LEADING AGE
FINANCIAL PROFESSIONALS CONFERENCE
INDEPENDENT PRACTICE ASSOCIATION ("IPA")
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Craig J. Zicari, Esq.
Health Care Consultant
130 East Ave. #650
Rochester, NY 14604
czicari3@rochester.rr.com
Independent Practice Association (IPA)

- Legal entity whose purpose is to contract with a managed care organization (MCO) on behalf of health care providers to deliver health care services to the MCO’s subscribers
- Legal entity: for profit or not-for-profit corporation; or a limited liability company
- Entity selection:
  - corporation or LLC; LLC provides more flexibility with respect to operational, governance, and ownership issues
Independent Practice Association (IPA)

- Entity selection (continued):
  - non-profit corporation: eliminates the issue of the value of an ownership interest; tax-exempt status historically not possible
Antitrust restriction: Sherman Act prohibits a contract, combination or conspiracy in restraint of trade

Two competitors negotiating price with an MCO is price fixing in violation of the Sherman Act as a restraint of trade
Exception: 1996 Antitrust Healthcare Guidelines

— “Joint venture” can negotiate if:
  • uses a messenger model; or
  • assumes economic risk; or
  • is “clinically integrated”
Competitors work together to improve the quality and efficiency of the delivery of care

What is required:

– investment of money to fund the IPA’s operation and technology
– develop clinical standards, guidelines, and best practices
– use technology to analyze the cost of care and how care is being delivered
– monitor provider performance
– sanction non-performance
IPA Formation

- Organizational documents must reflect the limited purpose set forth in the Health Department Regulations Part 98
- Provider sponsored IPA: health care providers are the owners
- Independently owned IPA: owned by a non-provider
- Governance:
  - controlling board — adequate representation is needed
  - committees/work groups — develop and implement clinical integration initiatives
IPA Formation

- Finances:
  - formation capital (capital contribution)
  - operating capital (annual dues or additional capital contributions)
  - service fees (based on a project and relative benefit to the participants)
IPA Benefits

- Addresses market risk
  - reimbursement rates are being reduced or are not increasing
  - need to negotiate rates and manage economic risk
  - more competitive marketplace due to large competitors or competitor mergers/alliances
  - costs increasing faster than revenue
  - cultivating new revenue sources
  - lead impending change
IPA Collaborative Model

- Reduce operating costs through management service initiatives
- Improve quality and productivity of care
- Ability to deliver value to the MCO needed to secure revenue sources such as value based payments
IPA Collaborative Model

- Ability to expand the “elder population” to whom services are provided, which can provide access to new MCO revenue sources
- “Bigger market presence/reputation”
- Ability to lead the delivery model changes