

As reimbursements shrink, heart specialists mull sale to hospitals

By: Mike Colias August 09, 2010



Erik Unger

Jerome Hines, chairman of Adventist's new heart institute, looks over patient records with fellow physician Edgar Carell at Hinsdale Hospital.

One big suburban cardiology practice has been snapped up by a hospital system and another is on the block, deals likely to deliver a defibrillator-like jolt to Chicago's lucrative heart-care market.

Midwest Heart Specialists, the state's biggest cardiology practice, with 50 physicians blanketing the west and northwest suburbs, is in sale talks with [Advocate Health Care](#) and possibly others, sources say. And last week another cardiology group, Illinois Heart & Vascular, was acquired by Adventist Midwest Health, which will add 15 heart doctors to two of Adventist's four west suburban hospitals.

Experts expect deals between cardiology groups and hospitals to multiply amid national health reforms and a crackdown on payments for heart-care services by the federal Medicare program. The feds cut payments for some heart-care tests and services earlier this year. The national reform law passed last spring dangles financial incentives for hospitals and doctors to better integrate care, making it more enticing for private-practice cardiologists to become salaried hospital employees.

"That's probably one of many dominoes that will fall," Elk Grove Village cardiologist John Furiasse says of the Illinois Heart & Vascular sale. "Everyone is trying to scramble for the next deal because of the reimbursement crisis."

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Chicago's physician landscape is ripe for bigger upheaval than most because it's fragmented and dominated by private-practice doctors who typically see patients at multiple hospitals.

There's much at stake for both local hospitals and cardiology practices. For a big system like Adventist, adding a large cardiology group should boost revenue by increasing referrals and help it better manage heart patients. Doctors' groups are swapping their shrinking, fee-based incomes for stable salaries—and less autonomy.

The deal-making could have the biggest impact on independent hospitals that rely on private-practice cardiologists rather than employing their own. If the largest cardiology groups are absorbed by big hospital systems, smaller hospitals could lose business.

“Many hospitals right now perceive this as a huge threat,” says Edward Winslow, associate vice-president at Skokie-based health consultancy Sg2 LLC.

Vincent Bufalino, a cardiologist and the CEO of Midwest Heart Specialists, won't confirm talks with Advocate but says: “We're always in conversations with several people.” In a statement, Advocate says it “cannot confirm specific conversations,” but “we are in talks with a number of health care organizations about the delivery of cardiac care.”

HITS AND CUTS

The reimbursement cuts, including a 30% reduction in payments for in-office stress tests, have resulted in “a several- million-dollar hit” for Midwest Heart, Dr. Bufalino says. It cut support staff by 10% this year, its first layoffs, to between 250 and 300 staffers.

North Shore Cardiologists, a 12-doctor group in Bannockburn, is in talks with as many as three undisclosed hospital systems, says Jay Alexander, head of the group. Its doctors now practice at north suburban hospitals owned by Advocate, [NorthShore University HealthSystem](#) and Northwestern Memorial Healthcare.

“How they all react to us being aligned with a single health system is going to be very interesting,” Dr. Alexander says.

SHIFTS IN PAYMENT

Hospitals and doctors are preparing for major shifts in the way they get paid (*Crain's*, July 12). Medicare will begin dabbling in “bundled payments,” which will make a universal payment for the care of one patient, rather than piecemeal payments to every doctor involved in the case. That could cut into the incomes of cardiology groups.

Jerome Hines, head of Illinois Heart & Vascular and now chairman of Adventist's heart institute, says the prospect of bundled payments was a big factor in getting him to the table with Adventist.

Before the deal, Adventist's 130 salaried physicians didn't include any cardiologists. Adding 15 heart doctors has allowed it to promote the new heart institute, which will make it easier to get the hospital and doctors on the same page and share patient records, Adventist Midwest Health CEO David Crane says.

"This arrangement ensures that the economic and clinical interests of the hospital and physicians are aligned to do what's right for the patient," he says.

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