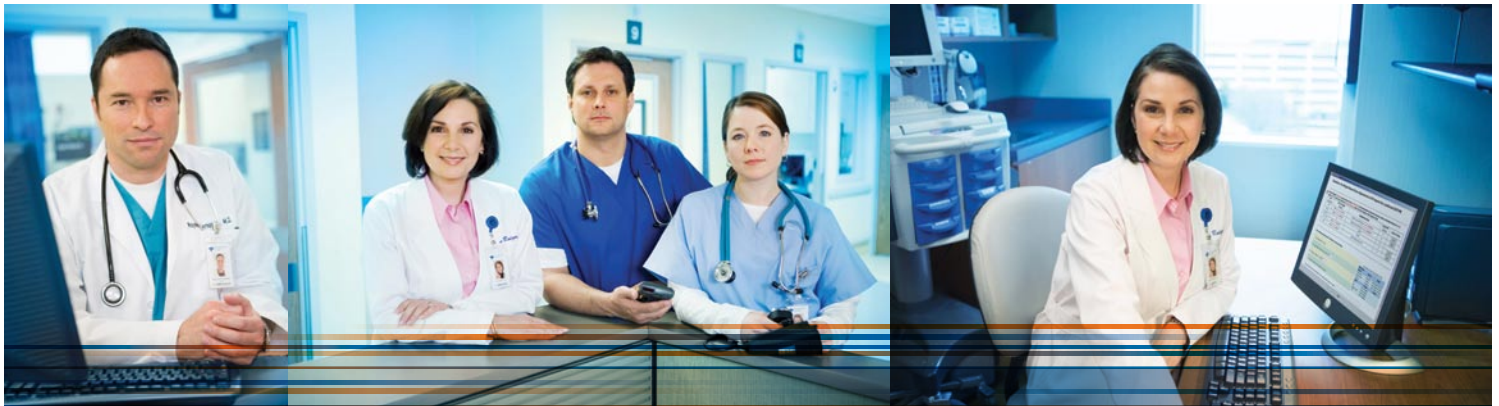


## The Power of Partnership:

# Doctors and Hospitals Benefit from Management Services Organizations

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As the day-to-day operation of physician practices and ancillary services becomes increasingly complex and costly, management services organizations (MSO) are emerging as ideal vehicles for addressing the needs of physician groups, other service providers and hospitals alike.

MSOs are partnerships that offer a range of support services to independent physician and ancillary service provider groups. MSOs frequently include a hospital ownership interest and are designed to assist providers with basic business functions like purchasing, equipment leasing, contracting and human resources. They can also deliver mission-critical services such as billing and regulatory compliance.

Because the MSO provides an ideal conduit for implementing an electronic health record (EHR), hospitals benefit from MSO development by more effectively aligning with the local provider community and improving continuity and quality of care.

### The EHR Platform

The emergence of the EHR has been a primary catalyst behind the current interest in MSOs. Unlike stand-alone, hospital-based EHRs developed in isolation, EHRs implemented within the framework of the MSO are more likely to generate the critical mass of participation necessary to succeed because providers will be attracted to both the MSO-based EHR's connectivity and its support services.

Since hospitals and health systems generally have the financial wherewithal to capitalize development of a communitywide EHR, many successful MSOs are anchored by a hospital. However, physician groups also are establishing MSOs. Regardless of whether the entity is organized by physicians or a hospital, MSO participation can include other community health organizations, such as imaging centers, physical therapy centers, rehab facilities, ambulatory surgery centers and more. Ownership typically will reflect the capital contributions of the members.

## An Array of Services

In the past, some hospital-driven MSOs have fallen short of their potential by mandating the services that participating providers were required to use as participants of the MSO. Increasingly, however, MSOs are being structured to provide member groups with full flexibility in selecting only those services they need or desire. This à la carte approach allows independent provider groups to choose from a range of offerings, including:

- Billing and accounts receivable management
- Human resources/personnel management
- Equipment leasing and maintenance
- Purchasing
- Regulatory compliance
- Financial management
- Managed care contracting
- Services contracting
- Information technology
- Accounting and payroll
- Strategic planning
- Management

The aggregation of these services under the MSO umbrella gives provider practices access to resources and expertise they might not otherwise be able to afford. For example, a small physician group likely wouldn't be able to hire a full-time practice manager with a master's degree in health services administration. But through the MSO structure, that capability is readily available on a part-time or full-time virtual basis.

Similarly, state-of-the-art revenue cycle management practices, rigorous compliance programs and experienced managed care contracting may simply be beyond the reach of the small- to medium-sized practice except through an MSO or an expensive consulting arrangement.

MSOs frequently contract with outsourced medical management companies capable of providing the heavy lifting required to operate the entity on a day-to-day basis. National vendors often can deliver a depth of resources and experience generally not available with smaller, local firms.

## The Power of Many

By bringing the weight of multiple practices to vendor negotiations, MSOs are in a position to save groups money on everything from medical supplies to equipment leasing. Some MSOs also are authorized to negotiate and contract with managed care companies on behalf of their participating provider groups. The collective marketshare can provide the MSO with the muscle to win higher reimbursements for their member provider groups.

Provider groups also benefit from access to a robust EHR system. Through connectivity with referring physicians, independent laboratories, the hospital and other providers, the physician group is in a position to more effectively manage and provide patient care. Likewise, for the hospital, the continuity of care that the EHR system produces not only boosts the hospital's public standing from a quality standpoint, but can also serve as a key differentiator

in attracting physicians to align with the hospital. The sharing of protected health information that would occur is only possible by adhering to the Health Insurance Portability and Accountability Act (HIPAA) requirements. However, this adherence is not problematic under an MSO structure.

## Meeting the Challenges of Today's Market

For smaller provider groups, the challenges of operating a successful practice continue to mount. From growing regulatory requirements and aggressive enforcement to flat or falling reimbursements and rising expenses, many groups are being squeezed as never before.

Fortunately, MSOs can serve as a critical lifeline for practices in today's tumultuous market. MSOs not only help control costs, boost revenue, improve quality and reduce regulatory risk but also allow providers to focus their limited time and energy less on routine business matters and more on the services they are best equipped to provide — the delivery of patient care.