

The Allied Pediatrics of New York Story

A Practice Merger



By Marc S. Lashley, MD, FAAP
SOAPM Member

Our country's economy changed drastically during the summer of 2008, but pediatricians began to feel the crunch far earlier. On Long Island in late 2005, various market forces seemed to come to a head and there was a palpable feeling of unease, but, when a group of about 10 prominent pediatricians got together to develop a strategy on how to deal with our changing situation, no one anticipated the overwhelming reaction. By word of mouth and e-mail alone, word spread that there would be an important meeting of pediatricians that would result in some sort of organization. One hundred and fifty pediatricians showed up to that meeting. Electricity was in the air. The time was right, and Allied Pediatrics of New York (APNY) was born.

A letter of intent was signed by 80 pediatricians and seed money was collected. A steering committee was quickly formed, which hired a prominent health care attorney and accountant. In January of 2007, our Operating Agreement was signed, and the first of our practices began to operate live by August of that year.

Our idea was to merge our practices together under one tax identification number and to become partners. As of mid 2009, we have approximately 80 primary pediatric providers in 18 locations. Our unique structure maintains many of the qualities of our original practices (now called divisions) but still operates as a single unit. Some call this model a "group without walls," but, in our model, each division is a profit center. We do not share revenue, but each division does pay into the group operating expense.

We also hired a Management Service Organization (MSO), which runs our day-to-day operations. Each practice enters its daily patient encounters into a central server via our Internet practice management software. The MSO handles a division's collections and distributes funds. The MSO directly pays our employees, as well as our other expenses. Our MSO also has a full-time negotiation team that meets with commercial payers and negotiates contracts for us. In addition to enhanced contracts, we have achieved economy of scale by contracting for vaccines, medical supplies, copiers, bank loans, information technology (IT) costs, and more.

Our group elects an Executive Board of 9 pediatricians, each from different-size groups. We distribute work into powerful committees: Finance; Billing, Coding and Compliance; IT; MSO oversight; etc. Any member may attend and contribute. More than half of our pediatricians choose to participate in these committees. Combining our skills is what makes us strong and keeps us sharp.

Our quality care initiatives improve patient care and, at the same time, improve our marketability. Currently, we are working on a Medical Home project with a commercial payer. We hired a professional auditor, and voluntarily perform our own chart audits and educate our physicians on proper coding and documenting. This simultaneously lowers liability and enhances untapped revenue. We have been able to show insurers the real value and quality of our practice (eg, hospital admission rates, coding compliance reviews, etc), which has resulted in meaningful increases with all major commercial insurers. We opened an After-Hours Center in a central location (staffed by our partners), which sees patients from 7:00 to 10:00 pm and helps cut down our emergency department referrals. In the future, we hope to have an electronic medical record, to expand our partnership, and to lower administrative costs.

I often think of the changes to come in the delivery of health care. How will a solo or small practice thrive and adapt? How can a one- or 2-doctor practice hope to have quality initiatives, form relationships with multiple payers, or satisfy the bureaucratic hurdles that are placed in its way? Occupational Safety and Health Administration, Health Insurance Portability and Accountability Act (HIPAA), Clinical Laboratory Improvement Amendments, and Red Flag rules, etc, could spin one's head around.

Like any nascent organization, APNY has experienced some bumps in the road; but, as we move into our third year of operation, many of our problems have already been solved. We have already begun to reap the benefits of our hard work. Many of our members, who faced feelings of disenfranchisement prior to joining, now feel empowered to be a part of an important movement in pediatrics. Others can benefit from our alliance as well. We would gladly facilitate the forming of new groups, as long as a "critical mass" of 30 committed pediatricians exists in a geographic area.

As Commercial Payers continue to swallow each other and merge into large, powerful companies, our "group without walls" is simply taking the steps necessary to survive, with market strategies of our own, while preserving the flavor of an individual practice.

Dr Lashley is a member of the Executive Board of APNY. His e-mail address is mlashley@optonline.net.

Presented at the American Academy of Pediatrics National Conference & Exhibition 2009.