives such as GroupHealth, are consumer-governed systems that coordinate care and coverage. Founded in 1947 originally as a staff-model health maintenance organization that employed physicians, GroupHealth has evolved into a mixed-model network health plan that contracts with a large multispecialty medical group and with independent physicians in private practice.

Top Concerns Regarding Business Operations Influencing Decision to Seek Employment*



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Such mixed models allow patients to keep their existing health insurance for acute conditions or emergencies, but supplement with direct pay care that allows patients to access services in ways that work for their lifestyle. For example, allowing patients to access medical information or book appointments via their smartphone. Such convenient access to care may encourage patients to keep up with primary or preventative care, thus improving overall wellness.

Doctors in these models are encouraged to focus on primary care and prevention as well. They have a steady stream of income, without the pressure to meet numbers. Doctors at One Medical keep an average of 800 to 1,000 patients on their roster— one-third fewer patients than at most mainstream clinics today.

Physicians at California-based MedLion experience:

- Less administrative time spent managing insurance.
- Patient loads cut by 50 percent, demonstrating greater quality and prevention.
- Potentially lower malpractice costs as more time is spent with fewer patients.

Subscription-based models may expand and evolve over time as many physicians continue to look for ways to differentiate their practice in order to remain independent and self-employed. To the extent that they offer services that patients value, are not covered by traditional health insurance and are priced appropriately, patient demand for these service may grow as well.

*Accenture Physician Alignment Survey 2012
 • Notes: 2000, 2005, 2009, and 2013 represent year-end figures;
 • Notes: Total independent physicians to equal 282,000 by end of 2013

³ American Academy of Private Physicians (AAPP)

⁴ Portland Tribune

⁵ "Finding Middle Ground: Doctors Craft New Business Model to Offer Better Care Without Hefty Charges," Fox Business, online at <http://www.foxbusiness.com/personal-finance/2012/07/26/finding-middle-ground-doctors-craft-new-business-model-to-offer-better-care/#ixzz22lulCmTQ>

About the Physician Alignment Survey

Accenture surveyed 204 physicians that represented an equal split of primary care and specialty physicians with an equal geographic distribution across the United States. The survey was conducted and concluded in May 2012.

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