



**Market pressures continue to test the financial sustainability of health care organizations nationwide. To succeed in a rapidly evolving marketplace, health systems, medical groups and physicians must work together to develop a more intentional and comprehensive affiliation strategy to help drive performance and improve outcomes.**

Affiliation strategies continue to evolve and new trends are emerging as organizations look to address increasingly complex challenges such as the ongoing impact of the COVID-19 pandemic, staffing shortages, changes in reimbursement, and mounting financial pressures.

**These factors have accelerated the pace of change in affiliation models and resulted in several emerging trends:**

### **Shift from Private Practice to Employment**

The shift towards employment and away from private practice has accelerated following the onset of the pandemic. Data shows that over 70% of US physicians are employed by hospitals, health systems or corporate entities.<sup>1</sup>

### **Growth of Non-Traditional Health Care Participants**

New players have entered the market and are creating more competition to recruit and retain physician talent. The presence of other physician employers in private equity, retail medicine, joint ventures, and insurance companies is threatening the ability of traditional health systems to grow and retain market share.

### **Expansion and Refinement of Co-Management Arrangements**

In addition to refining current arrangements to focus on more meaningful performance metrics such as expanding access, encouraging greater care coordination, reducing variation of care and aligning metrics with payer reimbursement, health systems are expanding the use of these arrangements to additional service lines. There is also growth in service line governance which enables physician leadership to have a “seat at the table” and authority in service line decision-making.

### **Advancement of Professional Services Agreements**

Professional services agreements (PSAs) continue to be highly utilized in circumstances where physicians want to retain their autonomy under an ‘employment lite’ scenario. They are also prevalent in states where regulations prohibit direct employment of physicians.

### **Focused Efforts on Strategic Affiliation**

While health systems have historically evaluated physician affiliation alternatives on a case-by-case basis, many are now highly engaged in system-wide provider workforce planning. There is a movement toward dedicated teams or individuals to focus on strategic provider affiliation.

### **Affiliation to Support New Care Models**

As a way to improve access for the communities they serve, many health systems are affiliating with physicians as a means to support new care models such as telehealth, hospitalist-at-home programs and other niche clinical service offerings.

**SullivanCotter partners with clients to develop affiliation frameworks that drive physician alignment, medical group performance, and financial results.**

**Contact us to learn more!**

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<sup>1</sup> **Source:** Physician Advocacy Institute. (2022). *COVID-19 Impact on Acquisitions of Physician Practices and Physician Employment 2019-2021*. Accessed at <http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI%20Avalere%20Physician%20Employment%20Trends%20Study%202019-21%20Final.pdf>