



# MSOs help independent practices stay that way

By Joe Cantlupe | July 30, 2018

With 455 beds and nearly 23,000 patient admissions each year, South Nassau Communities Hospital in Oceanside, New York, practices day-to-day healthcare in a big way.

Officials at the hospital, one of the largest in Nassau County on Long Island and the flagship of the Mount Sinai Health System, know that success at that scale isn't just about taking care of patients.

It's about capturing data as the hospital welcomes new practices to its fold. And it's about meeting billing demands, improving patient registration, and efficiently manning the front desk.

To meet those goals, the hospital relies on its clinicians and staff, and on a secret weapon: Management Services Organizations (MSOs).

South Nassau contracts with at least two MSOs at any given time for an array of hospital needs, including billing and help in onboarding new physician practices, says

Elizabeth Durante, administrative director of physician integration. "We use MSOs in a lot of ways. We have another layer of support by utilizing an MSO," says Durante.

Management Services Organizations provide practice management and administrative support services to individual physicians, group practices, and hospitals. Providers like South Nassau rely on MSOs to relieve them of nonmedical functions and allow them to concentrate on clinical aspects of care – all while controlling costs, gaining efficiencies, and maintaining control over their practices.

"We're starting to see large physician practices not being happy with bureaucracy," says James Bonomo, executive vice president of Caduceus, a Jersey City, New Jersey, MSO whose clients include South Nassau Communities Hospital. "They want to stay independent but need somebody like us to do the back-end work."

## For MSOs, the time is right

A host of regulatory changes and added complexities in the healthcare market are driving renewed interest in MSOs, industry watchers say.

“With government putting more liability on health plans, and health plans prompting providers to effectively manage that risk, we’re seeing a heavier reliance on MSO skill sets,” says Carla D’Angelo, vice president at Cope Health Solutions, a Los Angeles-based healthcare consultancy that helps connect practices with MSOs.

“With providers being eligible for premium dollars through claims adjustment, utilization management, case management and so on, MSOs are becoming increasingly important partners,” D’Angelo says.

MSOs have a role to play in value-based care and population health management, both of which require updated infrastructure and technology that MSOs can provide quickly, says Yomi Ajao, also a vice president at Cope Health Solutions, who has authored a report outlining his vision for MSOs.

## Wicking away work

Depending on the contract, MSOs will negotiate with payors, provide billing and coding expertise, run IT services, lease and service office and medical equipment, and offer access to EHR systems.

Some physician groups and hospitals may contract with several MSOs. One may do accounting, another manage technology, and yet another handle billing and coding. Or one MSO can do all those projects.

The discounted services provided by MSOs save clients money, as does the ability to avoid making full-time hires in IT and other departments.

For their part, Management Services Organizations make their money in various ways: MSOs can run the entire business side of a practice, negotiate contracts, and buy hard assets for a practice. Or they may offer an arrangement where practices pay the MSO a percentage of collections and related fees.

In some instances, hospital or physician employees work for the MSO, and in others, the MSO pays all significant expenses and receives fees for its services. It may own medical offices and buildings, which it leases back to the operating physicians or hospital.

MSOs like Caduceus get paid through full services on contingency arrangements; or, if it is providing partial support services, payment varies depending on the nature of the work (by FTE, claims, or charts, for example).

Others, such as AXIA Physician Solutions, an MSO in Charlotte, North Carolina, that’s owned by Novant Health, offer fee-for-service or performance-based contracts with an emphasis on what it terms “innovative partnership models.” Such contracts allow providers and hospitals to maintain ownership while Novant provides supply chain, information technology and related services.

Some MSOs will use whatever EHR the practice has and use a process to manage the variety of systems, while others, like AXIA and Caduceus, specialize in one EHR and are therefore experts in that system and process.

## An MSO-centric growth strategy

Whatever the fee arrangement, cost savings remains the biggest driver of interest. “We’re seeing a big comeback in MSOs as they play an important role in healthcare to keep costs down,” reports D’Angelo. “A lot of [organizations] are trying to build their own MSOs, or buy into MSOs.”

MSOs also help physician groups and hospitals grow. South Nassau Communities Hospital has tapped into MSOs for its expansion plans, and physician integration director Durante doesn’t see a letup anytime soon.

“Whenever we acquire a group practice, it takes time for me to ramp them up,” says Durante. “The MSO is an additional support mechanism. If I lose people [who resign during the move], I can utilize the MSO to pick up the slack until I staff up.”

South Nassau also uses MSOs to help train physicians and staff on EHR use, with the MSO staff on-site at the hospital. It uses Management Services Organizations to

help with billing and may need them for a call center in the future.

Efficiency and cost savings are major areas of focus. "If I use MSO coders, we can save on hiring staff with salaries and fringe benefits. On the EHR training side, I don't need to hire somebody full-time, not right now, and they can support in training [new] practices," Durante says.

Best of all, the MSO arrangement is flexible. "Once an MSO signs on, they know there is a timeframe and a cut-off date," Durante says. "We can map it out and plan it together."

"When a big hit of need comes in for a practice, we have the ability to send in a 'SWAT team' and absorb it," says Bonomo of Caduceus, which often sets its clients up on an EHR that will help them track performance metrics. "Then we slowly wean ourselves off once the work is stabilized."

## Rescuing a failing hospital

Even as they help some hospitals grow, MSOs likewise can play a part in simply keeping others in existence.

Like many small hospitals, the 25-bed critical access Ashe Memorial Hospital, the only hospital in Jefferson, North Carolina, found itself spending more money on operations than it was generating, with expenses far outpacing revenue, and the hospital losing ground every year. In the spring of 2013, the situation was so bad that Ashe Memorial was facing closure in 12 to 15 months.

It was time to call in an MSO.

Ashe Memorial signed an agreement with AXIA Physician Solutions and implemented a twofold plan to improve finances and expand services. The plan included strategic cost reductions without layoffs and the recruiting of a hospital CEO and physicians. "We had one shot to turn it around," says Ashe Memorial CEO Laura Lambeth.

In the first year of the management agreement, and for the first time in three years, Ashe Memorial listed a positive operating margin in its balance sheet, some \$2.6 million in operational improvements. Working with its consultants, Ashe began to pay down mounting bills and address financial distress. The hospital was able

to revamp its emergency department, add specialists to service lines such as orthopedics and oncology, and move onto a low-overhead, cloud-based EHR.

"We had a heavy hand up front to give them some advice on processes and procedures and now meet with them once a month," says Brian Pearce, director of independent practice support for AXIA.

## Cautionary tales

While there have been plenty of MSO success stories, experts say that physicians and hospital groups must be cautious in hiring these consultants. Some physician groups have found that a few fly-by-night MSOs open and quickly close shop, have trouble keeping track of information, or don't have the right analytical tools. Other complaints: Some MSOs are pricey, or aren't forthcoming with their clients, or both.

Jonathan Marsh, M.D., president of Premier Inpatient Partners, a Naples, Florida, practice that includes 25 physicians, recalls replacing an MSO that didn't grasp "the balance between growth and customer service and retention. They weren't very organized, and it got to a point where we had to make a decision to jump to a different company."

Because of complex regulations, agreements with an MSO must be tightly structured with good contract language, experts say. In particular, both parties should ensure there will be no violations of the federal anti-kickback statute if they enter into a partnership.

Duncan Beiser, vice president for business development at Financial Recovery Group in Sunrise, Florida, which evaluates MSOs, says it's important for physicians and hospital groups to do their homework before entering into an agreement.

"You need to understand the MSO agreement and the consequences of their not providing or meeting the required obligations," Beiser says. "The idea is to service the client and help them with the business of medicine, not the practice of medicine. There can be a tremendous range in the type of arrangements, and one of the key things is managing expectations."

With complications in the business of healthcare showing no signs of abating, Management Services Organizations are poised to be a strategic option for some time to come. Says South Nassau's Durante: "I think there's always going to be a need for MSOs."

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*Joe Cantlupe is a frequent contributor to athenaInsight.*

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