Strategic Evaluation of Physician Relationships During COVID-19

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20+ Years in Physician Practice Management and Consulting

Expertise in:
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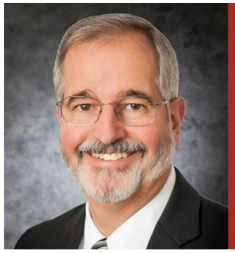
- Physician Strategy Development
- Practice Performance Improvement



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Family Physician
Former Health System CMO

Expertise in:
- Physician Leadership and Governance
- Vision Development
- Compensation Planning
- Clinical Transformation

Objectives

1. Appreciate the value of performing a proactive, comprehensive, strategic assessment of existing physician relationships – both employed and independent.
2. Understand time sensitive COVID-19 opportunities – particularly those applicable to independent physicians.
3. Consider developing prospective action plans to actively pursue, or anticipatorily respond to, mutually beneficial physician relationship scenarios.

COVID-19 Pandemic

"It was the best of times, it was the worst of times, …"

The opening line of Charles Dickens' Tale of Two Cities – and some of the novel's portended themes – can be directly applied to the COVID-19 pandemic.

In the novel, Dickens relies on stark contrasts and extreme opposites – for instance, despair and suffering on one hand … joy and hope on the other.

The novel describes a time of chaos, conflicts, and despair – counterbalanced by structure, harmony, and happiness.

Literary Devices: Definition and Examples of Literary Terms.
https://literarydevices.net/it-was-the-best-of-times-it-was-the-worst-of-times/

COVID-19 Pandemic

"… it was the worst of times, …"

- Aspect most apparent and faced daily
  - Illness, death, despair
  - Social distancing leading to isolation
  - Economic hardship or "ruin"
- Additional healthcare factors include
  - Will there be adequate PPE, ICU beds, ventilators, staff to care for the onslaught of patients?
  - How can we sustain ourselves financially with increased costs and tremendously decreased revenue due to elimination of elective care and lucrative procedures?
  - How long will it last – and will it rebound and/or recur?
  - Will we – and our workforce – survive?

COVID-19 Pandemic

"… it was the best of times, …"

- Much more difficult to envision any aspect to counterbalance the "worst of times" – especially since our daily lives contain so much of the former
- Perhaps it is the fact that everyone in the entire country – and the whole world – is focused on a single purpose … "beating the virus" … emerging on the other end triumphant … maintaining hope
- In healthcare, this may involve not just wondering if we will emerge from the COVID-19 pandemic intact, but envisioning ways in which these circumstances might allow us to emerge stronger and better positioned for future success
  - Can we emerge like the phoenix from the ashes – even more glorious than before
  - Can we emerge from the COVID-19 catastrophe stronger, smarter and more powerful

Rise like a phoenix from the ashes. Grammarist.
https://grammarist.com/phrase/rise-like-a-phoenix-from-the-ashes/

How To Be a Phoenix

- Preparing for, and operating within, all things COVID-19 can be all-consuming
- Must continue to think strategically about organization's future – and how the circumstances might present opportunity
- Consider the following:
  - When making daily operational decisions, consider unintended and long-term consequences – and try not to sacrifice them for short-term benefit
  - While needing to be focused on daily operations, dedicate time to think strategically and prepare for tangential opportunities
    - … and seize beneficial opportunities as they arise
- Elements at crux of HSG's COVID-19 Checklist[1]

1. COVID-19 and Your Employed Physician Network (Checklist). https://hsgadvisors.com/articles/covid-19-and-your-employed-physician-network-checklist/

How To Be a Phoenix

- Strengthening physician relationships as a strategic focus to emerge from pandemic as a stronger system
  - Key to current and future service line capabilities and effectiveness – and, therefore, health system success
  - Decisions related to physician relationships were commonly passive, serendipitous, and not data driven … relying on physicians approaching health systems with requests – particularly employment requests – and the system reacting to them
  - Strategic approach depends on proactively assessing needs, determining who might best meet them, and being prepared … whether through active pursuit or just being prepared with answers and solutions if/when approached
  - Allows the opportunity to strengthen position in a strategic manner and know that individual decisions formulated through sound, logical, rational process

Prepare – Anticipate Opportunity

Prepare

- **What is the vision for the system and its employed physician network?**
  - Vision forms basis for strategic objectives and imperatives
  - Narrative with detailed descriptions – not pithy elevator phrase[2]
  - Most beneficial if shared vision developed in conjunction with physician leadership[2] … but at minimum reduce system leader 'vision' to writing
  - Look out next 3-5 years if developing

2. HSG Shared Vision whitepaper. https://hsgadvisors.com/white-paper/shared-vision-roadmap/

Prepare

- **What physician strategies will be needed to achieve the vision?**
  - **Part 1 –** Focus on current core service lines and what should be done to ensure viability and growth
  - What physician relationships will be necessary to maintain current capabilities … and how can we ensure capabilities are secure?
    - Focus is currently employed and independent physicians in market.
    - Consider succession issues – and potential impact of COVID-19 on earlier retirement decisions

Resources

- Medical Staff Development Plan with physician strategies
- Physician Liaison Program
- CMO
- Medical Staff Medical Executive Committee
- Employed Network Physician Leadership Council
- Service Line Leaders

Prepare

- **What physician strategies will be needed to achieve the vision?**
  - **Part 2 –** Are we missing any capabilities within our core service lines?
  - Are we missing any core service lines that similar organizations possess?
  - Prioritization of options creates "recruitment plan"

Resources

- Medical Staff Development Plan with physician strategies
- Physician Liaison Program
- CMO
- Medical Staff Medical Executive Committee
- Employed Network Physician Leadership Council
- Service Line Leaders

Prepare

- **What is the physician employment philosophy?**
  - Does it change or evolve with changing circumstances?
- **What is the anticipated financial status – and loss tolerance?**
  - Will federal stimulus initiatives help?
  - Can the endowment subsidize strategic physician initiatives – or just operational deficits and capital projects?
  - What financial resources can be used to target beneficial physician relationships? … i.e., what can we afford to do?

- Using the acquired information, apply to each physician category

Independent Physicians

Independent Physicians

- Continued viability and sustainability of independent physician practices a concern since COVID-19 pandemic onslaught
- The current conditions reflect unrelenting overhead expense in the face of tremendously decreased revenues – a bleak outlook for which many practices do not have reserves
- In times of need, owners and/or members of independent practices often turn to their local health systems for support
  - COVID-19 circumstances have proven no different thus far
- Proactively developed criteria on which to base interventions can be applied when requests for assistance arise – or when strategic opportunities become apparent

Independent Physicians

- Interventional criteria
  - Importance to strategic vision and objectives
  - Value to the community and meeting community need
    - Reputation with patients/public
  - Cultural fit
  - Historic clinical performance
  - Reputation in medical community
  - Brand loyalty, leakage
  - Cost of intervening vs. benefit of retaining (i.e., not losing) valuable providers
    - Able to develop individual-specific profile based on historic local data – not counting actual recruitment costs
      - Recruitment estimated to cost more than $1 million when considering both the direct recruitment costs and the lost revenue associated with vacant positions[3,4]

3. The Cost of a Physician Vacancy. Merritt Hawkins. https://www.merritthawkins.com/uploadedFiles/merritthawkins_physicianvacancy_whitepaper_2018.pdf
4. Physician Recruitment: The Cost to Hire and Return on Investment. Jackson Physician Search. https://www.jacksonphysiciansearch.com/physician-recruitment-the-cost-to-hire-and-return-on-investment/

Independent Physicians

- Application of intervention criteria usually results in three groupings of physicians – and associated considerations
  - Highly desirable
    - Consider active intervention
  - Mixed
    - Case-by-case determination
  - Undesirable
    - Decline to pursue additional arrangements or accommodations

Independent Physicians

- **For all independent practices, consider**
  - Proactively reaching out to empathetically inquire about how they are doing and communicate with them
    - Avoid "asks" related to how they can support you with your COVID-19 efforts
  - Ensure the practice leaders are aware of the financial support options available through the various federal financial stimulus arrangements[5] to bridge the economic downturn caused by the pandemic
    - Educate about them if they are not aware – could be beneficial to the practices' continued viability
- Proactive, empathetic interactions with the independent practices could enhance alignment – and should be considered for all independent practices in the primary service area

5. Independent Physician Practices: COVID-19 Stimulus Acts Unlikely to Be a Panacea. https://hsgadvisors.com/articles/independent-physician-practices-covid-19-stimulus-acts-unlikely-to-be-a-panacea/

Independent Physicians

- **For the highly desirable physicians, consider**
  - Employment/practice acquisition
    - Ensure conversation includes expectations of being an employed physician
      - Assimilation will require a number of changes from independent practice model
      - Know and convey these from outset
    - Identify resources to perform due diligence
      - Pertinent practice data
        - Historic compensation and benefits (and benchmark data)
        - Historic wRVU productivity (and benchmark data)
      - Hard assets valuation
    - Determine compensation model if specialty new to employed network – or – transition values if existing specialty compensation model exists
      - Determine whether FMV or commercial reasonableness opinions necessary
    - Define resources necessary to onboard new acquisitions
      - Determine whether the employed provider network management infrastructure is adequate to manage additional practices or if additional resources are needed … and at what flex point
    - Create "offer" – term sheet, draft contract
    - Apply employed network COVID-19 utilization criteria for same/similar specialty

Independent Physicians

- **For the highly desirable physicians, consider** (continued)
  - Direct Support Options
    - For those who do not desire employment, consider direct support permitted by the Stark waivers authorized during the COVID-19 national emergency
    - Reduce or forgive office or equipment lease payments during the pandemic
      - Permitted to reduce rental charges paid by a physician to an entity that are below fair market value for the physician's lease of office space or equipment from the entity in order to maintain the availability of medical care and related services for patients and the community and prevent medical practice or business interruption due to the COVID-19 outbreak[6]
    - Offer no or low interest loans to sustain business operations through the pandemic
      - Permitted remuneration from an entity to a physician resulting from a loan to the physician with an interest rate below fair market value or on terms that are unavailable from a lender that is not a recipient of the physician's referrals or business generated by the physician in order to maintain the availability of medical care and related services for patients and the community and prevent medical practice or business interruption due to the COVID-19 outbreak[6]

6. Blanket Waivers of Section 1877(g) of the Social Security Act Due to Declaration of COVID-19 Outbreak in the United States as a National Emergency.

Independent Physicians

- **For the highly desirable physicians, consider** (continued)
  - Even if the offers of employment and/or direct support are declined, the emphasis on the practice's/physician's importance to the system during proactive, empathetic interactions could further enhance alignment

Independent Physicians

- **For the "mixed" category of physicians, consider**
  - Case-by-case determinations that may shift physicians into more desirable category [16]
  - This category may contain individuals that are significant "splitters" – meaning brand loyalty may not be as strong as desired
    - If this is a primary concern regarding employment, an upfront conversation can include the willingness/expectation of keeping business in the system
      - Recall that Stark permits mandated internal referrals by employed providers with three exceptions
        - Patient desire
        - Heath insurer requirements
        - Quality concerns by the referring provider
      - … but just because you can does not mean you should
        - Better option is to ascertain reasons for referring elsewhere and addressing reservations in the above conversation
        - Primary goal should be to create internal referral system and capabilities that facilitate preference to keep patients in system

Independent Physicians

- **For the undesirable category of physicians, consider**
  - Predetermined, political correct declination to requests for assistance that suggests the system does not have the resources to meet all needs and must ponder strategic survival of the pandemic
    - i.e., the decisions are based on sound business principles and are not personal
  - The ultimate desire is to not alienate these physicians but selectively not support them either
  - Must be willing to lose the individuals and/or their capabilities

Employed Physicians

Employed Physicians

- The acute changes in operational and financial circumstances related to COVID-19 created the need to contemplate altered relationships with employed physicians
- Scenarios included factors such as:
  - How should we compensate physicians on strict productivity or revenue minus expense models when both productivity and revenue are markedly diminished?
  - Should we treat physicians differently than other employees – or should a single standard apply?
  - Should the need for immediate or potential subsequent (surge) redeployment of physician resources impact these decisions – i.e., keep on in case needed elsewhere?
  - Should we keep them "whole," and what that means, during the COVID-19 pandemic in order to guarantee presence when we emerge from the COVID-19 pandemic?
  - What criteria should we use to make these decisions?

Employed Physicians

- Consider using the physician strategies criteria in the Prepare section, the same interventional criteria listed in the Independent Physicians section, and individual employed network experiences to determine the "desirability" of employed physicians in much the same way as the independents
- Consider preferentially mitigating potentially adverse impact for the most desirable grouping based on these metrics
- Consider targeting the least desirable grouping when anticipating adverse actions, such as furlough
- Finally, as a last resort, consider divesting the least desirable physicians (and APPs) and practices
  - Lack cultural fit or disruptive
  - Nonaligned with core mission
  - Exhibit poor performance

Employed Physicians

- Why consider divesting practices?
  - Employed Physician Networks often grew in a serendipitous fashion, rather than strategic fashion
    - Serendipitous = whoever approached for employment
    - Strategic = who do we need to employ to achieve our vision and strategic objectives, i.e., core to mission
  - Serendipitous growth can result in the presence of individuals or specialties that are not ideally suited for the network
  - Metrics exist to determine/review individual and practice performance and fit within the Network
  - The long term health of the employed network might disproportionately be adversely impacted by providers and practices that do not exhibit a good fit with vision and desired culture
  - Divesting when finances are under great/greatest duress due to the COVID-19 pandemic represents a situation analogous to sacrificing a limb for the benefit of the whole

PSA Agreements

- Although not technically employed, the same criteria and processes can and should be applied to PSA arrangements
- The COVID-19 circumstances can prompt review of these arrangements to ensure the same degree of alignment and possible interventions for this group of physicians

Case Study – How to be a phoenix

- Ochsner Health and Hurricane Katrina[7,8]
  - One of three hospitals still operating in New Orleans during the post-Katrina time frame
  - Recognized ability (with significant risk) to enter acquisitions with closed/ inoperable hospitals and physician practices that aligned with their vision for the future and their organizational culture
  - As a result, they emerged from the aftermath of Hurricane Katrina as a larger, stronger, more viable organization

7. K. Gooch, 10 years after Hurricane Katrina: Q&A with Ochsner CEO Warner Thomas. Becker's Hospital Review, August 26th, 2015.
8. Independent Physician Practices and COVID-19: What's a Health System to do?
https://hsgadvisors.com/articles/independent-physician-practices-and-covid-19-whats-a-health-system-to-do/

Conclusion

- The COVID-19 pandemic creates many personal and organizational stresses and unique challenges
- It can also create great opportunity – if organizations are open to them and adequately prepare for them
- Enhancing physician relationships represent one such strategic opportunity
- Making time and expending the effort to proactively seize beneficial alternatives to the current state can reap long term rewards that will allow the system to emerge from the COVID-19 national emergency as a stronger, more resilient organization

Questions?

Company Overview

HSG Builds High-Performing Physician Networks so Health Systems Can Address Complex Changes with Confidence.

Headquarters: Louisville, KY
Formed: 1999
Client Base: Non-Profit Hospitals & Health Systems
Focus: Health System and Physician Network Strategy and Execution

Physician Strategy

- Healthcare System Strategic Plans
- Employed Physician Network Strategy
- Growth Strategy
- Shared Vision and Culture Development
- Physician Manpower Plans
- Service Line Strategy
- Co-Management

Performance Improvement

- Network Performance Improvement
- Performance Improvement Implementation
- Network Revenue Cycle
- Practice Care Model Transformation
- Practice Acquisition

Physician Leadership

- Shared Vision and Culture Development
- Physician Burnout
- Physician Governance and Leadership

Network Integrity

- Patient Share of Care
- Patient Flow
- Provider Location and Service Analysis
- Market Insight

Physician Compensation

- Compensation Plan Design
- Fair Market Value and Commercial Reasonableness Opinions

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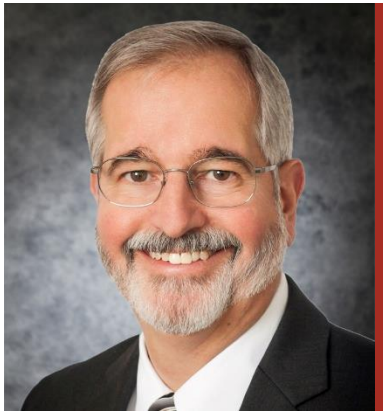
17 Years at HSG
20 Years in the Industry

Strengths
- Fair Market Value analysis
- Physician engagement and alignment
- Physician network growth
- Provider incentives and compensation
- Practice performance improvement

Client Accomplishments
- Client expanded the size of its network by 30% over the course of 3 years

PROFESSIONAL EXPERIENCE
Mr. Barker's practice focuses on assisting hospitals and health systems in contractually securing needed clinical/professional services, call coverage, medical direction, and physician leadership through compliant and appropriately aligned financial incentives and compensation programs. Mr. Barker also advises healthcare organizations in physician strategy development, physician network growth and development, service line strategy and expansion and physician practice performance improvement.

EDUCATION
Neal is a member of the American College of Healthcare Executives and a candidate member of the American Society of Appraisers. He holds a Master's Degree in Business Administration with a concentration in Healthcare Administration from the University of Louisville.



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HSG

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6 Years at HSG
36 Years in the Industry

Strengths

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

Client Accomplishments

- Worked with client executives and physicians to create shared visions that led to significant advances in network function and outcomes

PROFESSIONAL EXPERIENCE

After retiring from Naval service, Dr. McWilliams spent a decade as the Vice President of Medical Affairs and Chief Medical Officer at Newport Hospital, a non-teaching community hospital within a larger academic health system. As CMO, he supervised the Medical Staff Services Office and was additionally responsible for quality of care/patient safety/risk management, clinical information systems, physician recruitment and clinical service line development. At the system level, he was intimately involved in creating system-wide Medical Staff Bylaws, spearheading various clinical IT projects, and contributing to broad-based performance improvement efforts.

EDUCATION

Terry received his MD from the University of Pittsburgh School of Medicine and completed family medicine residency in the Navy. He completed a Master of Science in Jurisprudence (MSJ) in Hospital and Health Law from Seton Hall University School of Law.