The Physician Practice Landscape in New Hampshire

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1. With some exceptions, such as the Hitchcock, Laconia and Keene Clinics, until the 1990’s New Hampshire physicians by and large were in solo practice or in small to medium-sized group practices. Once New Hampshire law was amended in 1969 to so permit, many physician practices were organized as “professional associations” (corporations) or, beginning in 1993, as professional limited liability companies, chiefly for liability and tax reasons. The group practice model was particularly prevalent in specialty areas (such as orthopedics, OB-GYN, urology, ophthalmology, etc.), including hospital-based specialties such as anesthesiology, radiology and pathology. Some hospital emergency departments were also staffed in this manner.

2. Beginning in the 1990’s, there was a flurry of acquisitions of primary care physician (PCP) practices by various hospitals in New Hampshire. The hospitals’ focus was on building extensive PCP referral networks, to help keep their facilities busy. For example, the Manchester hospitals in particular (the Elliot Hospital and Catholic Medical Center) were then in an aggressive expansion mode and fiercely competitive. (This has been the case for years, save for brief period of detente that produced the ill-fated Optima Health merger in 1994, which was unwound after five years due to irreconcilable differences in institutional cultures, adverse community reaction and regulatory issues.) In this milieu, hospitals often over-paid for PCP practices, simply to protect and expand their referral networks for in-patient care.

3. This initial phase of physician practice consolidation didn’t widely affect specialty groups – including hospital-based specialties – which generally possessed the critical mass and clout (with hospitals and insurers) required to remain financially and organizationally viable as independent groups – the strong preference of most.

4. Manchester was an exception to this rule, where as a consequence of the abortive Optima Health merger, the Elliot and CMC hospital-based specialty groups (most notably, the anesthesiology and radiology practices) were “encouraged” to merge, and they did so. These “shotgun” weddings produced mixed results. Due to cultural and other differences, the merged Elliot and CMC anesthesia practices proved a poor fit, resulting in litigation and recriminations all around. Once the Optima merger was unwound, the hospitals’ respective anesthesia practice groups parted company as well. On the other hand, the merged radiology practice fared better, and that group remains intact to this day.

5. Over the past decade, there has been increased interest and activity on the part of hospitals and specialty groups seeking to combine forces. In Laconia, for example, some long-established group practices (such as OB-GYN and
orthopedics) had for some time been under stress due to unfavorable reimbursement patterns (owing to a payor mix in which Medicare and Medicaid play an outsized role), local demographics (an aging population, with declining demand for OB services), and competitive pressure from hospitals in Concord, at Dartmouth and elsewhere, particularly for OB, orthopedic and other specialized services. In smaller markets, such as those prevailing north and west of Concord, community hospitals have a vital interest in supporting these practices, both to ensure the availability of needed specialty services in the local community (especially in the more remote reaches of the North Country) and to maintain their own viability as competitive local options for specialty services ranging from delivering babies to joint replacements. As a result, some hospitals and specialty groups have entered into “professional service agreements” (PSA’s). While these agreements take various forms, typically the practice group continues to exist as a legal entity, nominally independent of the hospital, while the latter assumes responsibility for the nonprofessional staff and contracts with the practice entity for physician services, generally on the basis of “relative value units” (RVU’s) worked. These arrangements are typically coupled with joint branding and marketing efforts, so as to appear as seamless as possible from the public’s perspective. Thus, for example, Orthopedic Professional Association, incorporated in 1971 and still in existence, recently morphed into “Advanced Orthopaedic Specialists, a Department of Lakes Region General Hospital.” Finally, formerly independent general surgery practices have recently been acquired by the Elliot Hospital and CMC, respectively.

6. In terms of developments connected to the advent of Obamacare, PSA’s, and even tighter practice group-hospital affiliations, naturally support the formation of Accountable Care Organizations (ACO’s) for quality assurance, utilization review and cost control purposes. While to date there has been more discussion in New Hampshire surrounding the ACO concept than positive action, several initiatives are underway in the state in this regard.

7. On other fronts, some larger specialty physician groups, while remaining aloof from hospital affiliations, have merged in an effort to retain their autonomy and enhance their bargaining power with payors. For example, in recent years the largest independent orthopedic group in Manchester, New Hampshire Orthopaedic Surgery, P.A., merged with its Nashua-based counterpart, The Orthopaedic Center.

8. To summarize, over the past decade or two the provider landscape in New Hampshire has been radically altered – from a world in which most physicians were in solo or independent group practice, to one where the majority (of PCP’s in particular) are now affiliated with hospitals or large clinics. While some independent practices will no doubt continue to exist for the foreseeable future (at least until the current senior leadership of those practices retires from the scene), the handwriting is on the wall. The future clearly belongs to hospitals (free-standing or networked) surrounded by webs of affiliated PCP and specialty
physician groups. This is the physician provider landscape faced by insurers, regulators and the public seeking to navigate the shoals of the New Hampshire healthcare market.