

Different Ways of Defining Integrated System Models

Legally speaking, there actually are a number of different integrated health care system models. Attorney Michael McMillan, a partner with Cypress Healthcare Partners, suggests that equal governance be a goal, regardless of "ownership control." He describes the models as follows:

- ❑ **Integrated Delivery System (IDS):** A group of legally affiliated organizations in which hospitals and physicians combine their assets, efforts, risks and rewards, and through which they deliver comprehensive health care services to the community. The affiliated entities perform all strategic planning and payer contracting for the provider, and allocate economic rewards and capital among the various stakeholders. Parties typically focus on unified governance, the use of consolidated management and clinical systems, and the implementation of consolidated budgets for the entire system. Economic interests are unified and participants do not maintain separate economic businesses that potentially compete with each other. Physicians may be employed by the IDS or serve as independent contractors. Consolidated capital and operating budgets are prepared.
- ❑ **Management Services Organization (MSO):** The MSO provides a variety of services (usually management and administrative) for or on behalf of one or more medical practices. The MSO may acquire tangible assets of the medical practices and lease them back to practices. The MSO is not licensed to practice medicine. An MSO may be hospital-based or jointly developed by a hospital and physicians. An MSO is most often used as a means by which hospitals or health care systems fund the start-up expenses of a new group practice. An MSO does not constitute integration between the hospital and physicians; it is a vehicle to encourage physician group practice formation. The hospital and physicians remain separate. Financial and control conflicts are inherent to this model. MSOs often lose money.
- ❑ **Physician-Hospital Organization (PHO):** A generic term referring to a variety of ventures organized by physicians and hospitals. Commonly, a PHO engages in payer contracting on behalf of medical practices and the hospital is jointly owned by physicians and the hospital. The distinction between MSOs and PHOs is blurring as MSOs become involved in contracting and PHOs become involved in medical practice operations. PHOs do not provide significant integration between physicians and the hospital and are not considered "progressive." Financial conflicts between hospitals and physicians remain.

- ❑ **Independent Practice Association (IPA):** An organization that is created and owed by independently practicing physicians. Its purpose is to contract with HMOs and discounted fee-for-service payers and to funnel patients and revenues through the IPA to the physicians' practices. The IPA obtains contracts from an HMO, negotiates the terms and conditions of the contract and often processes the claims for services.

- ❑ **Partially Integrated Medical Group (PIMG):** Often referred to as a clinic without walls, a PIMG is a medical group practice resulting from the merger of multiple practices into a single legal entity, under an arrangement in which the formerly separate practices retain some autonomous attributes. Integrated elements include common ownership of assets, common responsibility for liabilities, centralized governance and management, and consolidated/uniform employee benefits. Non-integrated elements include determining income allocation by cost centers, retention of local facilities and identity, continued use of existing medical records, and discretionary participation in certain clinical and administrative systems. PIMG is usually a transitional step toward full integration

- ❑ **Fully Integrated Medical Group (FIMG):** A physician practice organization that contracts to provide physician services as part of an IDS. It is usually organized as a single legal entity that practices under a common name, possesses governance and centralized management with complete authority over the management of the organization and its business, has fully unified administrative, business and clinical systems, and distributes income among its physicians through a single allocation system.