



ACCELERATING THE
PERFORMANCE
OF YOUR NETWORK



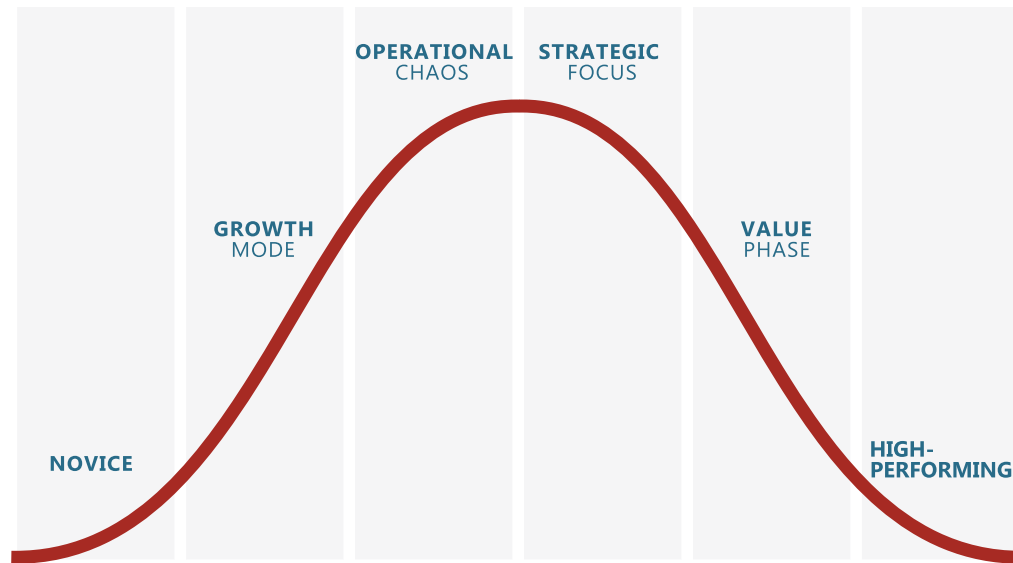
INTRODUCTION

In HSG's work with **Employed Physician Networks**, we frequently find the same set of core challenges during evolution of the group:

- External pressures have driven physicians in the market to predominantly seek employment.
- Competition between health systems over limited physician resources has resulted in rapid acquisition, generating precipitous growth in the number of practices and providers the employed network is actively managing.
- The growth in practices and providers far outstrips the management capabilities of the existing network management infrastructure.
- Subsidies for the employed network rapidly escalate, causing senior executive and board anxiety, resulting in a deceleration of the groups growth and an insular focus on "getting the finances under control."
- Progress for the group becomes measured by "how much are we losing" versus "how much value is the network contributing to the organization?" resulting in a day-to-day mindset that forsakes the capabilities that a group must build to generate long-term value for the health system.

Given the crucial role of the **Employed Physician Network** in executing the health system's strategy, management executives and their teams must evolve beyond solely tackling day-to-day decisions and develop a focused, long-term plan for building the capabilities that will generate success into the future.

This whitepaper on the **HSG Physician Network Growth Phases** provides a framework for tackling appropriate management challenges given the current growth trajectory of the network, as well as providing a longer-term path for accelerating the evolution of network capabilities to position it for success in a value-focused healthcare industry.



THE HSG PHYSICIAN NETWORK GROWTH PHASES TM

In this white paper, through the HSG Physician Network Growth Phases, we outline the six Phases of evolution for Employed Physician Networks and the capabilities management should be looking to build and ingrain into the organization at each Phase.

We hope this document is useful in thinking about how to prioritize your network's current challenges and how to build a long-term plan for evolving your network's capabilities. The HSG Physician Network Growth Phases is a foundational element of our approach to delivering on our brand promise:

HSG builds high-performing physician networks so health systems can address complex changes with confidence.

If you have questions or comments, or would like to explore how to work with the HSG Physician Network Growth Phases within your network, please call us.

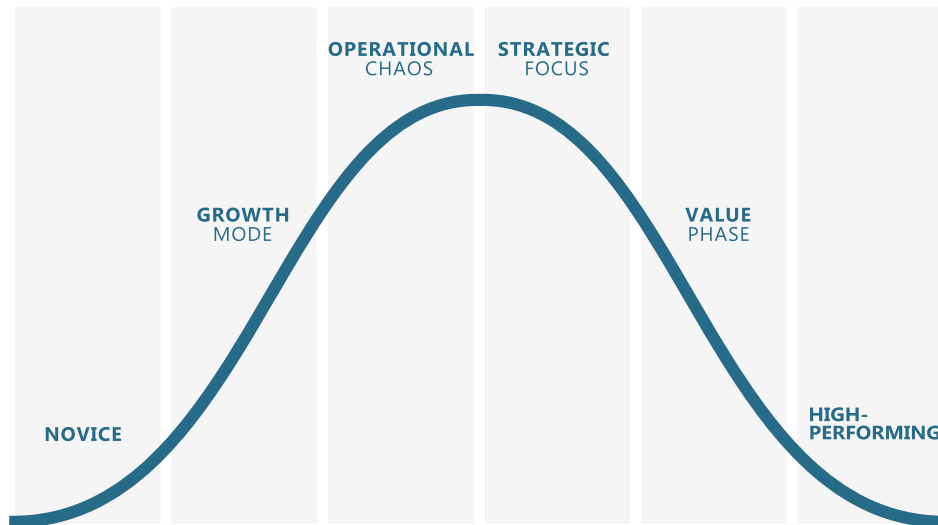


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THE HSG PHYSICIAN NETWORK GROWTH PHASES™



HSG Physician Network Growth Phases is composed of six distinct Phases through which physician networks evolve. Each of these Phases has its own management challenges and corresponding initiatives that must be tackled for the group to be able to successfully move on to the next Phase of maturation and performance. Management capabilities and focus must evolve over time and engagement of providers must be consistent with the needs of the network. The needs of each of these Phases become foundational elements for the future operation of the network and, therefore, must be addressed to promote long-term success.

Novice

Novice Phase physician networks are dabbling in employment, mainly as a reactive measure, with no growth strategy. The network lacks a formal management infrastructure and can best be described as a group of independent physicians who share the same tax ID number.

Growth Mode

Organizations in growth mode are beginning to aggregate in size, with some proactive physician employment based on perceptions of strategic need. The network remains loosely managed and is usually overseen by hospital execs juggling many other responsibilities in addition to the network.

Operational Chaos

Network growth has outstripped the capabilities of those managing it. Increasing practice subsidies highlight the need for a formal, professional management infrastructure. Hospital leadership senses the need to control the group's growth and limit employment offers.

Strategic Focus

Network operations are better aligned and the focus shifts to strategy. Physician leadership becomes a crucial competency. This is the time when the foundations for population management capabilities are laid. Weak/poor physicians who will not be successful in a value-based environment are culled from the group.

Value Phase

The network is more integrated and is learning how to produce value. The employed network is leading the charge to improve quality, serves as the core physician network for managed care offerings, and is the locus of the system's efforts to control risk.

High-Performing

The network is stable in its growth and operations, and has developed both the culture and capability to manage populations and take on risk. Epitomizes the value equation and is the provider of choice in the market.

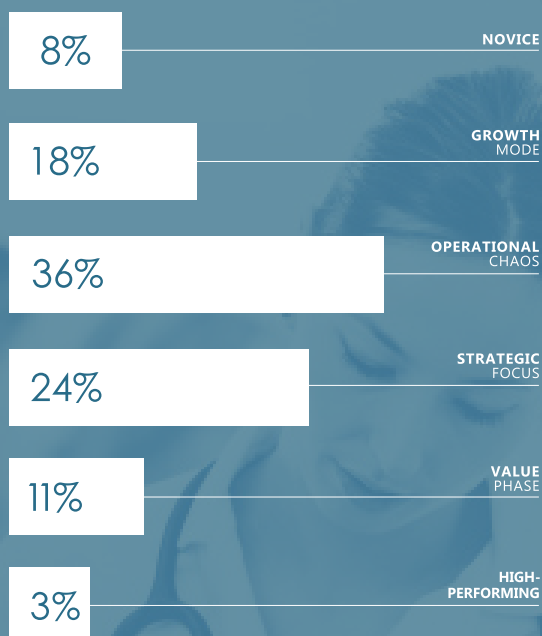
IDENTIFYING A NETWORK'S GROWTH PHASE

HSG Physician Network Growth Phases

is represented as a normal distribution curve. However, in reality, the majority of networks around the country are in the Operational Chaos Phase. This is the Phase, after rapid growth, in which the network's infrastructure and operations must evolve to meet the needs of the network in order to address financial and operational challenges.

HSG uses an in-depth quantitative and qualitative process to evaluate a network's Growth Phase (and, as a result, help determine what actions the management team should prioritize).

Growth Phase Placement - HSG Clients



At a high-level, the following criteria are the most important in determining placement:

Key Placement Criteria

- Relative maturity or size (FTEs) of the network
- Size, depth and capabilities of the management team
- Financial performance and subsidy management
- Referral retention in the network
- Connectivity of practices within the network
- Involvement of physicians in network leadership
- Presence of a common vision and culture among administration and providers within the network
- Leadership from employed network in tackling value-based care challenges for the health system
- Ability to generate and document high-level performance on cost and quality

For more information on HSG's Physician Network Growth Phase assessment, please contact the authors of this document.

MANAGING WITH A GROWTH PHASE MINDSET

For physician network executives, the keys to successfully evolving the network across the phases of network evolution are:

- Tailoring management **Day-to-Day Actions** to the reality of needs of the current Phase.
- Performing **Next Phase Preparations** for developing the competencies that the group must possess to be successful in the next Phase of the Growth Phases.
- Distilling down the totality of the actions required into the **Network Development Action Plan** that ensures both the short-term and long-term needs of the group are being met.

Example High-Level Actions for a Network in the "Operational Chaos" Phase

Day-to-Day Actions

- Develop organizational chart and position descriptions
- for network size.
- Centralize billing operations.
- Consolidate practices.
- Develop network-level reporting dashboard for finance, operations, productivity, and revenue cycle.
- Connect and unify IT platforms.
- Evaluate compensation plan methodology.
- Evaluate compliance methodology.
- Centralize scheduling.

Next Phase Preparation

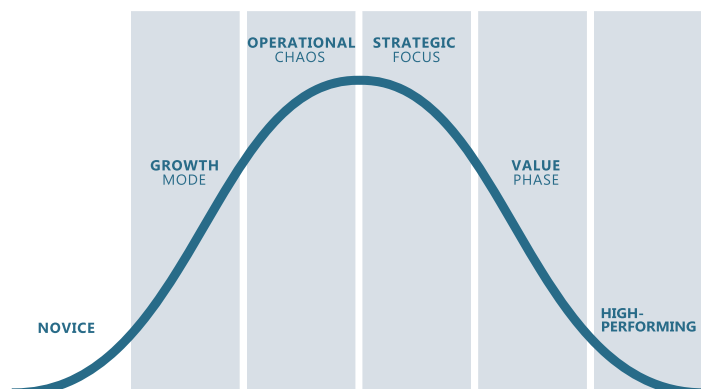
- Develop Physician Advisory Council (PAC).
- Appoint Medical Director/Chief Medical Officer.
- Begin visioning process with providers to build culture.
- Begin defining referral leakage outside of network.

Building the Network Development Action Plan.

Network Development Action Plan content will depend upon the specific capabilities present within a given network, but generally should focus on a two-to-three-year timeline, with "Day-to-Day Actions" prioritized within the 1st year, and "Next Phase Preparation" beginning in year 2 or 3. Ideally, interventions for major operational issues will be addressed early on, and then formalized and ingrained over years 2 to 3 while "Next Phase Preparation" is beginning to be explored and addressed.

GROWTH PHASE

NOVICE



Novice phase physician networks are dabbling in employment, mainly as a reactive measure, with no growth strategy. The network lacks a formal management infrastructure and can best be described as a group of independent physicians who share the same tax ID number.

Key Challenges for Management

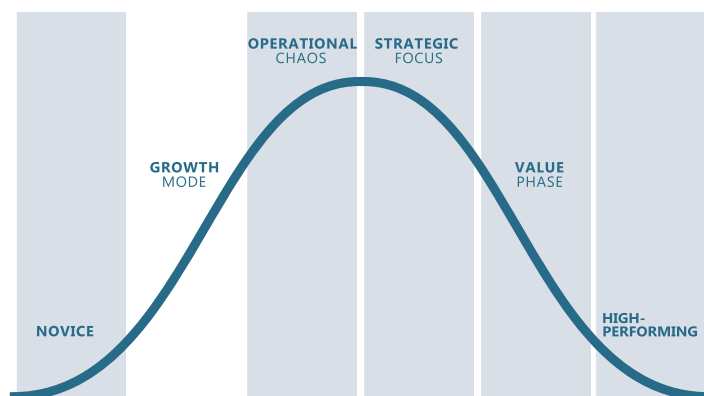
- Completing physician transactions given limited hospital executive bandwidth.
- Defining the physicians who **SHOULD** be employed versus those asking to be employed.
- Developing basic management infrastructure to facilitate hospital management of physician practices.
- Acquiring practices with a fair-market-value methodology for practice valuation and compensation agreements.
- Understanding dynamics of transitioning practice and providers from a fully autonomous, independent practice entity to an employed, hospital-based entity with significantly less (or very little) autonomy.
- Consistently measuring and evaluating practice performance metrics.

Key Areas of Focus In This Phase

- Evaluating executive bandwidth to manage the growing network – once physician employment reaches a critical mass (~15+ physicians) having a partial FTE in charge is generally a detriment.
- Educating hospital and network management staff regarding the differences between managing a hospital versus managing a physician practice/network and what new competencies are required.
- Making the right investments in physicians, and developing a sound methodology for deciding who you will, and won't, employ when asked. The political challenges of saying "no" on the front end are much less severe than removing a poor-performing or non-compliant provider down the road.
- Developing a sound acquisition process that involves true due diligence, fair-market-value determinations, and financially sustainability projections for the hospital/health system.
- Developing standards and parameters for compensation agreements with physicians (i.e., physician agreement/contract matrix).
- Proactively setting basic expectations for physician productivity, availability, record completion, and other "citizenry" expectations as a member of the employed network.
- Adequately indoctrinating support staff about "nuts and bolts" business processes of the network, such as supply ordering procedures, charge capture and submission, human resource requirements, and other basic practice procedures.

GROWTH PHASE

GROWTH MODE



Organizations in **growth mode** are beginning to aggregate in size, with some proactive physician employment based on perceptions of strategic need. Network remains loosely managed and is usually overseen by hospital execs juggling many other responsibilities in addition to the network.

Key Challenges for Management

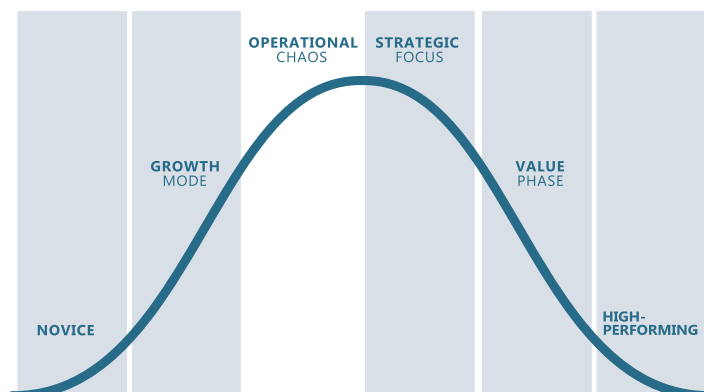
- Developing objective decision-making criteria about who should be selectively employed
- Performing meaningful due diligence
- Thinking proactively about deal making and compensation to avoid future headaches
- Building a forum for physician leadership and engaging physicians about group growth
- Focusing on proactive growth (who, where, and when) versus the current reactive growth mode.

Key Areas of Focus In This Phase

- Beginning to use referral data to selectively target markets and physicians/practice for growth.
- Creating more sophisticated, standardized contracts and compensation plans to align expectations and behaviors, while remaining flexible enough to address specialty-specific and market-specific idiosyncrasies.
- Addressing IT infrastructure and revenue cycle issues as the number of providers increases. The network should begin to think about common information technology (PM/EMR) platforms and revenue cycle function ownership (in-house or outsource).
- Engaging physician leadership in developing the group's standards and expectations for behavior and performance — what it means to be a part of the group. Start framing the group's culture.
- Facilitating physician leadership discussions regarding quality—what is important for us to measure and what are our standards for performance.
- Evaluating the addition of advanced practitioners to practices in order to increase physician efficiency and patient access.
- Contemplating “brand” development and marketing.

GROWTH PHASE

OPERATIONAL CHAOS



In **operational chaos**, network growth has outstripped the capabilities of those managing it. Increasing practice subsidies highlight the need for a formal, professional management infrastructure. Hospital leadership senses the need to control the group's growth and limit employment offers.

Key Challenges for Management

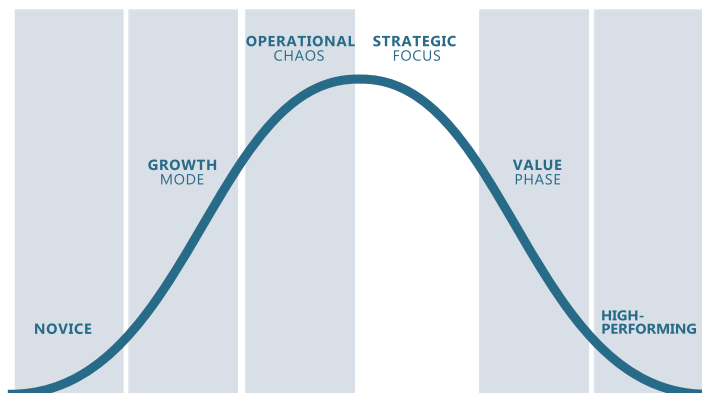
- Acquiring the management talent with actual practice management expertise that the network needs to stabilize operations.
- Building revenue cycle capabilities and systems into the infrastructure.
- Addressing the increasing infrastructure needs while facing mounting network financial losses.
- Developing a focus on management reporting, including a comprehensive dashboard to more readily and reliably track key performance indicators.
- Developing a Physician Advisory Council to actively involve physician leaders in network operational efforts and decision-making, and leading the effort to develop a group practice mentality, function, and culture.

Key Areas of Focus In This Phase

- With the group size becoming relatively High-Performing, turning attention to comprehensively assess network operations and infrastructure needs. Define the desired optimal performance, where you are compared to the target, and how to close the gap.
- Investing in management infrastructure support.
- Getting a handle on operations and minimizing losses. High practice losses have the hospital focused on improving revenue cycle, streamlining practice operations, driving patient volume to lagging practices, increasing provider productivity, and rightsizing and/or realigning physician compensation. Strategy and growth tend to be forced to take a backseat at this point, but try not to let that happen.
- Strategically involving the Physician Advisory Council in network problem-solving efforts.
- Appropriately staffing practices and resisting the tendency to arbitrarily cut FTEs as subsidies (losses) rise. Generally, lean is fine, but too lean can be damaging across the board and paradoxically lead to even worse financial performance.
- Reallocating duties and streamlining practice workflow to increase throughput and maximize provider efficiency – including utilizing staff members at the “top of their licenses.”
- Incentivizing the front desk/administrative staff to fill the providers' schedules, reduce no shows, decrease denials, and increase point-of-service collections.

GROWTH PHASE

STRATEGIC FOCUS



In **strategic focus**, network operations are better aligned and the focus shifts to strategy. This is the time when the foundations for population management capabilities are laid. Weak/poor physicians who will not be successful in a value-based environment are culled from the group.

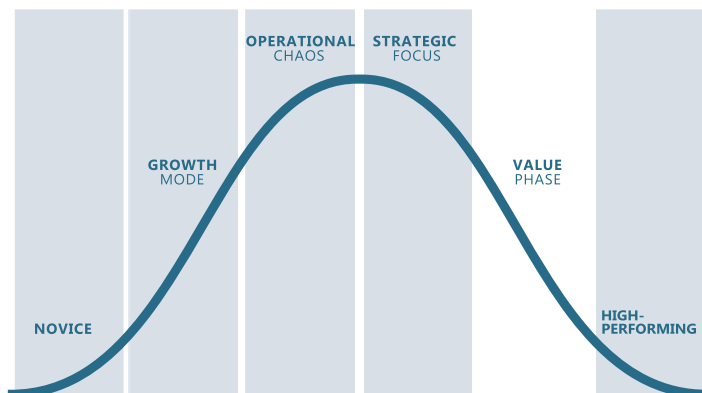
Key Challenges for Management

- Investing in best practices and reducing variation.
- Ensuring appropriate referrals stay within the network with a robust referral management process.
- Involving physicians in group administration to drive clinical leadership.
- Removing chronically underperforming providers who have not been able to meet expectations in spite of assistance.
- Tightening and building management capabilities.

Key Areas of Focus In This Phase

- Forming Physician Advisory Council subcommittees to dedicate in-depth effort and assistance, guidance, and direction to the group regarding “big ticket” items such as quality, clinical informatics (IT), operations, and strategy.
- Completing a physician enterprise strategic plan focused on strategic primary care and service line growth.
- Developing a common, shared vision within the network that maps a future course and generates strategies to attain the vision and allow the network to move forward to the next Phase.
- Developing, monitoring, and improving network-wide quality, customer service, and operational metrics.
- Introducing the concept of compensation plan adjustments to further align efforts related to quality, customer service, and operational metrics.
- Beginning the discussion of how to move forward into value-based contracting and the role of the employed group.
- Developing an identifiable network brand and culture.
- Creating a formal physician leadership development program.

GROWTH PHASE VALUE



In the **value phase**, the network is more integrated and is learning how to produce value. The employed network is leading the charge to improve quality, serves as the core physician network for managed care offerings, and is the locus of the system's efforts to control risk.

Key Challenges for Management

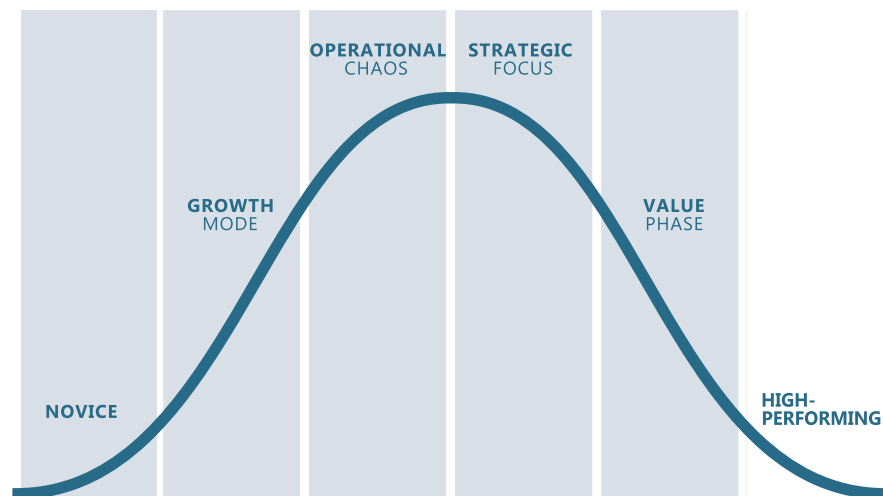
- Evolving compensation to address risk and quality incentives.
- Defining provider productivity from a population management perspective.
- Building information systems and data analytic capabilities beyond managing the business to managing patient populations.
- Integrating the group and system strategy into a clinical integration strategy.
- Developing increasingly sophisticated and effective care management/coordination capabilities.
- Progressively building relationships beyond the network and health system.
- Proving capabilities, effectiveness, and efficiencies to payers.

Key Areas of Focus In This Phase

- Redesigning physician compensation to incorporate quality, operational efficiency, customer service, and teamwork.
- Pursuing clinical practice transformation focused on bringing value-based capabilities to practices (PCMH, PCSP, etc.).
- Referral management to ensure business is staying inside the employed network and/or within a contracting entity (ACO, CIN, etc.).
- Evaluating opportunities in the market for getting value out of the cost and quality success your network is creating.
- Leveraging the network to enhance geographic market share as identifiable brand based on a cohesive group culture of high quality care and customer service excellence is being recognized in the market.
- Maturing Physician Advisory Council is playing a key role in network decision-making process and enhanced operations.

GROWTH PHASE

HIGH-PERFORMING



The **High-Performing** network is stable in its growth and operations, and has developed both the culture and capability to manage populations and take on risk. Epitomizes the value equation and is the provider of choice in the market.

Key Challenges for Management

- Maintaining culture over time given physician turnover.
- Physician leadership succession planning and cultivation.
- Integrating new IT tools into existing competencies around population management.
- Evolving provider mix to focus on value-based strategy.
- Evolving toward mostly clinical management/leadership.
- Evaluating partnership opportunities for greater networks (Super CINs, etc.) to take on more ambitious contracting opportunities (Insurance?).
- Network design - network closed or with minor variability in providers beyond normal comings and goings, such as retirement or family-related moves.
- Achieving top decile benchmarked performance for quality, customer service, and cost.

GETTING STARTED

HSG works with health systems across the country to build high-performing physician networks. We want to help your network build the long-term plan that positions it to evolve through the Physician Network Growth Phases and develop the competencies it needs.

Please feel free to reach out to us to schedule a discussion about the Physician Network Growth Phases and building your network's plan for success.



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WHO WE ARE

HSG builds high-performing physician networks so health systems can address complex changes with confidence.

From boosting market power and financial strength to preparing for value-based care, we can help you define your strategy, implement that strategy, and manage your physician network short or long-term. We guarantee results and deliver the greatest value as a trusted member of your team.



PHYSICIAN STRATEGY

- Physician Alignment Strategy
- Strategic Plans with Physician Focus
- Employed Physician Network Strategy
- Creating Shared Vision
- Service Line Strategy & Co-Management
- Provider Manpower Planning



PHYSICIAN NETWORK OPTIMIZATION

- Network Performance Improvement
- Network Revenue Cycle
- Aligned Physician Compensation
- Practice Acquisitions
- Fair Market Value Opinions
- Interim Management
- Referral Capture/ Network Integrity



VALUE-BASED CARE

- Practice Transformation
 - Care Coordination
 - Population Health
- Direct Contracting
- Bundled Payments
- ACO Development and Optimization

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