Employed Physician Networks

A Guide to Building Strategic Advantage Value and Financial Sustainability

The leaders in employed networks and physician alignment

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.

Strategy

- Health System Strategic Planning
- Physician Alignment Strategy
- Employed Group Strategy
- Referral Capture Improvement
- Creating Shared Vision
- Service Line Strategy
- Service Line Co-Management
- Physician Manpower Plans
- Affiliation Strategy

Physician Network Optimization

- **Network Performance Improvement**
- Network Advisory
- Provider Productivity Systems
- Network Revenue Cycle
- Physician Compensation Planning
- Practice Acquisitions
- Fair Market Value Opinions
- Interim Management

Value-Based Care

- Clinical Assessment
- Clinical Integration Strategy
- Practice Transformation
- ACO Development
- ACO Optimization
- Direct Contracting

Today's Presenters

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Healthcare Strategy Strengths

- Strategic planning
- Physician alignment & engagement
- Critical thinking
- Building physician capabilities needed by health systems for the future

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Healthcare Strategy Strengths

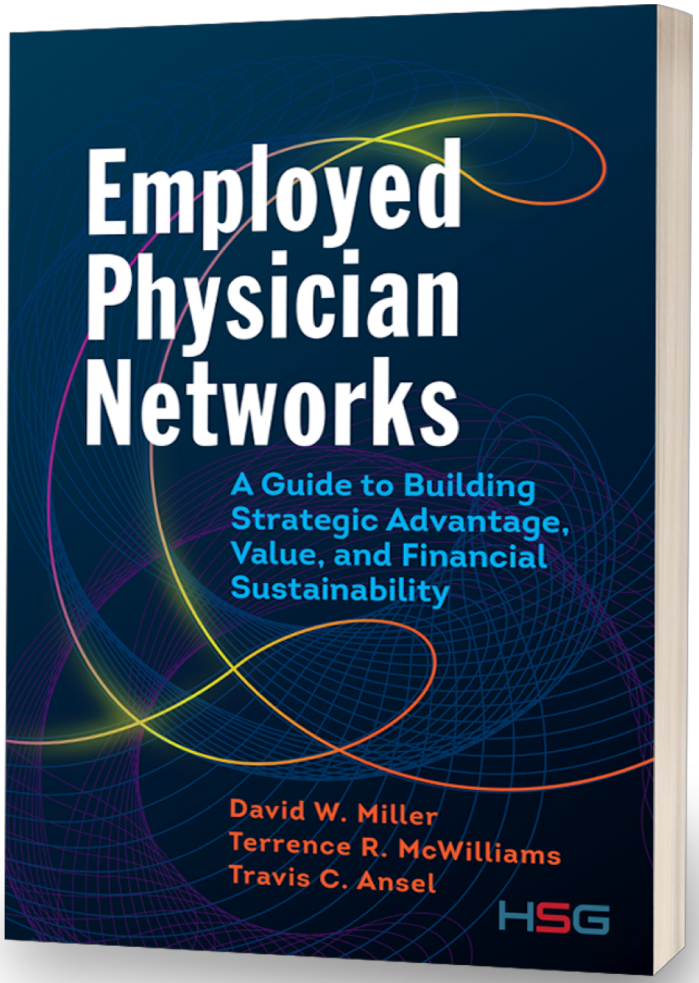
- Shared vision and strategic planning
- Physician alignment and engagement
- Physician leadership structure
- Development of clinical operations, assessments, and transformation

Webinar Series

- HSG webinars on the 4th Tuesday of each month.
- February 26, Physician Burnout
- March 26, Share of Care/Network Integrity
- April 23, Physician Compensation

- Also in February, a pre-recorded webinar on *2019 Medicare Fee Schedule*

Health Administration Press



- Published in December 2018
- Last published a book on this topic in 2013
- Authored by presenters plus Travis Ansel
- HSG (& book) help clients define where the group is in its evolution and design priorities to propel progress

Book Sections - 1

- First section, chapters 1-4 lays the groundwork and provides background
  - Chapter 1, Introduction-What is Driving this Trend
  - Chapter 2, Evolution of Employed Networks*
  - Chapter 3, Barriers to High Performance*
  - Chapter 4, Eight Elements of High-Performing Employed Networks*

*Chapter a focus of the webinar

Book Sections - 2

- Section two, Chapters 5-10, provides detail on the growth phases a network will work through as it approaches maturity
  - Chapter 5, Novice Phase
  - Chapter 6, Rapid Growth Phase
  - Chapter 7, Operational Chaos Phase*
  - Chapter 8, Strategic Focus Phase*
  - Chapter 9, Value Phase*
  - Chapter 10, High-Performing Phase

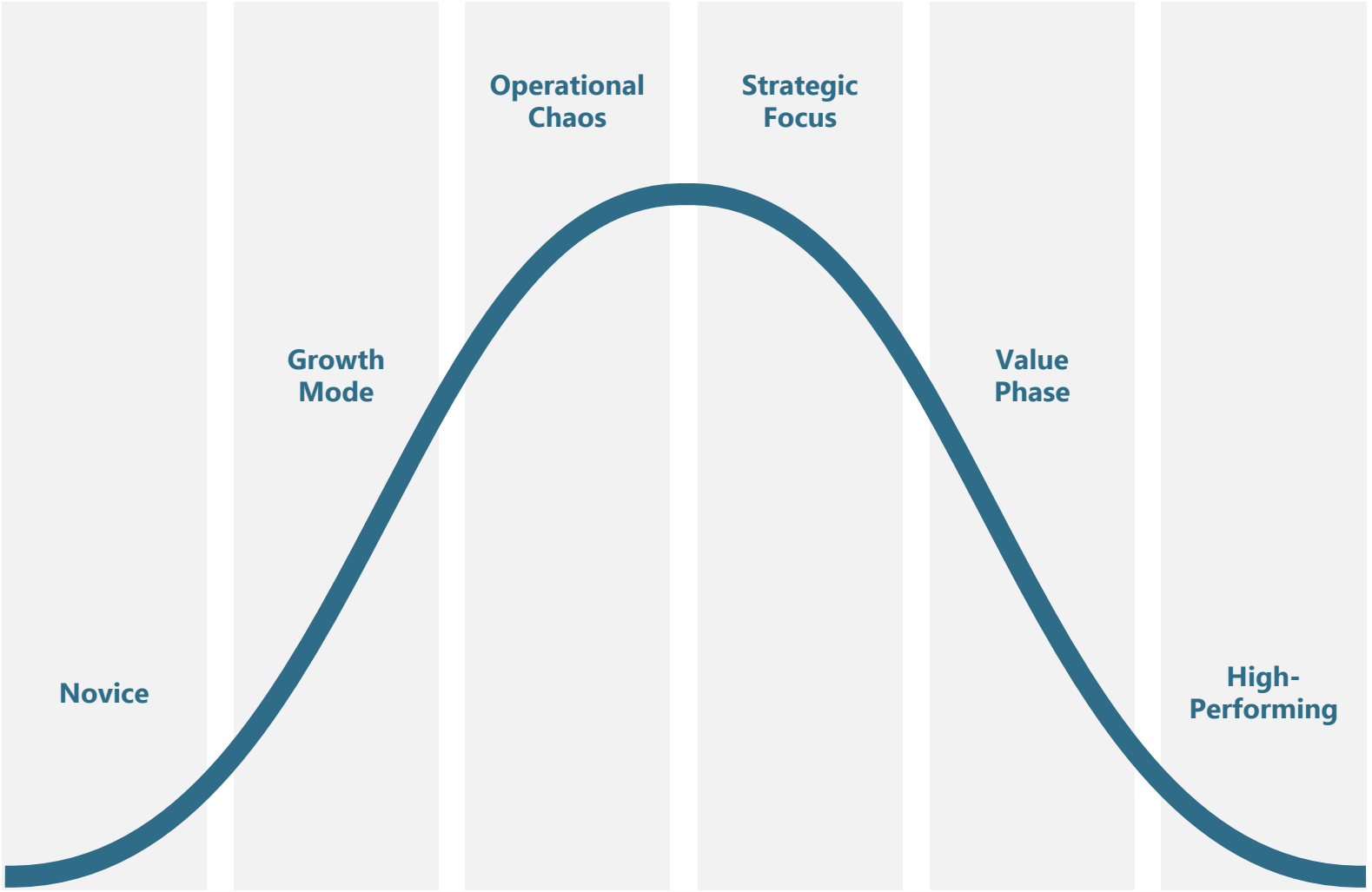
Book Sections - 3

- Final section, Chapters 11-13, provides a summary but also provides two additional resources
  - Chapter 11, Alignment and Integration with Independent Practices
  - Chapter 12, Dashboards as a Network Management Tool*
  - Chapter 13, A Call to Action*

Call to Action – Chapter 13

- The last, first
- "Don't manage - lead change before you have to." -Jack Welch
- Building and nourishing the network may be your best opportunity to improve quality of care in your community. -The Authors
- Engage your physicians and create the future

Evolution of Employed Networks – Chapter 2



Participant Survey – How You View Your Networks

Which of the Six statements Best Describes Your Employed Network?

1. Our network is beginning to aggregate in size, with some proactive physician employment based on perceptions of strategic need. Our network remains loosely organized and does not have much in terms of dedicated management structure.
2. Our network has grown rapidly and is now experiencing operational challenges as a result of that growth. Our network is experiencing increasing practice subsidies that must be addressed. Hospital leadership is sensing the need to control the group's growth and limit employment offers to manage the losses of the group.
3. Our network's growth is mature and operations are relatively under control. Our largest focus is getting providers engaged and building a shared vision and culture, as well as getting providers more involved in leadership and management of the network.

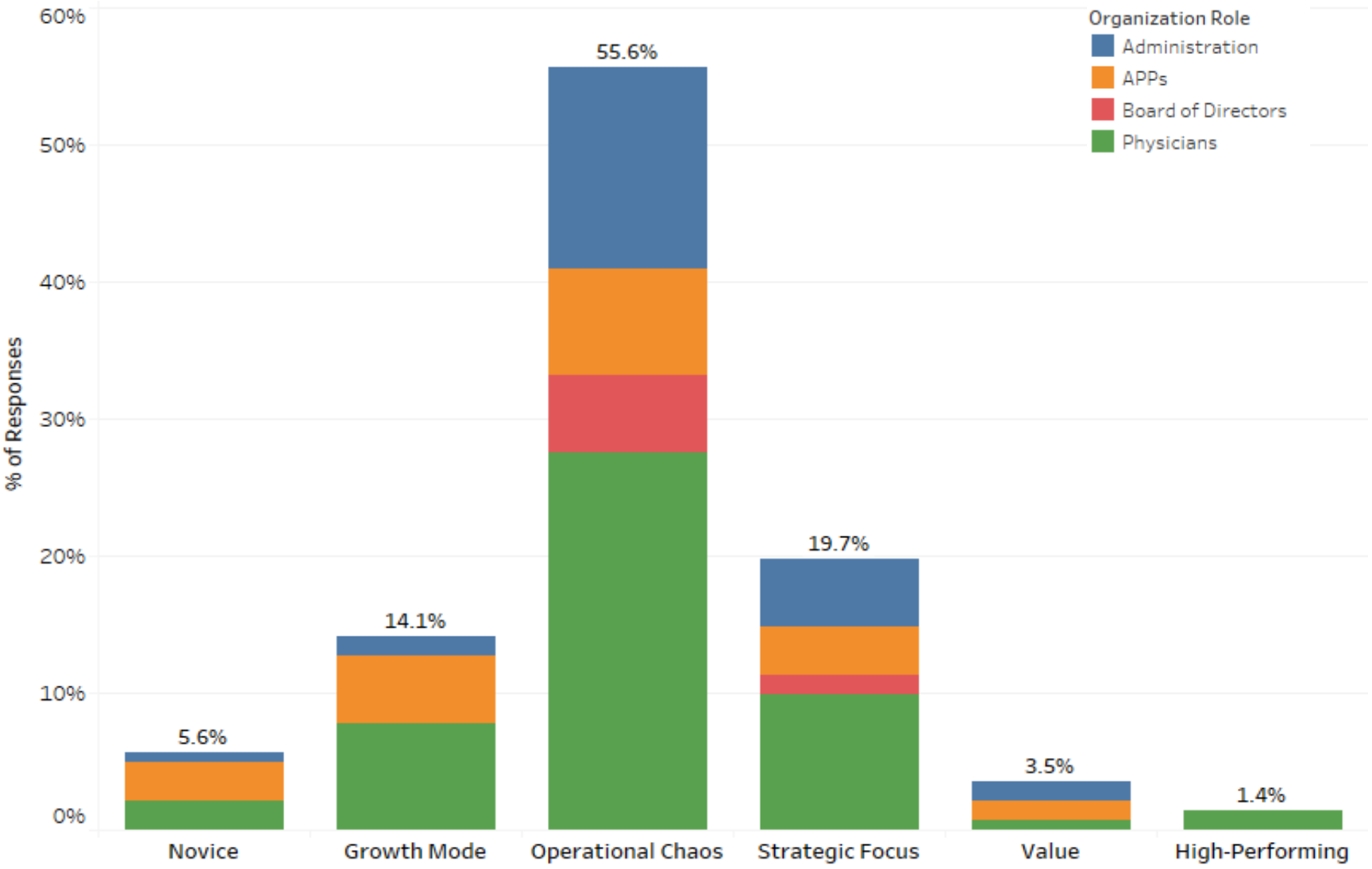
Participant Survey – How You View Your Networks

Which of the Six statements Best Describes Your Employed Network?

4. Our network has moved past being concerned with growth, operations and culture development, and is largely focused on developing the capabilities needed to provide value to the organization – quality care delivery, care management capabilities, population health, etc.
5. Our network is stable in all aspects of management, and has developed both the culture and capability to manage populations and take on risk.

Survey Results

Best Description of Network



Chapter 4 – Eight Elements of High-Performing Group

- *Strategy.* A core element of the strategy is defining the vision, what are we trying to create. That is foundational to the strategic plan which outlines the priorities to which management will allocate time and financial resources
- *Culture.* The shared values, expectations and norm that drive behavior within the group, driven by leaders of the group
- *Quality.* The group's ability to produce consistent outcomes based on best practices is critical to high-performance. It all starts with building systems to measure and define quality, and builds upon a supportive culture.
- *Physician Leadership*. Physicians leaders must be developed who understand the big picture and can translate that into physician action.

Chapter 4 – Eight Elements of High-Performing Group

- *Management Infrastructure.* Acquiring the management capabilities needed is a challenge, but acquiring those resources it critical to long term success
- *Aligned Compensation.* A well thought out physician compensation plan, that reinforces the vision, will help drive success and financial sustainability
- *Brand.* Building a brand that supports the health system and positions the group to be the provider of choice take a long time to develop, but is key to success of a group.
- *Financial Sustainability*. Building the strategy, culture and management systems needed to ensure financial sustainability, particularly as risk contracting is addressed, is the final and eighth element of success.

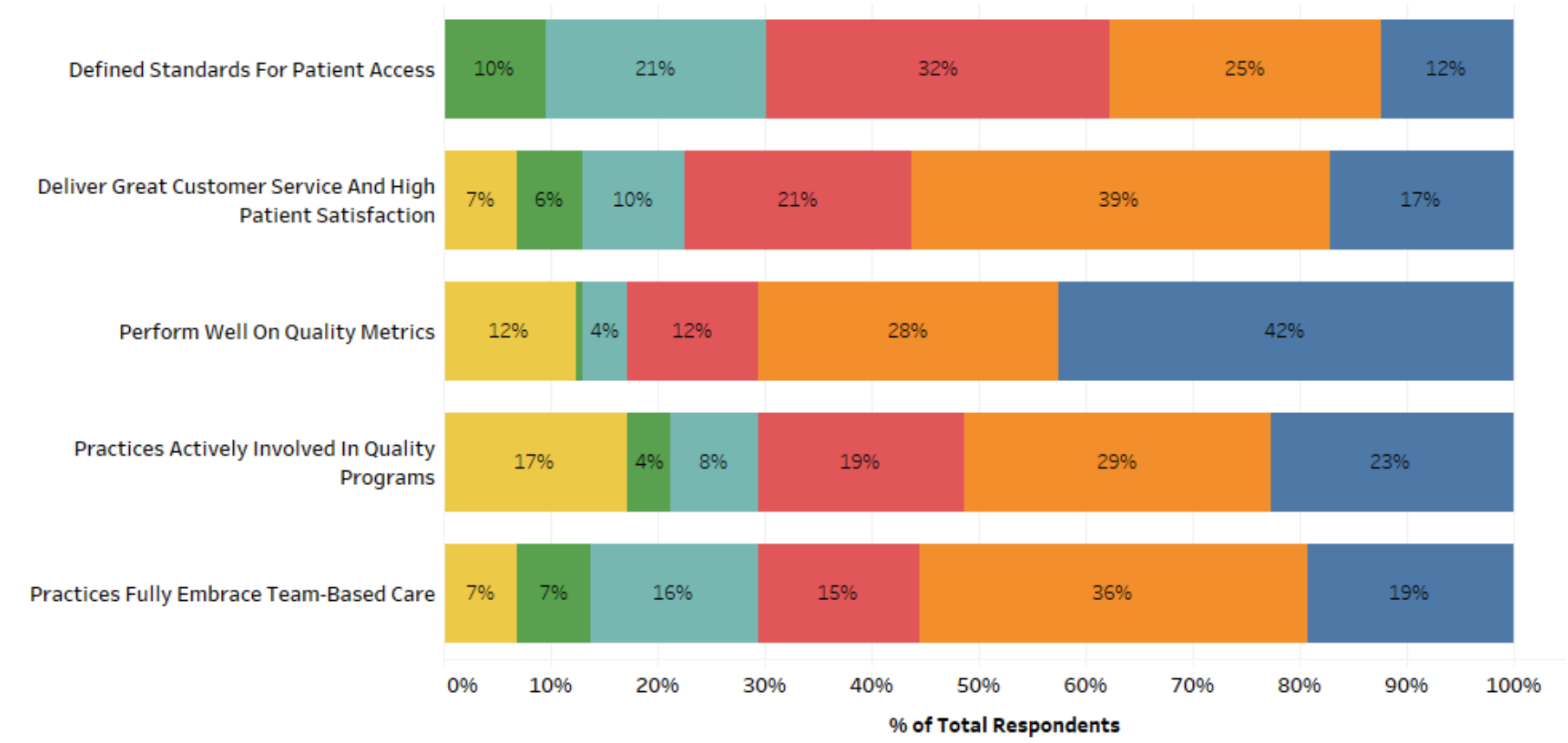
Chapter 4 – Eight Elements Meets the Growth Curve

NOVICE	GROWTH MODE	OPERATIONAL CHAOS	STRATEGIC FOCUS	VALUE PHASE	HIGH-PERFORMING
Physician Alignment Strategy	Management Infrastructure	Network Performance Improvement	**Shared Vision / Culture**	Early Risk Contracting (ACO, Direct Contracting, Bundled Payments)	Leverage Network in Marketplace
Define Compensation Principles	**Physician Leadership Development**	Revenue Cycle and Productivity Systems	Network Strategic Plan, Integrated with System Plan	**Optimize Physician Engagement in Performance Improvement**	Full Risk Contracting
Interim Management	Acquisition and FMVs	**Physician Advisory Council Enhancement**	Clinical Practice Transformation / Population Health	Quality and Patient Experience Focus Across Continuum	Manage Populations
Executive Search	IT Strategy	Enhance Management Infrastructure	Quality / MACRA / Patients' Experience	Brand Enhancement	Provider of Choice
		Referral Capture / Network Integrity	Aligned Compensation Incentives		

Strategy Responses

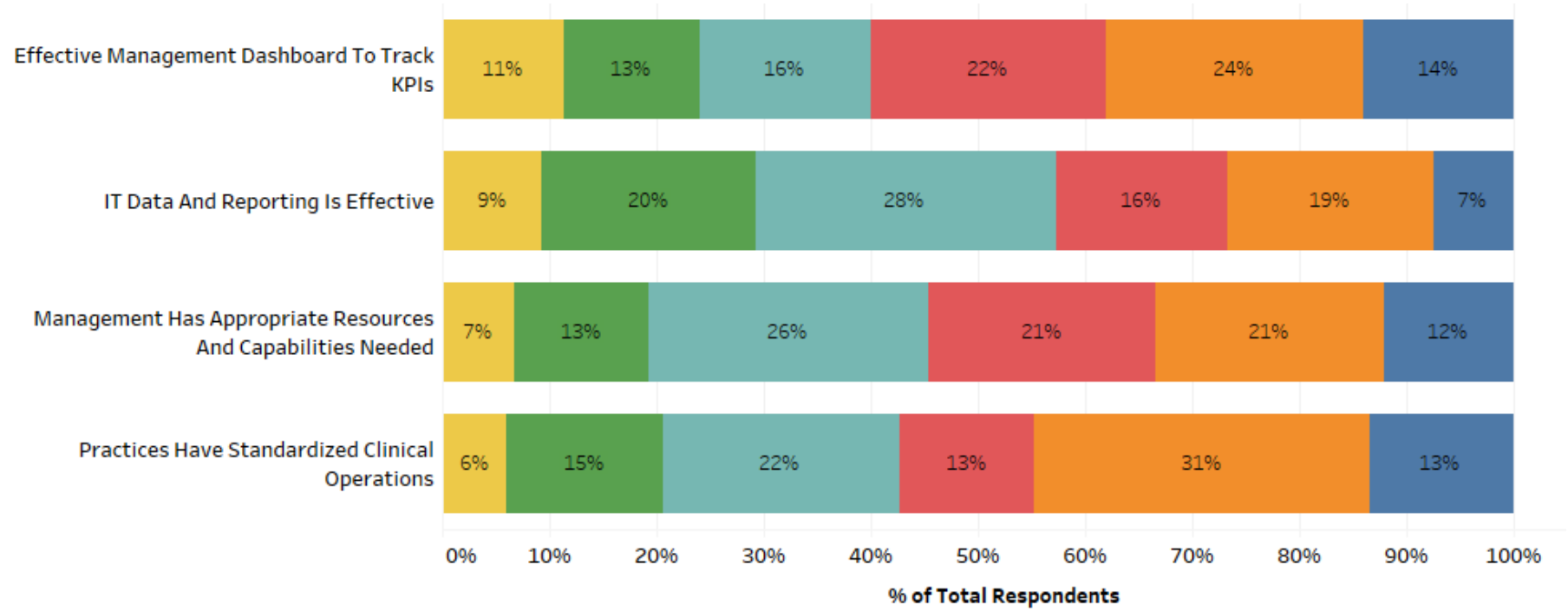
How respondents answered each question.
(i.e., 10% of all respondents strongly agree that their physician network has effective provider recruitment.)

Quality Responses

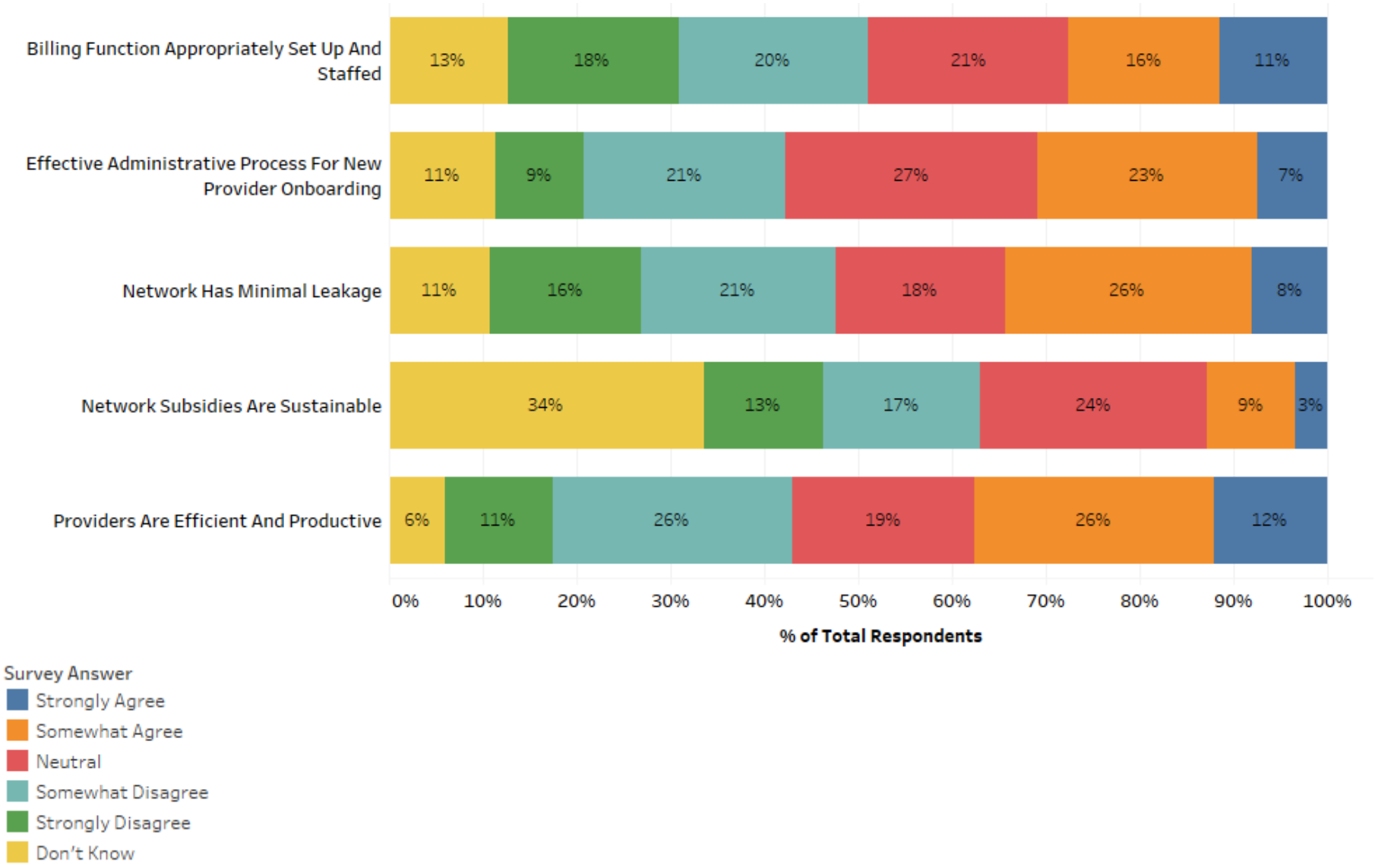


Physician Leadership Responses

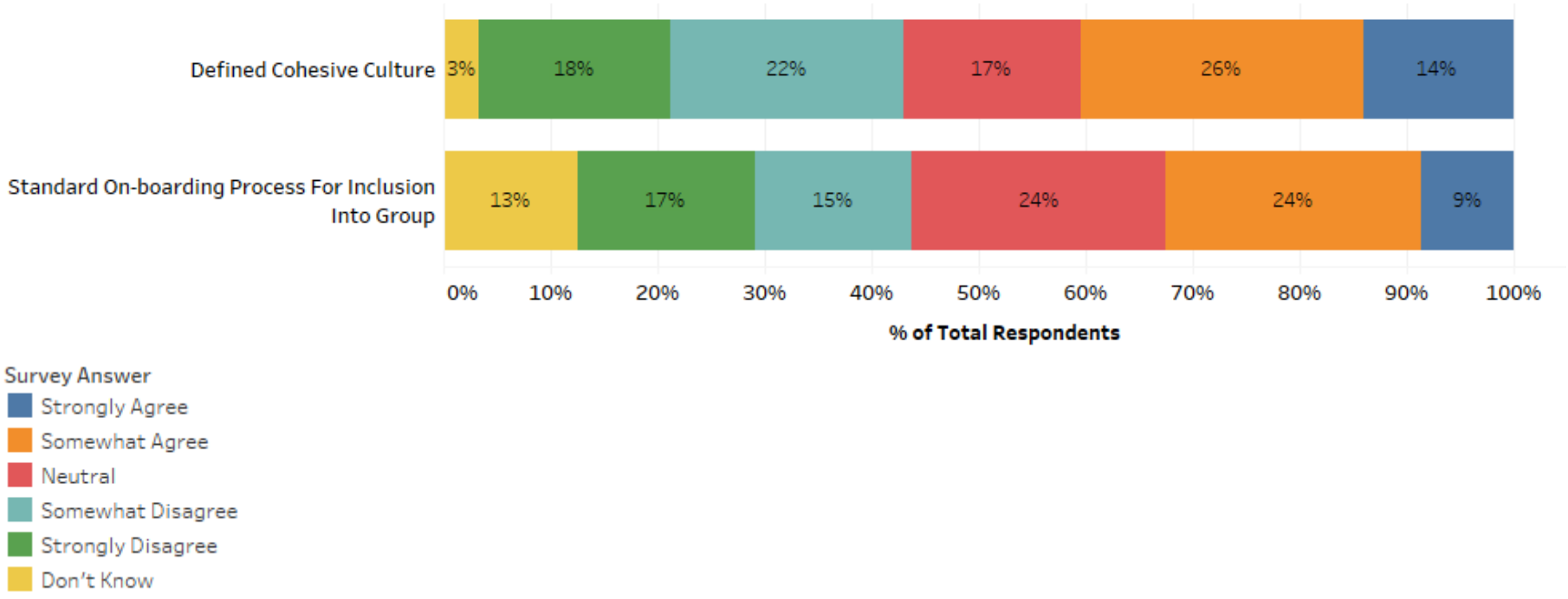
Management Infrastructure Responses



Financial Sustainability Responses



Culture Responses



Brand/Identity Responses

Aligned Compensation Responses

Chapter 3 – Barriers to High Performance

- Two Universal Challenges
- Lack of a Shared Vision
  - No agreement on what we are working to build
  - Gap creates conflict between competing vision
  - Limited guiding principles leads to a focus on tactics
  - Management unclear on how to allocate time, but much of it is focused on short term financial performance
  - Physicians frustrated by limits and lack of a greater purpose.

Chapter 3 – Barriers to High Performance

- Two Universal Challenges
- Inadequate management infrastructure
  - Group does not have lay leader needed to coordinate and prioritize
  - Despite financial stress, group does not have the financial analytic resources require to understand the challenges
  - In most cases, physician time for management / leadership is undervalued and in short supply
  - Limited IT resources exacerbate the problem caused by installation of a hospital centric system
  - Limited resources to systematically address patient experience
  - Quality measurement and assessment run out of the "hospital" department
  - Marketing resources limited as well.

- Lack of physician leadership (3rd, but a big issue in select organizations)

Operational Chaos – Chapter 7

Key Challenges

- Acquiring management talent
- Building revenue cycle capabilities
- Mounting losses
- Developing management reporting system/ infrastructure
- Develop a Physician Advisory Council to gain physician engagement in operational improvement and decision making

Areas of Focus

- Comprehensive network assessment to define operational and infrastructure needs
- Investing in management
- Understanding the genesis of losses / subsides
- Involving physicians in problem solving and strategic thinking
- Staffing practices appropriately, resisting tendency to cut FTEs
- Increasing practice throughput

Dashboards – Chapter 12
Operational Chaos

Table 4 – Operational Chaos					
Metric	**Current Year YTD if Appropriate**	**Prior Year**	**Variance vs. Prior Year**	**Goal**	**Variance vs. Goal**
Quality					
Quality Improvement Initiative #1	49	40	9	60	-11
Quality Improvement Initiative #2	49	40	9	60	-11
Quality Improvement Initiative #3	49	40	9	60	-11
% Certified PCMH/PCSP	61%	42%	19%	80%	-19%
Patient Experience/Access					
CG-CAHPS (Overall Provider Rating Composite)	70%	80%	-10%	90%	-20%
Days until third appointment, 1st of Month (Average by Practice)	**5.6**	**10.4**	**4.8**	**3**	**-2.6**
Operations					
Physician FTEs	50	35	15	61	-11
APP FTEs	30	20	10	32	-2
Net Income or (Loss)	**($20,000,000)**	**($13,750,000)**	**($6,250,000)**	**($17,300,000)**	**($2,700,000)**
Net Income or (Loss) per Provider	**($250,000)**	**($275,000)**	**$25,000**	**($240,000)**	**($10,000)**
Overhead Rate (Operating Expenses as % of Revenue)	**50%**	**60%**	**-10%**	**45%**	**5%**
Total Provider Cost as % of Revenue	**60%**	**70%**	**-10%**	**60%**	**0%**
Provider Comp vs. Productivity (% outside 10% corridor*)**	**25%**	**30%**	**-5%**	**10%**	**15%**
Medical Loss Ratio/Performance on Risk Contracts	96%	102%	6%	89%	-7%
Revenue Cycle					
Days in AR	**45.0**	**60.0**	**-15**	**35**	**10**
Adjusted Collection Rate	**90%**	**85%**	**5%**	**99%**	**-9%**
Professional Collections per wRVU	**$100**	**$100**	**$0**	**$120**	**($20)**
Volume/Throughput					
wRVUs Total (Personally Performed Only)	**350,000**	**250,000**	**100,000**	**N/A**	**N/A**
wRVUs per Provider (Personally Performed Only)	**4,375**	**4,545**	**(170)**	**4,982**	**(607)**
Referral Capture Rate	80%	60%	20%	90%	-10%

Strategic Focus – Chapter 8

Key Challenges

- Reducing variation (clinical and administrative) through investments in capabilities
- Retaining referrals
- Involving physicians in administration
- Removing chronically underperforming providers
- Continuing to build management capabilities

Areas of Focus

- Forming PAC subcommittees to start in-depth engagement
- Developing a shared vision
- Completing physician enterprise strategic plan
- Stepping up focus on quality & operational metrics
- Evolving comp plan to align with quality and operational metrics
- Creating physician leadership development program

Dashboards – Chapter 12
Strategic Focus

Table 5 – Strategic Focus					
Metric	**Current Year YTD if Appropriate**	**Prior Year**	**Variance vs. Prior Year**	**Goal**	**Variance vs. Goal**
Quality					
+Quality Improvement Initiative #1	**49**	**40**	**9**	**60**	**-11**
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Value Phase – Chapter 9

Key Challenges

- Evolving compensation to address risk and quality incentives
- Defining provider productivity from a population management perspective
- Building IT and data analytics
- Enhancing care management and care coordination capabilities
- Building relationships with payers and employers
- Proving capabilities to payers

Areas of Focus

- Redesigning physician compensation
- Pursing clinical practice transformation
- Referral management in support of network efficiency
- Evaluating gaining value out of cost and quality successes
- Building a brand that is recognized and valued in the market
- Maturing of the PAC

Dashboards – Chapter 12
Value Phase

Table 6 – Value					
Metric	**Current Year YTD if Appropriate**	**Prior Year**	**Variance vs. Prior Year**	**Goal**	**Variance vs. Goal**
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Questions