Circumventing vertical integration:

a descriptive case study of a privately-owned medical practice

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This descriptive case study examines issues confronting a privately-owned physician practice operating in a healthcare system which increasingly promotes hospital acquisition. The study spotlights a thriving medical practice by describing its core competency, competitive advantages, and best practices. ABC Sports Medicine (ABC) remains a private practice despite the growing trend toward hospital ownership. ABC has grown in number of providers, locations, and employees while managing to avoid hospital ownership. This study presents a new perspective on vertical integration, describes a successful business model, and examines the core competency, best practices, and competitive advantages that have allowed ABC to thrive under physician ownership. This study recommends a direction for future research in practice management outside the vertical integration model. The methodology for this qualitative descriptive case study includes private document analysis, discussion with partners and business office employees, and an in-depth literature review. ABC did a cost-benefit analysis of the near and long-term implications of selling to a hospital system, and concluded that maintaining ownership was essential to continue to provide top-notch patient care and maximize profit. To stay independent, they have to transition to executive board management, capitalize on marketing opportunities, and create a pathway for future growth. Key discoveries are: the benefits of private ownership, the value of the inter-specialty synergies, and the impact of team culture in business. The study also offers insight into practice management issues and suggests avenues for continued success as the group pursues growth and considers reduced hours or retirement of tenured partners.

Keywords: vertical integration, hospital acquisition, private practice, physician ownership, healthcare.

This case study is significant because it considers the business side of private practice management from both a patient quality and profit basis. One aspect of healthcare in the U.S. that is often sidelined is that for-profit hospitals and clinics largely conduct it. Healthcare in the U.S. is a uniquely complex business. Physician groups want to achieve excellent patient care while remaining profitable. This research sought to answer the questions: Can a private physician-owned specialty practice stave off hospital acquisition and remain successful in providing quality patient care and above-average profits for the physicians? Are physicians and patients affected when a hospital or hospital system buys a private specialty physician practice? And can a private practice stay private, grow, and thrive in the highly regulated healthcare industry in the U.S.?

The methodology for this qualitative instrumental case study utilized private document analysis and extensive literature review to develop a clear understanding of the reasons behind one practice's ability to stay privately owned, grow, and prosper in a healthcare environment largely dominated by increasing hospital-acquisition of physician groups. Through a review of private documents including productivity reports, billings and collections reports, patient metrics like patients per clinic and per-patient billing, durable medical equipment collections, physical therapy (PT) referrals, and ICD-10 coding benchmarks, we were able to get a complete financial picture of the practice. A literature review revealed related research on the topic of private physician practice management success, the volume of practice transitions to hospital owned entities, the financial effects of vertical integration on physicians, and the effects of such a transition on patient satisfaction, outcomes, and cost of healthcare. Official medical sources like the American Medical Association (AMA) provided earnings benchmarks across the specialties to corroborate the findings of the high profitability of the practice. These methods were selected due to their appropriateness to the topic. As this paper is more concerned with the business practices, financials, and patient outcomes, review of the partnership's business documents most thoroughly accomplished the aim. The literature review served to identify rates of occurrence, effects, and successes related to vertical integration and also reinforced the prevalence of hospital acquisition and its potential negative consequences. Limitations included the short time frame of the and limited geographic scope of the study, difficulty quantifying patient outcomes, lack of access to similar private practice's financial documents for comparison, and the requirement to fully blind the study. Due to privacy concerns, all identifiable names, locations, and other identifiers were changed and protected to ensure anonymity.

Findings demonstrated that three key components emerged as strong drivers of success and growth for the practice. These drivers allowed ABC to retain the ability to operate as a private entity, demonstrate above-average growth and profitability, and provide exceptional patient care and outcomes while rebuking multiple buyout attempts in a healthcare market dominated by hospital owned practices. Firstly, ABC has a unique operating model whereby the whole is truly more significant than the sum of its parts. By operating as a practice with a focus on sports medicine, they have created a uniquely efficient referral system in which patients generally only see a surgeon if they have already been evaluated by one of the sports medicine primary care doctors. Second, the practice has been the healthcare provider for the popular professional sports team the Anytown Bucks for 20 years; this relationship provided a unique competitive advantage that has and will continue to benefit the practice for years to come with respect to its effects on the reputation of the practice. Finally, the physician partners have created a unique culture that thrives on teamwork; as business owners, they operate as a team, are never

satisfied with the status quo, and operate with a mindset toward constant improvement and innovation.

The case concludes with two specific recommendations for continued success and improvement within the practice and suggestions for further research on the topic.

BACKGROUND

The background content was revealed through individual interviews with founding partners, business office staff, and the new CEO. Over the past few years, ABC has grappled with several challenging issues including how to grow the partnership, how to expand the practice, whether to partner with or sell to a hospital system, how to shift management to an executive board, and how to combat threats from competitors. In the past two years, ABC has grown from seven to ten partners and, without a formal structure in place for a partnership track, the founding partners had to add new partners on an ad hoc basis. They have also hired seven additional physicians, constructed a new building, and added three additional locations. One incredibly unique and almost unheard-of aspect to this organization is that for eighteen years it was run solely by the physician partners; an executive board was created in 2022, bringing with it both opportunities and growing pains. Until now, partners have had to function not only as physicians, but as businesspeople, executing all investment, human resources, and business decisions together with only advisory help from their practice attorney and business office consultant. The adoption of an executive board will allow them to refocus on their core competency: providing exceptional comprehensive patient care.

The practice was established as an S corporation and is still run that way in 2022. According to the American Medical Association, S corporations are the second most common business structure for group practices following closely behind limited liability corporations, at 24.7% and 27.8% respectively (American Medical Association, 2021). The partners have contemplated and rejected offers to partner with or sell to a major hospital system and have decided to remain privately-owned. Every step of the way, Strength Weakness Opportunity and Threat (SWOT) analysis has yielded the same answer: both patient quality of care and physician profits will suffer if they sell to a hospital system.

Local and regional competition is growing within the sports medicine field. One competing group has aggressively pursued care of high school athletes and has consistently failed due to ABC's close relationships with the athletic trainers and coaches. ABC physicians attend every single local high school football game and offer Saturday morning clinic for football injuries as well as school sports physicals on local high school and university campuses. This kind of community involvement has solidified their dominance in high school athletic care. ABC also has a significant presence with local collegiate and professional athletes. A large academic healthcare system recently contracted to assume the mantle of the official healthcare providers of the Anytown Bucks, which will be effective January 1, 2024. ABC physicians have cared for and traveled with the Bucks for over 20 years. ABC decided not pay to continue to treat the Bucks. ABC will continue to operate as the team physicians for the Bucks through 2023. They will have to adapt to the reputational impact of this change. All of these dynamics represent threats to the practice revenue.

DESCRIPTION

The study participants included several members of the business office at ABC, several physician partners, and the new CEO, who provided crucial assistance to understanding the practice history, the local market, the practice dynamics, and the core competencies and competitive advantages of the group. The research was largely performed through document analysis and literature review. After signing a privacy disclosure, the business office provided all requested financial documents for review. Through review of private documents including productivity reports, billings and collections reports, patient metrics like patients per clinic, per-patient billing, durable medical equipment collections, PT referrals, ICD-10 coding benchmarks, and practice investments, a complete financial picture of the practice emerged. An extensive literature review of healthcare databases provided the main context for the research regarding vertical integration. The participants requested that the study be completely blinded as much of the financial and organizational information is not available to the public.

MARKET

As is the case in all medical practices in the U.S., the market is controlled by federal, state, and commercial payors who determine physician fee schedules through contractual arrangements. Physicians have a very limited capacity to negotiate a change in fee structure. Their prices, fees, and access are determined by insurance companies and the state and federal government. Medicare reimbursements are the starting point for all medical reimbursements. Medicare determines rates based upon relative value units (RVUs), so ultimately the federal government determines what physicians are paid in a given geographic area. Every part of patient care is assigned a predetermined RVU value. Medicare uses a conversion factor to consider local costs. Medical practices succeed or fail based on quality of patient care and efficiency of practice management.

A healthcare provider's business structure has myriad impacts on patient care. Sole provider and private group practices are becoming a rarity. Many excellent sole provider, partnership, and group practices have failed on the practice management portion and have thus folded and sold their practices to hospitals or to hospital systems. Theoretically, hospital acquisition or vertical integration should provide economies of scale, increased communication between physician specialties, and improvement in quality of patient care (Nikpay et al. 2018). In practice, working for a hospital or hospital system provides stability and security for physicians, but allows less autonomy over patient treatment decisions, and increases physician burnout (Bishop, et al., 2016; Salvatore et al., 2018). Between 2007-2017, hospital acquisition of private practice physician groups increased regardless of specialty, although surgical groups like ABC were acquired at a higher rate (Nikpay et al. 2018; Baker et al., 2014). However, as the trend continues, there is increasing evidence that hospital integration in fact increases patient costs with negligible effects on quality of patient care (Baker, 2014; Berenson, 2017; Cooper, et al., 2019; Fulton, 2015; Neprash et al., 2015). In 2010, the Center for Studying Healthcare Change found that it is possible for vertical integration to be utilized in processes that are detrimental to patients, for example increased costs due to unnecessary bundling of physician and hospital services (Baker, 2014; Cooper, et al., 2019). A claims database review of patient claims in the Massachusetts all payor claims database between 2009-2016 found that when physicians move from private practice to working for a hospital, they ordered 20% more unnecessary MRI's, usually done at the hospital where the physician was employed (Young, 2021). The Massachusetts-claims study indicated that vertical integration actually decreased the

value in patient care (Young, 2021). Another claims database review of 27.6% of commercially-insured patients in the U.S. over a five-year period from 2007-2011 found that hospital prices for common procedures and tests varied 13-fold depending on the billing hospital; in markets with hospital monopoly, the prices were over 15% higher than similar markets with multiple hospital offerings (Cooper et al., 2019). When testing and procedures consistently cost more and are often erroneously ordered, the financial burden to our healthcare system without compensatory quality improvements is untenable.

As inflation increases, the healthcare industry is not able to effectively reduce operating costs in a compensatory manner due to large fixed labor costs (Ford, 2022). Industries with high fixed labor costs are termed to suffer from "the cost disease," a notion articulated by Baumol in 1993 when he described the situation where technological improvements, like electronic medical records, are not sufficient to offset the increase in real operating costs (Ford, 2022). Many other industries with fixed labor costs have the ability to increase wages and salaries. Due to the fact that healthcare reimbursements are determined by state and federal governments, physicians and other providers are not able to directly increase their prices to compensate for inflation and demand for higher wages (Ford, 2022).

Hospitals can opt to lock physicians into exclusivity contracts which prevent them from seeing patients at other hospitals, which both gives the hiring hospital a competitive advantage and allows them another means to increase costs (Baker, 2014). Hospitals can also leverage their physician contracts to encourage use of their testing facilities, pharmacies, surgery centers, and outpatient services (Baker, 2014). Change from physician. owned to hospital-owned often involves large price increases to payors and patients and less personal service. For physicians, the change often has a minimal impact on compensation, yet for hospitals, it is extremely profitable (Baker, 2014; Whaley et al., 2021; Neprash, 2015). Some private practices have sought out private equity firms in to provide a much-needed capital influx that is beyond their capabilities as a small business (Polsky, 2021). Concerns about the implications of hospital ownership on physicians' autonomy, compensation, and job satisfaction coupled with unrealized promises regarding improvements in patient outcomes and administrative efficiencies have influenced some physician-owned groups to seek outside capital without becoming vertically integrated with a hospital; other capital sources include health plans, venture capitalists, and large employers (Chu & Newman, 2020). The American Hospital Association's 2020 market insights report noted that hospital-employed physicians' lack of autonomy related to clinical decision-making is a driving force behind the beginning of a new movement away from hospital acquisition toward partnerships with outside investors whose business model allows physicians to retain clinical autonomy (Chu & Newman, 2020). This movement is still in its beginning stages and vertical integration with hospitals is still the most common ownership change for private practices.

INDUSTRY

The local industry includes several key competitors, both privately-owned and hospital-owned (see Appendix A).

Hospital-owned Competitors

University Anystate Health is part of a large, state-wide health system. They have over 30 orthopedic providers practicing at 3 locations. They offer primary care and surgical specialties and in-house MRI. They do not have in-house PT and patients are often seen by fellows.

University Anytown Orthopedics is the Orthopedic division of University Anytown Medical, which is part of a large academic system. The group primarily sees orthopedic patients at one location in the Anytown medical center. They do not have a specific dedicated sports medicine practice. They have 30 orthopedists, some of whom focus specifically on pediatrics, trauma, or diabetes. University Anytown Orthopedic surgeons do surgeries at the University Anytown Hospital and do not utilize any free-standing outpatient surgical centers. When University Anytown Medical decided to grow their orthopedics department and create a sports medicine division, they made a large donation to the State University at Anytown and officially took over the university's athletic care from ABC, although many State University at Anytown athletes are still seen by ABC doctors. University Anytown Medical recently contracted to become the official healthcare providers of the Anytown Bucks beginning in 2024 in exchange University Anytown Orthopedics has provided the funding for a large medical office facility on the State University at Anytown campus and a new Bucks training facility near the campus. This collaboration between University Anytown Orthopedics and the Bucks has potential long-term implications for ABC.

Alpha Sports Medicine is part of a large hospital system. Although they have a Sports Medicine division, they have no affiliated sports medicine physicians in the area. They have over 40 affiliated orthopedic surgeons in the area, which are made up of independent offices, each with their own methods for handling sports medicine and orthopedic issues. The commonality is their Alpha affiliation. The Alpha surgeons conduct surgeries in Alpha Hospitals and use Alpha imaging centers. In 2018, Alpha took over care of the Private University athletics from ABC; ABC had cared for Private University athletes since 2012. Due to the relationships already established with the sports trainers, some of these athletes continue to see ABC doctors although Alpha retains the right to market their hospital as the official Private University physicians.

Beta Health System Sports Medicine, like Alpha, is made up of 107 Beta-affiliated physicians. These affiliated providers do not offer an integrated treatment approach, meaning that each physician may have their own way of treating each type of injury. Additionally, some of these physicians are employed by Beta Health System, and some, like a few of the ABC physicians, work in their own private practices and also have privileges in Beta hospitals. Sports medicine physicians, orthopedic surgeons, and foot and ankle surgeons are mostly in separate offices. Imaging and surgical services are provided by the hospital. Beta offers physical therapy referrals, but they do not provide in-house services. Beta Health System Sports Medicine is not currently a major competitor in the sports medicine arena.

Church Physician Orthopedic Specialists is a part of the massive Church Hospital System. They currently have eight orthopedists and one sports medicine physician and have both a main location in Anytown and two satellite offices in nearby Westtown and Far North Town. As part of a large hospital system, they use Church Hospital imaging services and do surgeries at the Church hospitals. Church Orthopedic Specialists refers its patients to local physical therapy.

Church Hospital provides a large annual stipend to a pool of athletic trainers to assist with outreach efforts to bring in new sports medicine patients to both ABC and Church Physician Orthopedic Specialists. Church Hospital System benefits from this because ABC surgeons do at least one-third of their surgeries at Church Hospital.

Privately-owned Competitors

ABC's biggest competitor is Anytown Orthopedics. This is the largest privately-owned orthopedic group in Anytown with over 40 physicians and mid-level providers and has eight locations. They are run by an executive board and are among the most well-known orthopedic groups in the metropolitan area. Anytown Orthopedics offers pain management and chiropractic services, but does not have in house PT. Like ABC, they offer urgent care at two offices and imaging at their surgery centers. Anytown Orthopedics also has a bone health program and work rehabilitation program. Anytown Orthopedics is run by an executive team and board of directors. Anytown Orthopedics is affiliated with the Anytown Giants Baseball, Anytown Christian School, Anytown Sports Association, and Anytown Soccer Academy.

Anytown Sports and Occupational Surgery is a private partnership with one orthopedic surgeon and one foot and ankle surgeon. ABC's foot & ankle surgeon shares call with the foot & ankle surgeon from Anytown Sports and Occupational Surgery and they are mutually respected colleagues. It is primarily a surgical practice, with no associated ancillary services. This practice is a minor competitor in the orthopedic surgery and sports medicine markets as it focuses on the imminent needs of surgical patients with knee, hip, shoulder, and foot issues requiring surgical intervention.

Comprehensive Orthopedics is another smaller competitor. A privately-owned business for 13 years, they comprise two orthopedic surgeons, a sports medicine physician, and four mid-level providers. They also offer in-house PT services with four physical therapists on staff. They do not have any significant relationships with any of the local sports teams and are not considered a serious competitive threat.

ORGANIZATION HISTORY

ABC was originally formed in 2003 by the four founding partners, Drs. Anderson, Perez, Sanchez, and Smith as indicated in Figure 1 (Appendix). Together these four doctors comprised a group of one foot and ankle surgeon, one orthopedic surgeon, and two sports medicine physicians. They wanted to create a wholly new physician-owned specialty practice in the Anytown area- one devoted primarily to treating athletes and sports-related injuries. ABC focuses on providing outstanding care to every patient, whether an everyday athlete or an NFL player. Dr. Smith is the de facto leader of the group. Dr. Smith and Dr. Sanchez were already acting as the Bucks team doctors when ABC was formed. In 2005, shortly after the formation of the partnership, Dr. Scott joined as a partner and then the group added Dr. Clark in 2006. Later that year, the ABC physician group, along with other physician groups, made the decision to invest in and build the Anytown Athletics Complex, an office complex built to serve as a single building housing the Bucks training facility, the ABC sports medicine practice, hand surgeons, maxillofacial surgeons, an outpatient surgery center, a physical therapy center, a radiology center, a durable medical equipment store, and even a cafeteria. Dr. Taylor became a partner in 2011, and together these seven physicians built a unique and exceptional practice offering unparalleled medical care for athletes.

Their practice has served athletes of all types from everyday athletes, weekend warriors, and junior and high school athletes, to university level and professional athletes. The practice evolved to treat specific acute athletic injuries and chronic problems created through overuse as well as offering injury prevention programs. The physicians all believe that treatment does not

end with fixing the problem that brings the patient into the door. Treatment always includes education in prevention to avoid future injury. Patients that require surgery can expect comprehensive follow-up care and top-notch physical therapy. ABC had a PT division until 2018 when they partnered with Anytown Physical Therapy, a state-wide physical therapy (PT) provider with ten locations in Anytown alone. This partnership turned ABC's PT from an expense to a large revenue driver. Each ABC office is housed adjacent to a PT center, allowing for ease of communication between doctor and PT which enhances patient outcomes. This partnership allowed ABC to provide PT care at their practice locations and at numerous free-standing PT centers around the city and surrounding areas.

The practice expanded further by hiring Dr. Lee in 2014, Dr. Miller in 2015, and Dr. Stewart in 2018. These three new additions improved patient access to primary sports medicine care. In 2018, the practice hired Dr. Gonzalez, and Dr. Garcia joined in 2019, adding two more orthopedic surgeons. Dr. Garcia, Dr. Gonzalez, and Dr. Stewart have all since becoming partners. In 2021 ABC added Dr. Soto as the seventh sports medicine doctor, Dr. Jay, an adult and pediatric orthopedic surgeon, and Dr. Adams, a spine surgeon (See Appendix B).

ABC cares for all of the local high school football teams, provides at least one physician to attend every football game, and holds a Saturday morning sports clinic solely for football injuries occurring on Thursday and Friday night games. ABC provides thousands of school sports physicals every year which occur at the local high schools. All proceeds from the physicals are donated to the school athletic department where the physical took place.

ABC has now grown from the single initial location to include four other offices in Anytown and the surrounding areas. The COVID-19 pandemic brought telemedicine to the forefront of clinical care and added a new dimension to ABC's offerings, creating flexibility for follow-up care, especially for patients from other cities. Further expansion projects are underway including investment into another office building and an additional practice location, both with PT and outpatient surgery services.

ABC has several unique service offerings. Concussion screening for junior and high school athletes establishes a baseline brain scan for comparison in the event of future injuries. Physical therapy, provided through a partnership with Anytown Physical Therapy, is attached to every practice location, and there are an additional seven locations in and around the Anytown area. This partnership allows them to provide cutting edge physical therapy services such as the Alter-G treadmill to their patients during rehabilitation while maintaining open lines of communication between the physician, patient, and physical therapist. ABC has been the Anytown Bucks' team physicians for over 20 years, and agreement established and maintained based on exceptional care for the athletes. This was a unique arrangement in a professional-sports industry where most physicians pay millions of dollars to be the official healthcare providers for a professional team. ABC will retain this position through the end of 2023 when University Anytown's contract begins. ABC physicians are also the healthcare providers for several other professional sports teams and major university athletic programs as well as the healthcare providers for several amateur competitive sports programs. ABC has affiliations with University Anytown Medical and Church Hospital System, although they are owned by neither. ABC sold 51% of their main surgical center to Church Hospital in 2010 and fully owns their newer surgery center in Far North Town. Additionally, Dr. Anderson, their foot & ankle surgeon, is a top doctor for a novel foot surgery procedure, and has also created a foot & ankle surgical fellowship.

ISSUE

In the current healthcare environment in the U.S., is it practical and viable to continue to follow the private practice model when physician groups are increasingly hospital-owned? A Physicians Advocacy Institute and Avalere Health Analysis found that in the calendar year 2016 alone, hospitals acquired over 5000 physician-owned practices which was up 107% since 2012 and the scales tipped toward hospital-owned physician practices over private practice groups making 2016 the first year that more U.S. doctors were employees than business-owners (LaPointe, 2018; Owens, 2019). The vertical integration trend seemed to begin around 20 years ago, began a steady increase around 2009, and by the beginning of 2021, hospital ownership of physician practices was the norm, not the exception. (LaPointe, 2018; Muoio, 2021). The acquisitions seem to be occurring at an ever-increasing rate, partly due to the excessive burdens placed on private practices due to the COVID-19 pandemic (Muoio, 2021). According to Medicare, the average reimbursement per RVU (relative value unit) was $36.6873 in 1998, $36.0391 in 2019, and $34.61 in 2022, which represents a 5.66% actual pay decrease over 24 years (Cass, 2022; Coffron & Zlatos, 2019). For 2023, the Center for Medicare Services (CMS) decreased physician reimbursements to $33.06 per RVU, a $1.55 per RVU decrease from the 2022 reimbursement amount (Centers for Medicare Services, 2022). Decreasing reimbursements are a reality in U.S. healthcare. This differential does not address inflation, which results in an effective pay decrease of 132% from 1998 to 2023, assuming normal inflation rates (Cass, 2022; Centers for Medicare Services, 2022). Although acquiescing to a hospital buyout may seem to be the solution to the financial burdens imposed by decreasing reimbursements, reduced patient volume, staff shortages and turnover, the impact of a hospital buyout on the overall healthcare marketplace has overwhelmingly been to increase costs (LaPointe, 2018; Owens, 2019; Madison, 2004; Muoio, 2021).

The problem of runaway healthcare costs in the United States seems to be analogous to the housing bubble of the 1990s, the telecommunication bubble of the early 2000s, and the current looming student loan bubble; the commonality here is the "bubble," and bubbles inevitably burst. The research indicates that the trend of hospitals acquiring physician practices is one side of the larger issue of runaway healthcare costs that are rising at a level that is not sustainable (Ho et al., 2020). According the American Medical Association (AMA), as of mid-2019, the rate at which physicians were leaving private practice to work for hospital systems was slowing significantly; it is approximately 50% less than the rate at which physicians became hospital employees in 1988-1994 timeframe (Henry, 2019). We propose that ABC is not a practice that is clinging to an outdated operating model but is instead ahead of the curve. If the hospital acquisitions continue at their current trajectory in tandem with rising healthcare costs, the pendulum could swing back over the next decade. If ABC can weather and thrive in this storm, they could come out on the other side as owners of a very strong, stable, and highly profitable practice in a future marketplace where physicians are breaking away from hospital employment and heading back to private practices.

Despite the presence of this emerging hospital acquisition bubble, increasing overhead costs, decreasing reimbursements, and the challenges of running the complex business of private practice medicine have ultimately combined to push many groups to sell to hospital systems (LaPointe, 2019). ABC will have to continue to overcome these issues while addressing the future trajectory of the practice.

PROBLEM

Did ABC make the right decision to stay a private entity and decline the offer to sell to a hospital system? If so, how can they create a viable model for growing the practice, including how to add more partners and locations? What will the specific process be for adding more partners going forward? What will the process be for hiring more doctors or adding mid-level providers? How do they go about adding more locations? How do they effectively execute the transition to an executive management team? All of these questions are under careful consideration and require prompt attention.

Over the past five years, two different hospitals have approached ABC and expressed interest in buying or partnering with them. After weighing the pros and cons of each offering with respect to impact on patient care, impact on autonomy, impact on compensation, and impact on security, the partners decided to remain physician-owned. These decisions left ABC clearly in the minority of physician group practices in the Unites States. The Avalere Physician Health and Advocacy Institute reports that over the six-year period between 2012-2018 alone, group acquisition by hospitals, also known as vertical integration, grew 128% (LaPointe, 2019). Despite hospital claims that integration can reduce costs, improve quality of care, increase efficiency, and effectively transition to value-based care models, increasing evidence points to failure in many respects (Madison, 2004; Nikpay, 2018; LaPointe, 2019). ABC, like many physician-owned practices, is faced with declining reimbursements and increased practice management costs; thus, the allure of a fixed salary and benefits while handing off the daily stresses related to human resources and practice management to a hospital system sounds very attractive to many groups (Coffron & Zlatos, 2019). Does leaving private practice to be employed by a hospital actually reduce administrative burden? In a national survey of 4720 physicians, it was revealed that hospital-employed physicians spent more time on administrative tasks than physicians who were self-employed; however, hospital-employed physicians do not have practice management
demands on their time (Woolhandler & Himmelstein, 2014). In essence, hospital employment may reduce practice management time but increase other administrative time.

Firstly, impact on patient care was considered. Multiple studies have concluded that hospital ownership of physician groups does not improve patient care but does increase costs (Ho et al., 2020; LaPointe, 2019; Madison, 2004; Muoio, 2021). The patients at ABC generally return when they have another injury. They are apt to refer their friends and family members. They usually rate their doctors highly on social media and websites like Facebook, Google, and Healthgrades (See Appendix C). ABC patients are usually very happy with the care that they receive. Patients are happy to see the “Bucks’ doctors.” The Bucks have chosen these physicians to be their doctors for over 20 years because they provide excellent care. Providing excellent, cutting-edge patient care and retaining the autonomy over patient treatment decisions were instrumental components of the decision to remain physician-owned.

As a practice composed predominantly of physicians with over 15 years of experience in the private sector, ABC considered autonomy or the loss thereof as a factor when contemplating a sale. Currently, the ABC physicians have the ability to utilize their years of clinical experience, medical and surgical guidelines, standards of care, and cutting-edge therapies, techniques, procedures, and surgeries to provide the care that each physician believes to be best for each individual patient. The ABC doctors have the ability to offer newer treatments not covered by some insurance companies.

Although many younger doctors are leery of the risk of starting their own practice or buying into a group, choosing the security of a hospital contract may not be the stress-free path that it appears to be (Owens, 2019). In 2011, a Mayo Clinic study cited levels of burnout among physicians at around 45%, which increased to 54% by 2014, coinciding with a large increase in physicians shifting to hospital employment in lieu of private practice (Owens, 2019). Another study from the British Medical Journal considered the impact of physician autonomy in the context of vertical integration; through insights gained from 220 physician questionnaires, the researchers found that physicians are likelier to feel a stronger sense of identity with their hospital employer if they also enjoyed autonomous decision-making regarding their ability to organize their own work and to have influence on organization-level decision-making (Salvatore, et al., 2018). Dr. Dike Drummond, a career and life coach for doctors working under the moniker "The Happy MD," believes that burnout correlates with loss of autonomy when physicians become employees; as doctors, they are trained to be decision-makers and bosses (Owens, 2019).

Physician compensation is an important variable for consideration when a group contemplates vertical integration. ABC has four physician specialties: family practice sports medicine physicians, orthopedic surgeons, foot and ankle surgeons, and spine surgeons. Family practice sports medicine physicians are board-certified family practice physicians with additional training in sports medicine. Orthopedic surgeons are board-certified in orthopedic surgery and often specialize in one or more specific body parts, such as shoulders, knees, or hips. Foot and ankle surgeons are podiatrists who are board-certified in foot surgery and rear foot reconstructive surgery. Spine surgeons are board-certified in orthopedic surgery and orthopedic spine surgery. Depending on the source, in 2022 the average annual pay for an orthopedic surgeon (including spine surgeons)was between $633,000-$750,000 (Katzowitz, 2022; Nazar, 2022). Sports medicine physicians were paid on average $187,000-$268,000, and podiatrists earned an average of $247,000, with the top earners at $731,000 (Katzowitz, 2022; Nazar, 2022). One large study that surveyed physicians between 2014-2018 found that physicians experienced a negligible financial impact after making the move to work for a hospital system (Whaley, et al., 2021). Given that all of ABC's partner physicians earn in the top .5% of their respective specialties, financial compensation was not a valid motivator to sell.

Long-term financial and job security was also a key aspect for contemplation when weighing the pros and cons of private practice ownership versus hospital employment. Job security is often a key selling point when a physician is considering working for a hospital (LaPointe, 2019). Usually physicians are offered a guaranteed salary for the first one to three years of employment. Thereafter, financial compensation is usually tied to relative value units (RVUs), which is the typical Medicare reimbursement model. The initial salary is usually quite attractive, yet when the doctors move to the RVU-based compensation model, they are usually not happy with their declining salaries (Zigrang, 2022).

DILEMMA

ABC is at a critical juncture in its lifecycle: some of the founding partners are moving closer to readiness for reduced hours or retirement, there is intense competition in the local sports medicine market from both new and existing competitors, and the practice is losing their position as team doctors for the Bucks in 2024. ABC transitioned to an executive management board in 2022 and is acclimating to the change. The practice is experiencing growing pains as it adds more partners and locations and hires more physicians. The partners must determine how to

evolve into a practice with a hybrid management model and learn how to make decisions as a group of ten partners rather than the seven that have run ABC for over a decade. They need to create a viable partnership track for the addition of future partners. They must also create a plan to evolve into a practice run by the next generation of ABC doctors as some of the partners move closer to retirement while the practice continues to remain physician-owned.

Of the seven founding partners, three are in their 60s and the other four are in their 50s. They have reached a point where it is prudent to begin transparent discussions about future career plans, workloads, and paths to retirement. No formal discussions have taken place as of yet and the topic remains in the background as the partners grapple with daily aspects of practice management.

ABC is also staving off competition from both new and existing competitors. Anytown Orthopedics has taken over healthcare for a large local private university and the local professional baseball team and continues to try to make inroads in the care of the high school football teams. The University of Anytown Medical will assume the title of the official healthcare provider for the Anytown Bucks in 2024. ABC needs to aggressively capitalize on their position as team physicians for the Bucks through typical marketing channels though the end of 2023. The practice has benefitted from their reputation as the Bucks' team physicians through their sideline presence at all televised Bucks' games, through word-of-mouth, and through patients seeing the Bucks players in the clinics and the Anytown Athletics Complex building. Until 2022, ABC did not formally use their relationship with the Bucks in any of their marketing. It is not yet quantifiable exactly what the financial impact will be when Anytown Medical physicians replace ABC doctors courtside. Additionally, Church Sports medicine is both a competitor, a partner in the ABC surgery center, a joint venture partner in sports medicine outreach, and a dissatisfied suitor with respect to their interest in acquiring ABC. The practice has thus far successfully navigated this complex relationship.

ABC operated for 18 years with no executive board. As the practice has grown to over 100 employees, in 2022 practice management was turned over to an executive board. Since its inception, ABC was run by the physician partners as an S Corporation. Their contract stipulated the requirement for unanimity in voting decisions regarding expansion plans, investment, partnership issues, hiring additional physicians, and business partnerships. This unusual arrangement was largely successful for over 15 years. It became clear, especially as the partner group had grown, that a change had to be made as the current governing model was no longer viable. The partners each have very busy practices operating at near capacity. They no longer had the time or sufficient business expertise to continue to manage the practice as it grew. The partners decided to hire a CEO, CMO, and CFO. They selected the executive board, determined their pay structure, and established accountability. Now they need to adapt to less day-to-day control of practice management. The partners had to determine which elements of practice management that they wanted to retain control of and which needed to be handled impartially by the CEO.

The necessity of the executive board was crystallized when the practice added the latest three partners and hired the last three employee physicians. The three additional partners were added relatively quickly, and no formal partnership process has been established prior to or since the expansion. It is easier to make decisions with a small partnership committee who have been colleagues for many years than to make consensus decisions with a large partnership committee, several of whom are relatively new to both partnership and private practice.

To facilitate the transition to practice management with a larger partner group, ABC hired executive management to assist with operations. Previously the partnership board met weekly for an hour to an hour and a half, bi-weekly for approximately 3 hours, and had quarterly full-day business planning meetings on a Saturday. The business management side took an average of 5 hours a week per physician in addition to planning time for the meetings and additional time for partners who were spearheading a project. This time demand has now been mitigated by the recently-hired human resources manager and CEO and the partners have allowed the CEO to take control of smaller daily decisions. The executive board now runs cost analysis for staff per physician and is working to establish a dollar per hour allotment for each physician's staffing needs. When this is complete, the physicians would then be free to give raises to their staff if they are under the allotment, hire an additional medical assistant or registered nurse. They also have the ability hire a nurse practitioner, physician's assistant, or fellow that would be paid for by the supervising physician. The new human resources manager is working on formal job descriptions as well as associated training for each position. They can also establish semi-annual performance reviews whereby staff knows how well they are performing and what they need to do to get a raise. Currently, none of these things are in place.

CORE COMPETENCY AND COMPETITIVE ADVANTAGES

ABC's core competency is consistent excellence in providing healthcare in the field of sports medicine; all ABC physicians are board-certified in their respective specialty and are also fellowship-trained. Not one of the competitor practices is solely composed of fellowship-trained physicians. The difference is between one to two years of additional, specialty-specific training. Each of the ABC physicians was selected for their respective fellowship program, which speaks to the caliber of doctor in this practice. Every doctor who wants a fellowship cannot get one, and many doctors practice without board-certification.

Patient access to physician care is a competitive advantage that allows the practice to provide rapid access to care that is currently unmatched by competitors. ABC has a policy whereby all sports-related injuries, regardless of age, are seen within 24 hours, and all other patients are seen within 48 hours. Rapid patient access to care is another best practice that can be extremely difficult to duplicate without a flexible and efficient staff. The patient care coordinators all have company-provided mobile phones so that they can receive texts and calls from patients and physicians; they are quick to accommodate last-minute clinic additions without compromising care or patient time.

The second main competitive advantage is the unique relationship with the local Bucks franchise. Only one physician group can identify as being the team physicians for the local superstar team. This competitive advantage will only exist until the end of 2023, so it is critical that ABC maximizes this relationship over the next year. ABC physicians believe that the reputation that they have built supersedes any negative impact of ending their position as the team doctors.

BEST PRACTICES

ABC models several best practices that contribute to the success of its core competency and competitive advantages. The inherent value of the synergies between family medicine doctors and surgeons, the unique internal triage process, and a democratic management style are

all highly effective components leading to the overall success of the practice. The synergies between the different specialties demonstrate a culture that is analogous to the team culture of the Bucks in that it is team-focused. The internal triage process emphasizes the synergy created when sports medicine and surgeons are working closely together. The democratic management style that has long been an asset had become hindrance as the partnership team expanded from seven to ten physicians, necessitating the shift to management by executive board.

The synergistic culture involves hiring the right physicians who are either current or former athletes and who love sports; these elements assist in empathizing with patients during treatment and recovery. The practice is not solely focused on orthopedics or sports medicine; instead it views sports medicine, foot and ankle surgery, and orthopedic surgery as integral components to complete patient care. The culture celebrates the contributions that each specialty brings to the practice and the physicians embrace the belief that the whole is greater than the sum of its parts. Especially when hiring doctors who might one day be a partner, it is critical to hire physicians who will mesh well with the current practice culture and personalities. The practice looks at potential hires as people first and physicians second which helps to maintain a culture that breeds trust and collective agreement.

The efficiency of internal triage is a brilliant example of the best practice in an effective process flow as indicated in Figure 2 (Appendix). The structure of the patient triage process keeps all aspects of sports injury-related care in-house for seamless communication and treatment. These include: in-house x-ray, magnetic resonance imaging (MRI), injections including steroids, platelet-rich plasma (PRP), hyaluronic acid, and stem cells, durable medical equipment, on-site physical therapy, surgery centers, and both primary care and specialty physician services. The internal triage at ABC enables surgeons to see surgical patients and not waste time seeing patients who have a non-surgical diagnosis. The complete care continuum allows ABC to care for their patients from diagnosis to x-ray and/or MRI, to injections and durable medical equipment, to surgery, follow-up, and physical therapy, all in-house. The greatest efficiency lies in the ability of the sports medicine family practice physicians to pre-screen the majority of potential surgical patients thus avoiding the surgeons spending unnecessary clinic visits with non-surgical patients. All of the physician specialties recognize that the synergy created by this process allows the practice to be more successful and allows each of the individual physicians to earn a salary within the top .5% of their respective specialties across the U.S. The surgeons are able to do more surgeries because they see more surgical patients. The sports medicine physicians are able to yield better outcomes earlier because their patients are not needlessly seeing a surgeon first only to be sent to a sports medicine physician for appropriate non-surgical care. Additionally, sports medicine doctors have ready access to orthopedic surgeons and foot and ankle surgeons should they need to ask a very specific question about a complex patient. This capability greatly increases the time to treatment as the patient often does not need to make another appointment to have a second physician weigh in on their diagnosis. Two main features differentiate ABC's patient triage from other models. Firstly, the sports medicine doctors serve as screeners for the surgeons. Second, the entire patient flow at ABC is designed to be kept in-house. The typical patient flow at ABC is a stark contrast to the patient flow at a typical orthopedic practice as indicated in Figure 3 (Appendix).

The democratic practice governance is simultaneously a best practice and a potential future Achilles' heel. All partner physicians all have equal voting rights regarding practice initiatives like expansion plans, hiring decisions, investment opportunities, and business partnerships. This method leads to successful brainstorming and a sense of equality and

collaboration that is often lacking in large group practices with dominant executive boards. The challenge will be effectively differentiating between which aspects of practice management are overdue for corporate oversight and which need to be retained by the partners in order not to disrupt a high-performing culture.

IMPLICATIONS

Several implications emerged as the practice reached its current size in 2022. These included the need for a professional management team or executive board to run the practice, a formal partnership track, and a clear path for partners seeking reduced hours or retirement. In continuing to grow the partnership board, hire more physicians, and add more locations, the practice has outgrown its current management structure. The addition of three new partners in early 2022 clearly demonstrated that an objective path to partnership must be determined and abided by. As several of the founding partners age into their 60s, it is evident that specific processes must be established to allow partners to work reduced hours, sell their partnership to the remaining partners, and retire. If these developments do not occur, the potential fallout could include practice mismanagement, contention or even dissolution of the partnership, and/or conflict regarding the addition or retirement of a partner.

LESSONS LEARNED

Key lessons learned from the development of the case study which can help to shape future practice management and growth decisions are based on two key areas: practice management and marketing. The partners have learned that the current practice management style, that of the partner physicians running the practice through weekly and ad hoc meetings and consensus building, has reached the end of its viability. It is no longer an asset and has become a hindrance as the board grows. The partners, especially the seven most tenured partners, have to relinquish some managerial control. Some growing pains might occur as control is handed to an executive board, but it should ultimately increase efficiency and relieve the partners of the burdens associated with daily practice management demands like hiring employees, coordinating repair of an X-ray or MRI machine, and deciding how and when to allocate pay raises.

With respect to marketing, given that ABC will lose the official title of the Bucks' Team Physicians at the beginning of 2024, ABC will have to determine how to mitigate any reputational fallout and proactively capitalize on the teams that they continue to serve. Greater reliance on their outsourced internet marketing company will likely be necessary as the physicians offer newer services like telemedicine visits, second opinion virtual consults, and surgery-specific recovery videos featuring the surgeons talking to patients and continue to grow their ever-increasing social media presence. ABC should reconsider the inclusion of "team doctor" in current marketing and capitalize on their existing relationships with high school and collegiate athletes which are foundational elements of their core business.

OPTIONS

ABC Sports Medicine is in the desirable position of having several viable options to address their practice and marketing issues. ABC still retains the ability to sell to Church Hospital if the price were right and/or if the partnership board decided that it was in the best

interest of the practice. They also have the cash on hand and cash flow that allow them to remain physician-owned and continue to expand in number of practice locations and physicians. ABC has relinquished control to an executive board and refocused their efforts on the patient care side of the practice. They have multiple options available to augment existing marketing pieces: increase social media presence, further develop their online video offerings for sports medicine and surgeons alike, and explore business partnerships which feature joint marketing efforts such as the collaboration between Dr. Anderson and the surgery company which developed a cutting-edge foot surgery. Examples of increasing social media presence include Instagram photograph uploads during sports events, Facebook check-ins and short videos detailing the physicians' engagement with athletes, and TikTok videos showing patient care clips. ABC's online video offerings currently include short videos posted to their website and Facebook that show an ABC physician explaining a type of injury, care and treatment for an injury, or how to avoid an injury. These can be expanded to include preoperative and postoperative care videos and they can be more consistent with regular postings so that patients can expect new content on a regular basis.

RECOMMENDED FUTURE ACTIONS

The case concludes with two specific recommendations for continued success and improvement within the practice. Firstly, while hiring an executive management board was an excellent first step in addressing practice-management issues, the partners need to establish pathways for future organizational growth. ABC needs to create a specific path to partnership. They need to clearly outline retirement options and agree upon avenues for reduced work hours, and hiring mid-level practitioners and fellows. By addressing these issues, they will ensure that current partners can continue to stay involved as the practice grows and evolves and avoid premature retirement and loss of valuable human capital.

A partnership path needs to be created and agreed upon by the executive board. The path should include a timeline including a trial period to demonstrate cohesion within the group. A formula for practice valuation needs to be agreed upon to effectively quantify the financial value of a partnership share in the future. Additionally, a path for hiring new employee physicians should be established. They need to decide the criteria within the practice that necessitates a new hire, who will conduct the hiring process, and the duration of employee-physician status prior to partnership offering.

ABC needs to address the future of the older partners in the group. They have several very experienced and busy older partners who might want to continue to practice, but would like to be able to work in a reduced hours capacity. For example, overhead could be averaged for the year and a physician could pay one-ninth of an overhead share per working month and then work for three months, then take one month off instead of paying one-twelfth of an overhead share every month. This would allow a physician to take a month off after 3 months of work without an excessive overhead burden to be paid when they are off. Another option would be to offer a job share opportunity. This might entail two physicians sharing clinic overhead and splitting one share of ancillary income. The job-sharing doctors could each work 2.5 days per week, they could alternate 2 days and 3 days, or work out any arrangement that yielded 50/50 work. This type of arrangement might allow the practice to attract physicians with young children who might want to work part time or older physicians closer to retirement.

Second, they need to address the changes to their relationship with the Bucks and attempt to quantify the business impact of losing that relationship while mitigating the loss through

alternative marketing channels. ABC needs to work with its marketing team to enact new avenues for patient contact and visibility as their lack of presence at the professional games in 2024 will be noticed. Enhancing their presence on social media platforms and growing their virtual offerings like telemedicine and video-based patient educational content are both viable avenues to maintain patient contact and increase visibility, Through and effective transition to a professional management structure and emphasis on marketing innovations, ABC can address current managerial challenges and stay profitable as the group continues to grow.

RESULTS

The research sought to answer the questions: Can a private physician-owned specialty practice stave off hospital acquisition and remain successful in providing quality patient care and above-average profits for physicians? Are physicians and patients affected when a hospital or hospital system buys a private specialty physician practice? And can a private practice stay private, grow, and thrive in the highly regulated healthcare industry in the United States?

It is possible to avoid hospital acquisition and thrive as a private practice while providing excellent patient outcomes. Physicians can not only make above-average profits, they can achieve pay commensurate with the top echelon of their respective specialties. As physician reimbursements continue to decline, effective management and marketing are essential to continue receiving top-tier pay. Physicians and patients are impacted when vertical integration occurs. Patient quality of care can decline while their costs increase. Physicians experience less job satisfaction through loss of autonomy and lose the ability to experience significant income growth. Private practices can stay physician-owned, grow, and flourish in the U.S. healthcare market.

The methodology for this qualitative instrumental case study involved private document analysis and an in-depth literature review to develop a more comprehensive understanding of the reasons behind ABC Sports Medicine's ability to stay privately-owned, grow, and even thrive in a healthcare environment largely dominated by increasing hospital-acquisition of physician groups. The document review supported the conclusion that ABC is successful, growing, and achieving excellent patient outcomes. The literature review indicated that although vertical integration of private practices with hospitals and hospital systems is still a growing trend, the growth rate is declining and vertical integration had not yielded the expected outcomes of improved economies of scale, better quality of patient care, and reduced costs (Baker, 2014; Berenson, 2017; Fulton, 2015; Henry, 2019; Neprash et al., 2015). Overall, the study demonstrated that it is possible for a private practice to grow and thrive in the current U.S. healthcare marketplace.

Review of ABC's private documents along with a literature review on vertical integration of private practices and hospital systems provided several key understandings. The private document review uncovered that ABC's physicians each received a salary in the top .5% of their respective specialties (Nazar, 2022a; Nazar, 2022b; Nazar, 2022c). This especially unusual since the practice has both primary care physicians and specialists. Although most physician visits in the U.S. are with primary care physicians, 60% of all active physicians are specialists, and the current health policies and healthcare environment in the U.S. disproportionately supports healthcare spending with specialists (Ellis et al., 2018). Practice growth was shown through the increase in partnership from four to ten partners, the hiring of additional physicians, and the addition of four more practice locations. Excellence in patient outcomes was demonstrated

through analysis of over 1200 patient reviews from five review sites, Facebook, ABC's website, Healthgrades, Google, and Birdseye, yielding a weighted average review score of 4.45/5.0 (See Appendix C).

The published literature related to vertical integration in the U.S. is extensive. The initial expectations of increased economies of scale, improved patient outcomes, enhanced communication between physician specialties, and lower costs have not materialized (Baker, 2014; Berenson, 2017; Fulton, 2015; Henry, 2019; Neprash et al., 2015; Nikpay, et al., 2018). Although literature indicated that vertical integration of private practices with hospitals and hospital systems is still a growing trend, the growth rate is declining and vertical integration has yielded an increase in physician burnout, increased costs to patients and payors, and no demonstrable improvement in the quality of patient care (Baker, 2014; Berenson, 2017; Fulton, 2015; Henry, 2019; Neprash et al., 2015). Now that vertical integration has been a part of the U.S. healthcare market for two decades, there is ample evidence as to the impact that it has had on patient and payor costs, quality of care, and physician compensation. Increasingly the evidence supports private practice ownership and does not find that vertical integration has resulted in the expected cost and quality improvements. A multi-state claims database review covering 12% of Medicare patients in the U.S. found that healthcare services provided by hospital-employed physicians cost 14.1% more than the same services provided by physicians working in private practice (Capps et al., 2018). Increasing costs without commensurate improvement in outcomes is an unsustainable model. In 2013 a comprehensive review of the purported economies of scale created through vertical integration found that the expected efficiencies were not realized and integration posed anticompetitive threats due to the expectation that hospital-employed physicians would order tests and perform procedures and surgeries at their parent hospital (Lawton et al., 2013). If these concerns have been so readily apparent for at least ten years, why does the vertical integration trend continue?

FUTURE RESEARCH

Further research needs to be done in this field with respect to both qualitative and quantitative outcomes related to vertical integration as compared to maintaining physician-owned private practices. This could be accomplished with multiple study designs. For example, a phenomenological study of several physician-owned private practices could serve to highlight competitive advantages and best practices that could potentially be duplicated in other practices; this method could provide insights into the physician-owner mindset. For more generalizable research, large-scale surveys could be used to ascertain compensation, job satisfaction, autonomy, and management styles of existing private practices in the U.S. as compared to hospital-employed physicians.

DISCUSSION

We propose that this qualitative instrumental case study has several meaningful findings for the field. This case demonstrated that it was extremely important for ABC physicians to do their due diligence in considering both short and long-term effects of acquiescence to a vertical integration proposal. It is far easier to have a practice acquired by a hospital system that to restart a private group practice after the practice is employed by a hospital. There are benefits of private ownership including autonomy and greater potential profitability and downsides including

managerial burden and greater financial risk. ABC has remained successful through capitalizing on the inherent value of the synergies between the medical specialties, the democratic management style, and community connection through relationships with local professional, collegiate, and high school sports teams.

The temptation to sell a private practice to a hospital stems from the issues facing physician owners in the U.S. healthcare marketplace. Increasing overhead costs, declining reimbursements, daily practice management challenges, and human resource issues are all considerations when contemplating selling to a hospital system. It is equally important to consider the impact on the autonomy of care, the long-term impact of a sale, and the implications for patients and physician profit (Baker, 2014; Berenson, 2017; Fulton, 2015; Henry, 2019; Neprash et al., 2015).

This case study of ABC Sports Medicine shows that a private physician-owned specialty practice can stave off hospital acquisition and remain successful in providing quality patient care and above-average profits for the physician-owners. Research indicates that physicians and patients are affected when a hospital or hospital system buys a private specialty physician practice; physician autonomy decreases, burnout increases, and compensation often declines (Bishop, et al., 2016; Nikpay, et al., 2018; Berenson, 2019; Katzowitz, 2022; Salvatore, et al., 2018). ABC was able to stay a private practice, grow, and thrive in the highly regulated healthcare industry in the U.S. despite the vertical integration trends.

The problem of runaway healthcare costs in the Unites States is a bubble analogous to the housing bubble of the 1990s, the telecommunication bubble of the early 2000s, and the current looming student loan bubble; the commonality here is the "bubble," and bubbles inevitably burst. The trend of hospitals acquiring physician practices is one side of the larger issue of runaway healthcare costs that are rising at a level that consistently outpaces inflation (Ho et al., 2020). If hospital acquisitions continue at their current trajectory in tandem with rising healthcare costs, the pendulum could swing back over the next decade. Data from the American Medical Association (AMA) in 2019 suggests that the rate at which physicians are leaving private practice to work for hospital systems is slowing significantly; this might be an early indicator that physicians are recognizing the downside to hospital ownership (Henry, 2019). Empirical review of the effects of vertical integration on costs and quality of care raise concerns about antitrust issues, healthcare affordability, and existing governmental healthcare policies (Post et al., 2017). We propose that ABC is not a practice that is clinging to an outdated operating model, but is instead ahead of the curve. A change in healthcare policy could radically change the playing field if legislation no longer supports vertical integration. If antitrust concerns resulted in lawsuits, the entire delivery system could implode. By addressing the issues with the outdated practice model, shifting marketing emphasis as their relationship with the local professional sports team ends, and enacting partnership and retirement paths for the next evolution of the practice, ABC can weather and thrive in the vertical integration storm. They have the ability to come out on the other side as owners of a very strong, stable, and highly profitable practice in a future marketplace where physicians are breaking away from hospital employment and heading back to private practices.

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APPENDIX

Figure 1

Timeline of ABC Sports Medicine 2003-Present

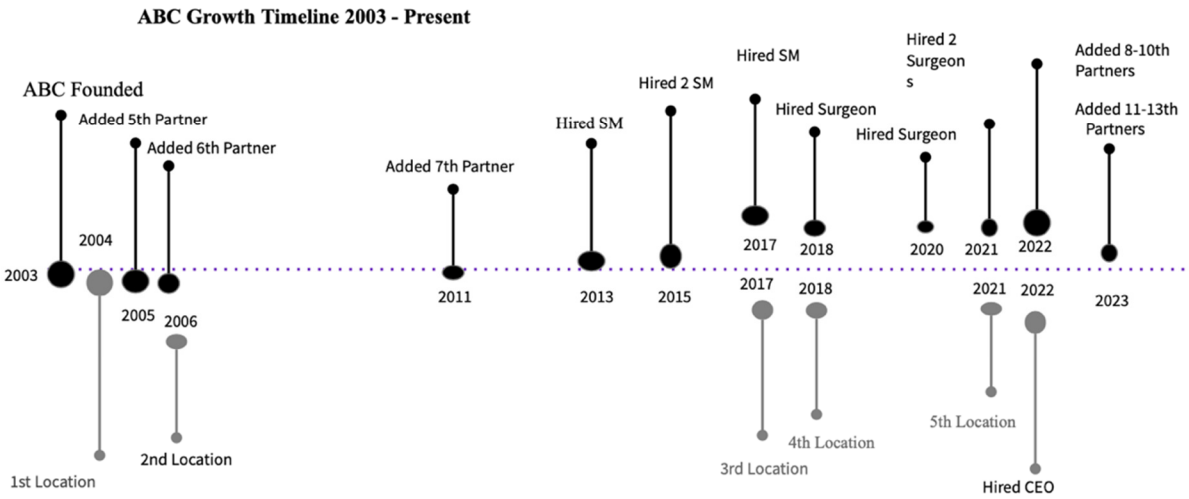
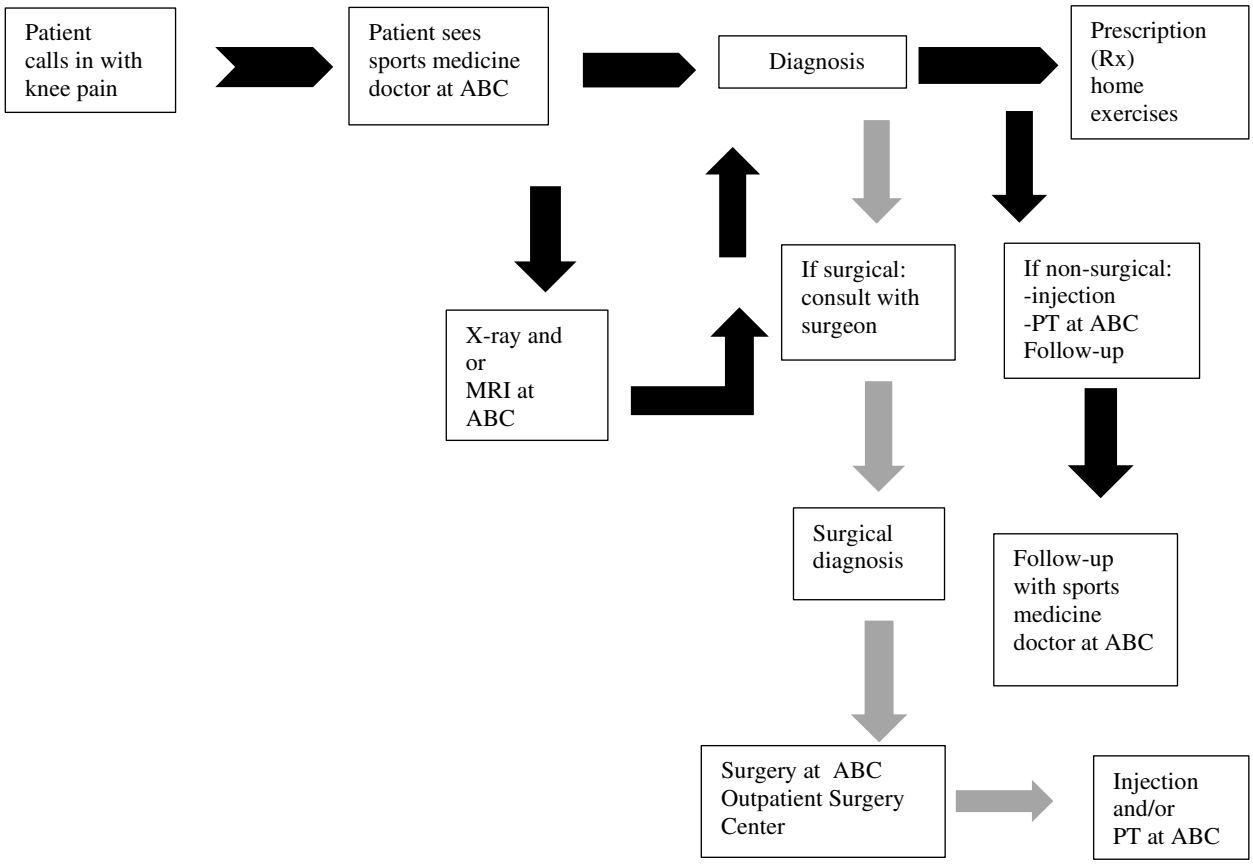


Figure 2

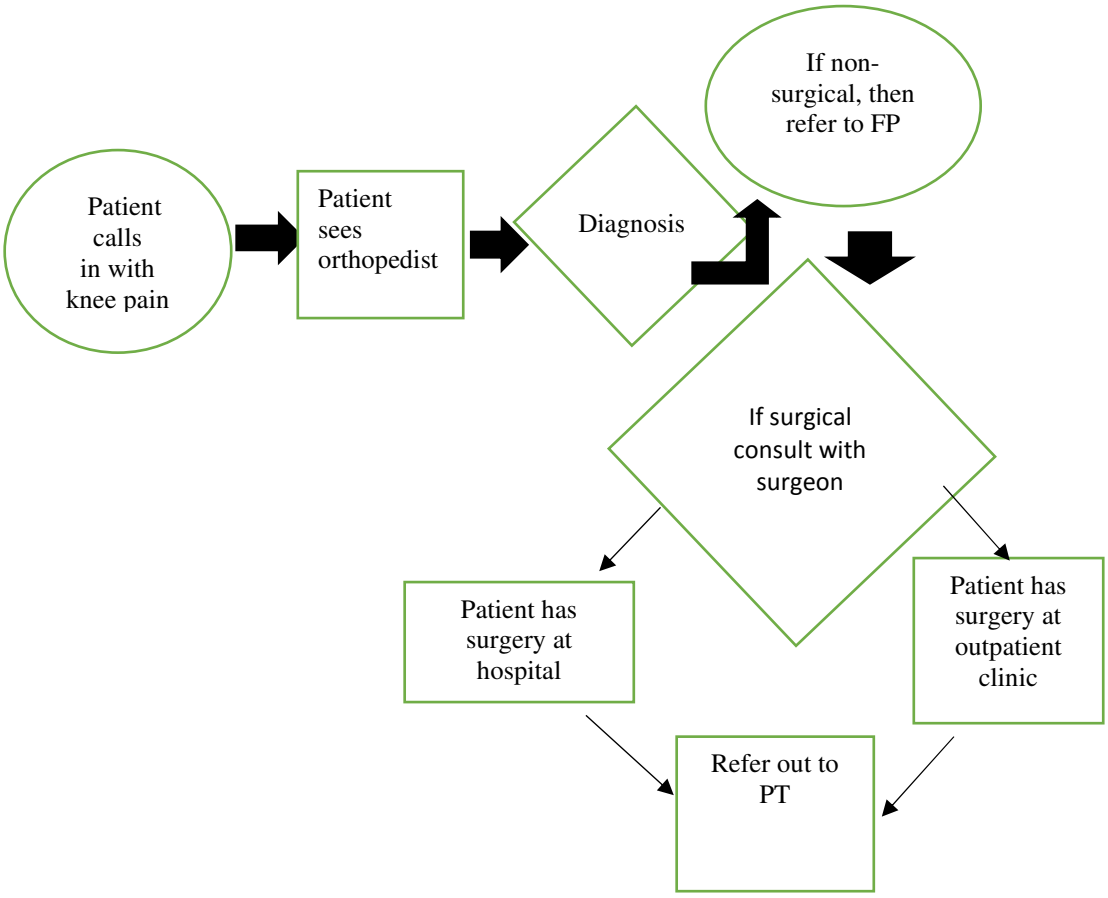
ABC Sports Medicine Treatment Flow for a Knee Pain Patient



Note. The treatment flow diagrams above outlines ABC's patient triage process.

Figure 3

Typical Treatment Flow in Orthopedic Practice for a Knee Pain Patient



Note: The treatment flow above outlines the patient flow of the typical orthopedic practice where sports medicine physicians and physical therapy are not a component of the practice.

Table 1

Comparison of local sports medicine practices

Practice Name	Providers	Locations	PT	MRI	DME	Primary care & specialty	Offer telemedicine	Saturday Sports Clinic
ABC	15	7	Yes	Yes	Yes	Yes	Yes	Yes
Anytown Sports & Occupational Surgery	2	2	No	No	No	No	No	No
University	28	6	No	Yes	No	No	No	No
University Anystate Health	35	3	No	Yes	No	Yes	No	No
Alpha	1	4	No	Yes	No	Yes	No	Yes
Beta	11	5	No	Yes	No	No	No	No
Comprehensive Orthopedics	7	3	Yes	No	Yes	Yes	No	No
Church	12	9	No	Yes	No	No	No	No
Anytown Orthopedics	42	8	Yes	Yes	No	Yes	No	No

Note: PT is Physical Therapy. MRI is Magnetic Resonance Imaging. DME is Durable Medical Equipment.

TABLE 2

Sample of Representative Patient Reviews of ABC Sports Medicine

Patient Reviews			
Patient review source	Number of reviews	Average ranking (5-point scale)	Representative quotes
Facebook	267	4.7	All the doctors are amazing.
			I am thankful for the partnership with our high schools and providing our young athletes with amazing care I have been a patient for 12 years and have seen 3 different doctors at ABC for various issues. My care has always been outstanding and I would not hesitate to recommend to anyone seeking orthopaedic care.
Google	199	4	Love the staff and doctors!
			Dr. S is very attentive, communicates well, and explained the reasoning and actions. Dr. S has an amazing ability to bond with patients. 100% recommend Dr. S.! My daughter's 2-year shoulder pain disappeared under Dr. M's care.
Healthgrades	242	4.5	More convenient because they can do everything in one location.
			2 surgeries with Dr. A and they went perfectly with easy recovery Fantastic doctor! He explained everything very well. I would definitely recommend.
ABC practice website	192	4.1	They are the best group in town!
			Amazing care! One of the best surgeons that I have been to! I switched to Dr. G to have my hip replaced and it was the best decision I ever made.
Birdseye	495	4.3	Dr. S and his staff are great, very caring and professional.
			The quality of care is amazing as is their customer service! ABC is the best ever!