



DOES YOUR BOARD UNDERSTAND WHY PHYSICIANS ARE EMPLOYED?

BY: DAVID MILLER

One challenge hospital and health system executives continue to face is board concerns about physician employment. The subsidies are at times high, the rationale for employment is often elusive to boards, and the value is not always crystal clear. Additionally, the rationale may change over time.

One of our clients, Huntsville Hospital Health System (HH) decided to address these issues head on. Executives wanted to review the strategic intent behind the employment decisions, as well as the operational performance versus benchmarks. They wanted the Board to:

- *Understand the initial rationale for the investment*
- *Reassess and reaffirm their support of that decision*
- *Articulate concerns that might impact the previous decisions*
- *Discuss the longer-term imperatives for the employed group*

In general, there were seven factors that led the board to initially endorse physician employment:

1. STRATEGIC EMPLOYMENT

In some cases, the employment supported the strategic goals. The cardiovascular service line provides an excellent example of this motivation.

A goal of the organization was to partner with physicians to ensure an expansion of HH's cardiovascular footprint in both the Primary Service (PSA) and Secondary Service Areas (SSA). A supporting goal was to provide the full range of cardiovascular services from non-invasive to cardiothoracic surgery to the greater Northern Alabama and Southern Tennessee regions. Accomplishing these goals was difficult if HH depended solely on private practice physicians.

With declining reimbursements for cardiovascular services, private physicians were reluctant to make the long-term investment required to grow the service in the outlying areas. It was also recognized that younger physicians were choosing employment with hospitals and health systems. HH employed the physicians, invested in the service line, and recruited top-notch cardiovascular specialists. The result has been a robust, reliable, state-of-the-art cardiovascular services available for residents in the region.

2. COMMUNITY NEED

Community service played a key part in the Board's decision.

The best example of this was in pediatric subspecialties, in which HH hired physicians with capabilities that would not have been locally available based on the free market alone. Examples of these include pediatric oncology and pediatric endocrinology. These investments supported the regional tertiary mission of HH and helped families access services locally versus Birmingham or Nashville.

3. PATIENT ACCESS

The Board consistently endorsed physician employment to address the patients' needs.

In some specialties, guaranteeing ED coverage was problematic despite paying for call, because of physician supply or physician resistance to covering the ED. This issue was a threat to the regional trauma center. Hence the Hospital's decision to employ doctors related to coverage, availability for consult, etc. for patients that were already in the HH system.

4. PHYSICIAN RETENTION

This was a major motivation for employment.

It is especially difficult to recruit some specialties where the loss of an incumbent physician would lead to a gap in service. According to Center for Health Workforce Studies, University of New York, Albany, the national deficiency of physicians in the United States is estimated to be 100,000 to 200,000 by 2020. HH made the decision to employ doctors to head off a problem in selected specialties.

5. INABILITY OF PRIVATE PRACTICES TO RECRUIT

Preventing a physician shortage was found to be a key motivator.

The recruitment needs coupled with the inability of private practices to add physicians, also lead to employment decisions. In Alabama and other markets, the ability of private groups to be competitive has been a challenge. Faced with employment or a physician shortage, HH has chosen employment.

6. SUCCESSION PLANNING

Similarly, practices in transition have driven employment decisions.

This is the corollary of number five. Senior physicians who wish to retire may be employed to create a transition plan that provides continuity of care for the patients. The hospital is better able to recruit a replacement physician and provide a softer landing for the senior physicians. Likewise, it assures the practice's patients will receive needed care.

7. POPULATION HEALTH

Employment is pursued in support of a CIN or population health strategy.

This strategy takes two forms. First, the employment of primary care physicians, who are best positioned to manage patients' care across the continuum. Second, as hospitals focus on managing populations, there are recruitment requirements driven by the need to manage complex cases. In the case of HH, employment of gynecologic oncologists fit that situation.

THE RATIONALE BEHIND EMPLOYMENT

In our work we find that these rationales for employment get lost as the board focuses on subsidies and other issues. It was productive for the Board to revisit the rationale, and in each case, re-affirm their original decisions were rational and appropriate for the Hospital and its patients.

The long-term play for HH, and for most hospitals, is to develop a multi-specialty group practice that can better coordinate and manage care. HH's foray into an ACO begins to lay the groundwork for Board understanding of that need.



To learn more about creating a bridge of communication between health system executives and Board members, contact David Miller:

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