Independent Physician Associations (IPAs) Definition

Definition

An independent physician association (IPA) is a business entity organized and owned by a network of independent physician practices for the purpose of reducing overhead or pursuing business ventures such as contracts with employers, accountable care organizations (ACO) and/or managed care organizations (MCOs). There are substantial opportunities for innovation in delivery system modeling and benefit design in the creation of physician networks. Specifically, creation of practice networks involving patient-centered medical home (PCMH) practices may accelerate important and necessary changes in health care delivery.

SEE ALSO

- Payment, Physician (https://www.aafp.org/about/policies/all/paym physician.html)

Introduction

The core business of family physicians is managing the care of patients. Patients value their relationship with their primary care physician above any other in the system. Patients also look for PCMHs led by physicians. This relationship, expertise, and training make physicians an indispensable resource in the health care system and provides them a point-of-difference in the healthcare marketplace. Physicians are exercising their market leverage through a variety of contracting and affiliation strategies which allow a group of physicians to speak with one voice. Such strategies also enhance physicians' access to the capital and management resources necessary to pursue cooperative business ventures such as managed care contracts and direct health care services contracts with employers.

Purchasers of health care services are more likely to sign contracts with larger groups of physicians who can provide comprehensive services, within a specialty or in a specific geographic area, demonstrate high quality outcomes, assume risk, and provide unique, innovative, or collaborative health care services. These services include comprehensive care of chronic medical conditions that benefit from collaboration among multiple entities such as specialty practices, imaging centers, home health agencies, and hospital systems working as a network. Such networks have and will likely continue to develop with different presence in different markets. Those IPAs capable of controlling medical expense for large numbers of patients and assuming full risk capitation can exercise maximal control in the current environment. Partial risk sharing, however, is more likely to be available to many IPAs. Optimally functioning IPAs can offer many potential benefits, including:

- Appropriate alignment of physicians' financial incentives
- Efficiencies in practice administration and management

- Political influence within the medical and wider provider community
- Peer support
- Optimized facilities
- Enhanced ability to negotiate favorable contracts with other entities such as MCOs, ACOs, radiology, laboratory, and hospital systems
- Autonomy and local financial and care management control in managed care
- Improved services, including, expanded hours, urgent care, outreach services for prevention, telephone triage, and follow-up expertise

Physicians considering the development of, or participation in, an IPA should be aware of the potential risks. This is especially true when the IPA accepts significant risk for healthcare expenditures. These risks include:

- Underfunded capitation revenue, with risk of significant losses and/or bankruptcy
- The trend of payers to decrease their payments to the IPA
- Conflicts of interest for the physician between financial gain and optimal care for the patient
- Restrictions on collective bargaining by physicians from the Federal Trade Commission and Department of Justice
- Significant alienation between primary care physicians and contracted limited specialists

Physicians contemplating the development of, or participation in, an IPA should consider the following guiding principles:

Guiding Principles

1. IPAs should organize a health care delivery system which produces optimal health outcomes for patients.
2. IPAs should promote efficiency and effectiveness in the delivery of health care to patients that produces value. The financial benefits that result from this improved care efficiency and effectiveness should go to those who provided the improved care.
3. Family physicians should utilize their unique skills and expertise in care management, in management of the interface between specialists and hospitals, and in their focus on preventive health to create value.
4. Effective management of relationships between primary care physicians, limited specialists, and hospitals is critical to the optimal care of patients, to the success of an IPA, and to the satisfaction of physician participants.
5. An IPA must be able to demonstrate their incremental value to obtain contracts with health plans and other payers for covered lives.
6. Network physicians must have clinical autonomy and assume clinical accountability to optimize an IPAs value.
7. The unique partnership embodied in the doctor/patient relationship must be preserved.
8. Physician equity in IPAs is a critical issue for maintenance of desired degrees of control and autonomy and must be carefully considered by IPA physician participants. These principles may be valuable for physician education and for incorporation into IPA vision and mission statements.

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