

# Management strategy makes a difference in C-section rates, study finds

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For physicians, it seems like a no-brainer: Management experts, often private equity firms, offer to take over the logistical and financial drudgery of their practices, leaving the doctors to focus on patient care.

A new Haas School of Business study found that the [business strategies](#) used by physician practice management companies (PPMCs) also impact patient care.

The study, published in the journal *Management Science*, examined the strategies adopted by PPMC-owned obstetrician and gynecologist practices and found they influenced rates of Cesarean sections for low-risk patients.

Specifically, OB-GYN practices acquired by PPMCs that focus on patient and clinical management lead to significantly lower rates of C-sections. PPMC-owned practices that focus on providing financial management services lead to higher C-section rates.

"Even though PPMCs say they preserve physician autonomy, managerial changes do appear to influence physician treatment choices," said study author Ambar La Forgia, an assistant professor at the Haas School of Business, UC Berkeley.

## **Value-based management vs. financial management**

La Forgia tracked three PPMC-owned practices that together accounted for more than 40% of Florida's OB-GYNs between 2006 to 2014. One PPMC focused on attracting "value" based contracts, which link payment to clinical performance by providing clinical management services, while two focused on raising revenue by providing financial management services and negotiating higher-paying fee-for-service contracts, which link payment to quantity of services.

C-sections are more profitable than vaginal births because [insurance companies](#) typically pay out more in reimbursements. So a rise in the number of C-sections can raise a red flag, causing doubts about whether some of those performed on mothers at low risk for childbirth

complications are necessary. Unnecessary C-sections can [increase risks](#) for both mother and infant in a myriad of ways.

## **Divergence in C-section rates**

La Forgia found a remarkable divergence: The OB-GYN practice that focused on clinical management cut C-sections for low-risk women by 22%. Those that focused on financial management showed a 10% to 11% rise in C-sections.

"What surprised me was finding that one of these for-profit management companies lowered C-sections," La Forgia said. "It's a pleasant surprise that leads to a more nuanced story to tell, because you can't make a blanket statement about PPMCs."

La Forgia turned to Florida to track how physician practices performed after a PPMC takeover because public information laws include hospital discharge records that allowed her to link patient records to individual doctors and practices.

## **Low-risk mothers**

The study concentrated on records for 1.26 million women who were at low risk for C-sections (defined as single live babies born after 37 weeks to women with no prior C-section and in the vertex, or headfirst, presentation). The births were overseen by 1,693 [physicians](#), with C-section rates of 24% for low-risk patients.

La Forgia also hand-collected marketing materials to track and parse the details of a PPMC's management approach. For example, the PPMC that focused on clinical management advertised providing clinical data tracking and analytics to help standardize care and attract value-based

contracts. "This was a forward-looking strategy because it can take a while to improve quality and negotiate these types of contracts, especially since they were not very common within the time period of this study," La Forgia said.

Another notable data point: the two financially managed PPMCs performed more C-sections on privately insured patients than those insured by Medicaid, the government insurance program that typically covers people with lower incomes. Florida, La Forgia notes, is one of the few states where Medicaid reimburses physicians at the same rate for C-sections and vaginal births.

## **Growing influence of PPMCs**

In today's health care landscape, physicians generally have the option to keep running their own practice, sell to a hospital, or sell to a PPMC. Why choose a PPMC over a hospital? Autonomy, La Forgia said. Under hospital ownership, doctors typically become salaried employees of the hospital.

"PPMCs advertise themselves as an alternative to hospitals while still being relatively independent and getting to stay in private [practice](#)," La Forgia said. However, "This research shows that even PPMCs claiming to preserve physician autonomy can alter clinical outcomes for better or for worse."

The influence of PPMCs on [patient care](#) has only increased in the years beyond those covered by this study, La Forgia writes. By 2019, the three PPMCs she examined delivered roughly 1 in every 25 babies in the United States.

"Although I find that PPMCs influence C-sections regardless of changes in competition, the PPMCs do amass considerable market power, and

their growth may eventually lead to more salient anticompetitive effects," La Forgia writes in the study.

La Forgia noted that in recent years there's been a noticeable shift in philosophy among some PPMCs to pursue value-based contracts over fee-for-service contracts.

"In fact, a lot of the [PPMCs] that originally billed themselves as financial [management](#) companies have changed their offerings to focus more on population health once they saw that this is a potentially lucrative angle," she said. "That may be a good sign for patients."

**More information:** Ambar La Forgia, The Impact of Management on Clinical Performance: Evidence from Physician Practice Management Companies, *Management Science* (2022). [DOI: 10.1287/mnsc.2022.4571](https://doi.org/10.1287/mnsc.2022.4571)

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