



# The Pandemic & Strategy

## Implications for Your Employed Physician Network

# 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

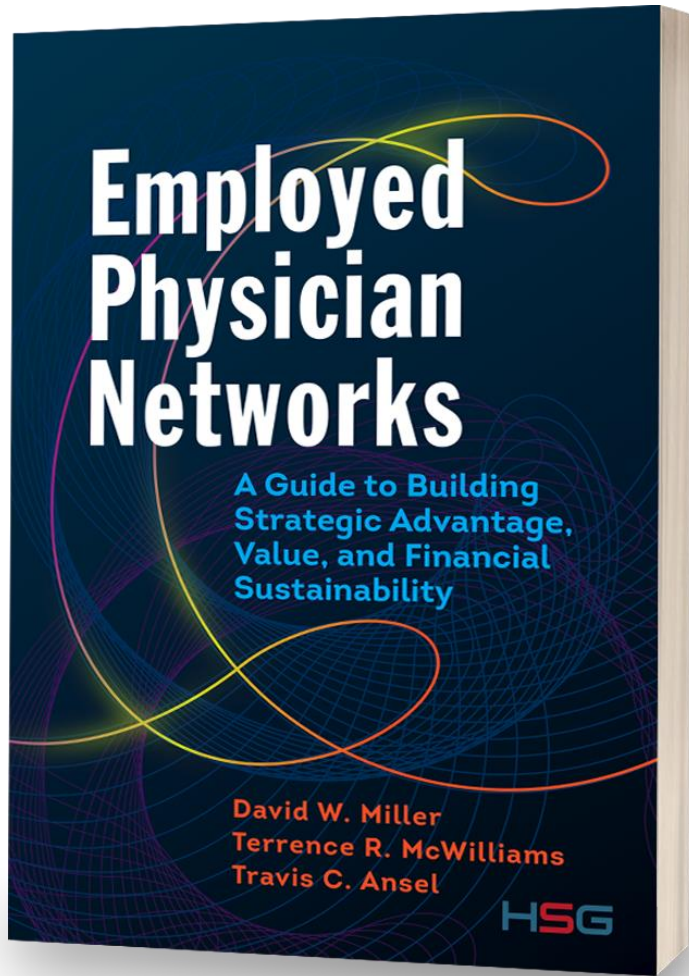
- Patient Share of Care
- Patient Flow
- Provider Location and Service Analysis
- Market Insight



## Physician Compensation

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

# Health Administration Press



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

# Presenters



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Management and  
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**Founder of HSG**

**Expertise in:**

- Healthcare Leadership
- Strategic Planning
- Physician Alignment and Engagement



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**Expertise in:**

- Strategic Planning for Employed Networks
- Market Development and Growth Strategy
- Network Integrity and Patient Capture

# Modern Healthcare Article

**HSG Published Online  
in Modern Healthcare**

[Click Here  
to Read](#)

## Modern Healthcare

LATEST NEWS    INSIGHTS    TRANSFORMATION    DATA/LISTS    OP-ED    AWARDS    EVENTS    MORE +

April 28, 2020 12:16 PM

### Focus on Employed Physicians, Not Hospitals, to Succeed

David W. Miller, Founding Partner at HSG

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Driven by changing demands of the market, the core focus of healthcare leaders must evolve. Managing episodic patient care delivery, with a focus on hospital operations, will decline in importance. Your team's ability to work with a tightly aligned **employed physician network**, to manage and rationalize care across the continuum, will grow in importance.

Two trends are driving this reality: the growth in value-based payments and the growth in hospital employment of physicians, particularly in primary care. The percentage of payments tied to value-based incentives grew from 23% in 2015 to 34% in 2017. CMS has a goal to hit 50% by 2020. Healthcare executives clearly recognize this trend, with a 2018 survey by Lumeris documenting that 72% of executives consider planning for the transition to risk-based contracting to be a high priority.

Or visit:

[www.modernhealthcare.com/physicians/focus-employed-physicians-not-hospitals-succeed](http://www.modernhealthcare.com/physicians/focus-employed-physicians-not-hospitals-succeed)

# Why Strategy Now



Find HSG's COVID-19 checklist and other resources at our resource library [here](#).

## Clinical and Operational

- The decisions required to respond to patient needs.

## Financial

- With declines in elective procedures and office visits, and increased expenses from preparation and patient care, addressing the financial reality with sustainable solutions will be essential.

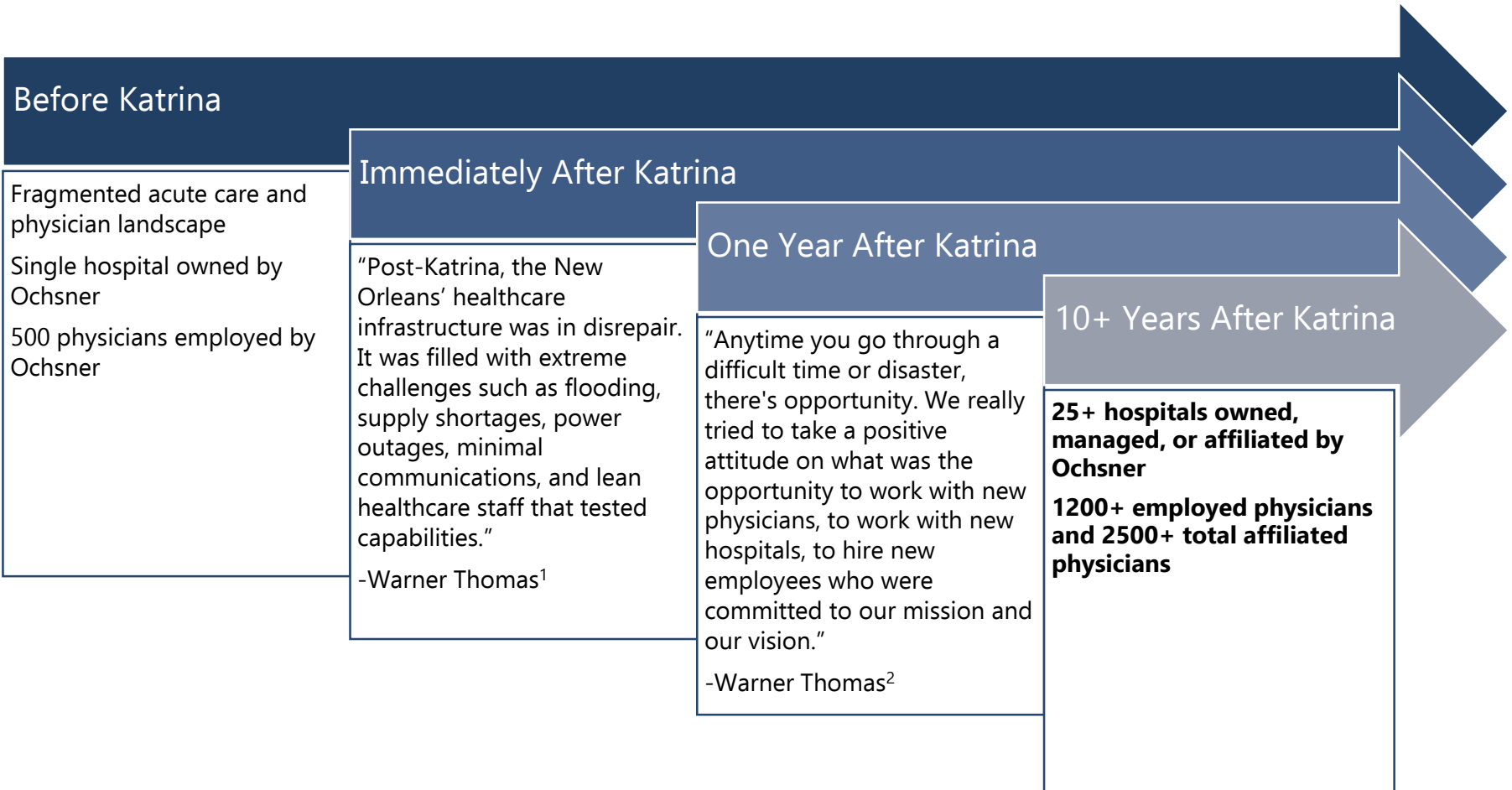
## Emerging Strategic Challenges

- The pandemic will accelerate many changes in your employed network's business model. As you address these necessary changes, consider how these changes will look, function, and impact the network as you emerge from the pandemic.

Organizations must address these challenges **to survive the next year**

Organizations must address these challenges **to win their market over the next 5 years**

# Why Strategy Now: A Case Study



## References:

- 1: Hurricane Katrina 10 Years Later: How New Orleans Became a National Destination for Healthcare. Ochsner Online Newsroom
- 2: 10 years after Hurricane Katrina: Q&A with Ochsner CEO Warner Thomas. Becker's Hospital Review

# In This Webinar

## **Our goal:**

Discuss strategic challenges and identify opportunities to position your employed network for post-pandemic success

## **We are synthesizing insights from:**

- Client observations about their priorities
- Our experience and expertise in working with employed physicians
- HSG COVID-19 Strategic Impact Survey- initial results from 50 health system and employed group leaders
  - [Click Here](#) to take the survey



# Observations

- *Although it does not feel like it right now*, this is a great opportunity to restructure your employed physician network for the long term
- But first, there is a *short-term strategic imperative* that must be addressed to recapture demand
- Engage your physician leaders in creating a new vision
  - Creating a new reality in a challenging environment will reinforce the value of your physician leadership council

# Short-Term Priorities

- Redesign care models for the pandemic
- Convince consumers that care environments are safe
- Engage physician leaders in these endeavors

# Redesign Care Models for the Pandemic

- Create discrete care paths for patients with and without COVID-19
  - Patient segregation in the ED
  - Patient testing prior to elective procedures
  - Aggregation of COVID-19 patients in specific primary care or specialty offices
  - Screening patients virtually before an in person visit
- Evaluate these measures clinically, but also from the perspective of patients who are avoiding care
  - What is the likelihood that patients will be satisfied that they are safe?

# Convince Consumers that Care Environments are Safe

- The biggest marketing challenge many of us will face in our careers
- Target patients for outreach
- Target the community at large
- Address the fear head on/along with safety initiatives
- Give patients alternatives for seeking care

# Long Term: Restructuring Your Employed Physician Network

# Restructuring Your Employed Physician Network

- Care redesign across the network
- Redesigning the primary care model
- Evaluating the network's portfolio of practices
- Attacking the network expense structure...and network revenue
- Doing the above with an eye toward risk contracting

Engaging your physician leadership is a foundational element to this restructuring

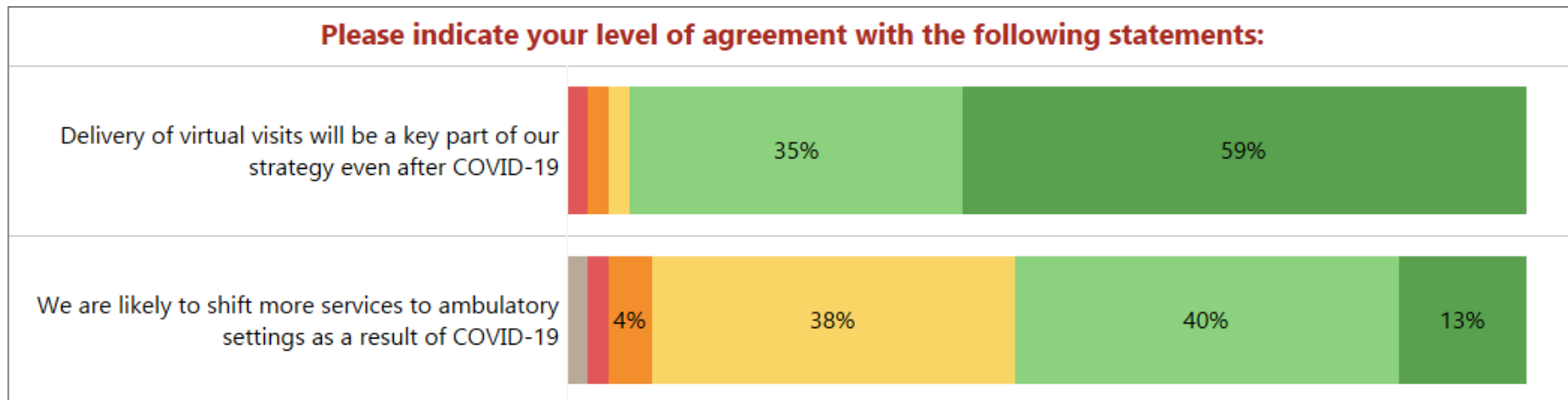
# Care Redesign Across the Network

- Two big questions
- How will virtual care be integrated into care processes?
  - When is direct patient contact really needed?
  - Pandemic has opened up this opportunity, expanded provider thinking about the potential benefits to patient experience and provider productivity
- Where should face-to-face care be delivered?
  - Look at both safety and cost
  - ASC vs. hospital-based outpatient surgery?
  - At home with digital technology?
  - In the physician office vs. the hospital?

# Care Redesign Across the Network

## HSG COVID-19 Strategic Implication Survey

Please indicate your level of agreement with the following statements:





# Implications

- Likely will lead to greater productivity for providers
- Has potential to improve patient experience and convenience
- May drive health systems to divest assets that are not favored in the new care model
- Will likely create care coordination challenges, and the need for incremental resources, as care is provided in more diverse environments

# Redesigning the Primary Care Model

- Volume declines of up to 50% are common, based on patient concerns about safety and stay at home orders
- Two-year plans for virtual visits have been implemented in 2 weeks
- Has increased likelihood that virtual visits will be provided by the patient's PCP, rather than designated provider groups providing virtual care only
- This will result in better care coordination for patients
- Need to redesign with focus risk contracting/managing capitation

# Implications

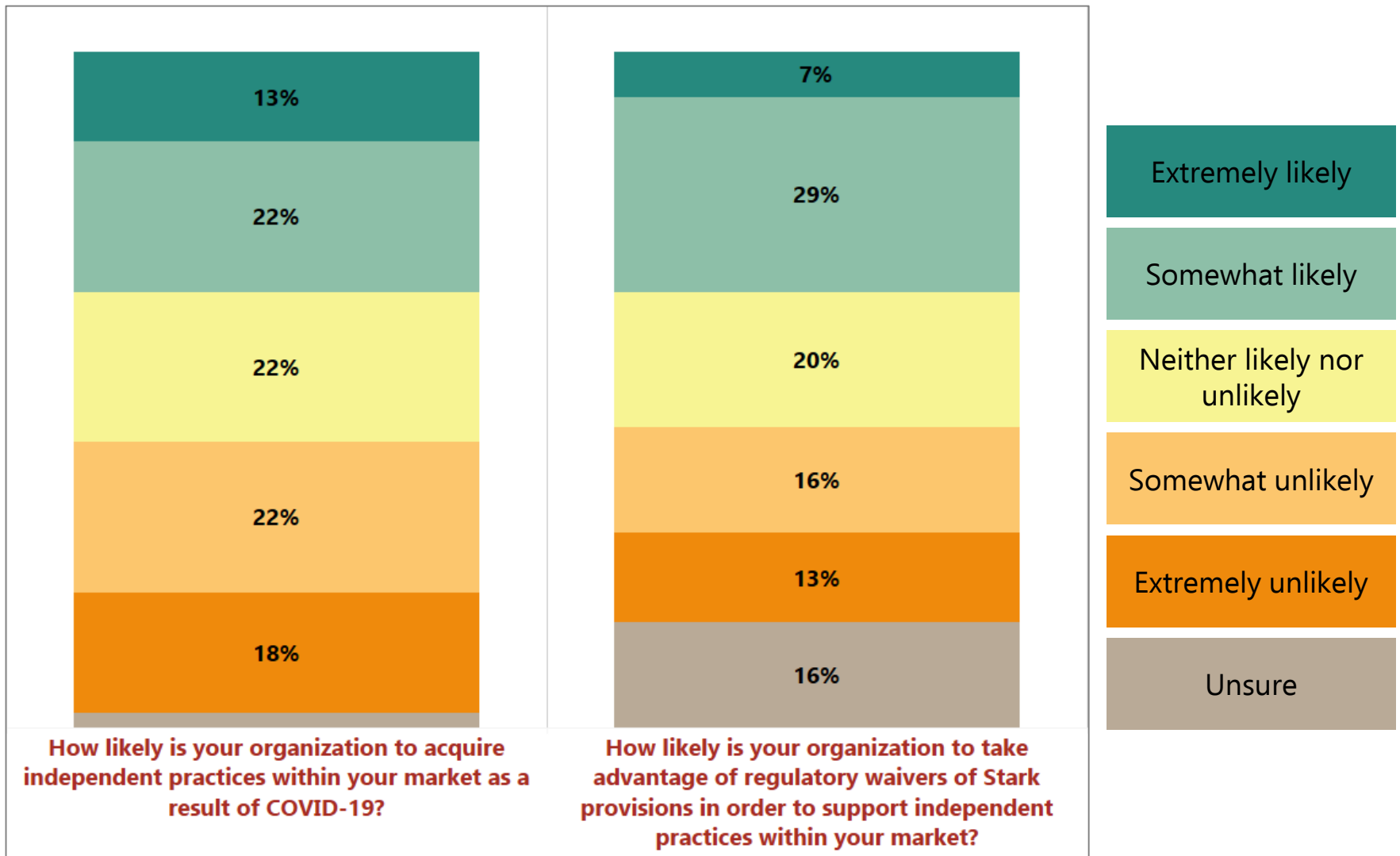
- Primary care access will grow along with provider productivity
- Will it impact the need for APPs in primary care offices?
- With increased practice efficiency, health system must focus on accruing their fair share of the economic gains
- To what degree will virtual care mitigate the need for diverse primary care locations?
- How will this trend diminish the position of alternative sites of care such as urgent care and retail-based clinics?
- As virtual medicine becomes part of most practices, will it undercut the business model of firms that focus exclusively on virtual care?
- Marketing messages from health systems should push their competitive advantage

# Evaluating Portfolio of Practices

- The current environment will allow you to divest practices that are not strategically important or are dead wood
  - Unimportant to community health goals
  - Unimportant to service line strategies
  - Minimal volume
  - Poor quality
- Financial stress on private practices may allow you to acquire practices that are strategically important
  - Critical to service line strategies
  - Competitive with hospital ASC or other outpatient services
  - Acquisition strategy limited to financially strong health systems

# Evaluating Portfolio of Practices

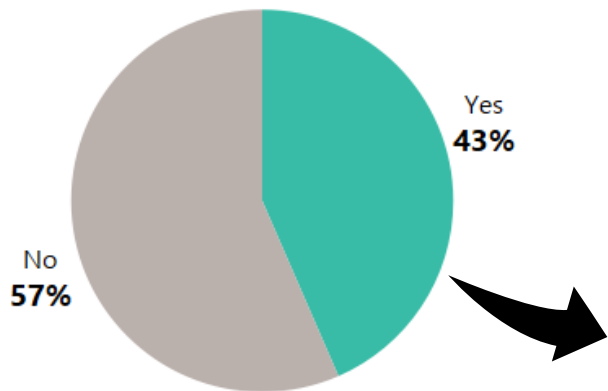
## HSG COVID-19 Strategic Implication Survey



# Evaluating Portfolio of Practices

## HSG COVID-19 Strategic Implication Survey

Do you anticipate COVID-19 impacting your provider recruitment plans over the next two years?

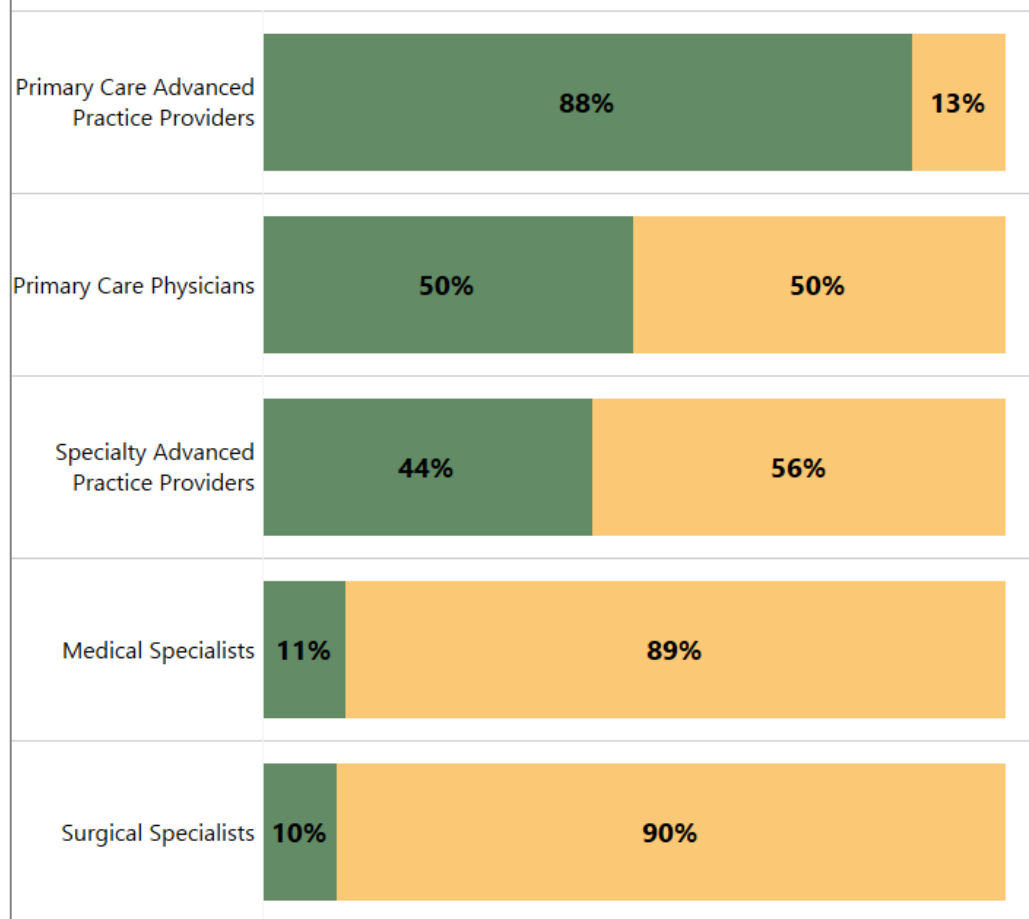


Additional details from respondents who answered yes

Respondents indicated they are likely to recruit **MORE** providers than originally planned

Respondents indicated they are likely to recruit **FEWER** providers than originally planned

Please indicate how you anticipate COVID-19 impacting your provider recruitment plans in the following areas:



# Implications

- Build the network you need to provide a competitive advantage/ differentiate your system in the market
- Build the network you need to manage community health
- Opportunity to build the network you need to manage risk contracts

# Attacking the Network Expense Structure

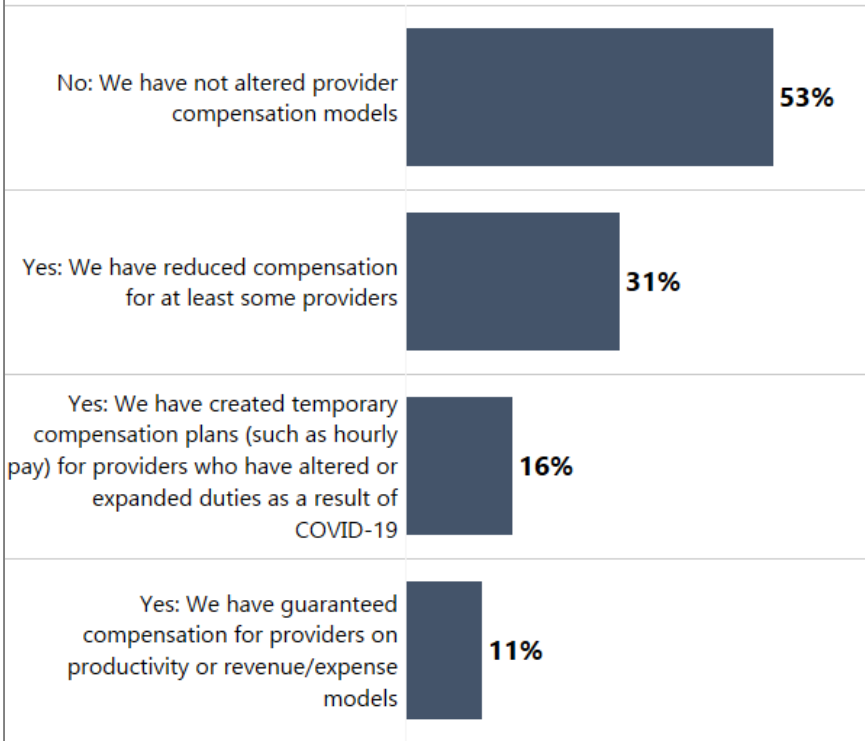
- Economy is going to create a challenges and payer mix will get worse
- Ranks of the privately insured will dwindle
- Some patients will be more price sensitive
- You must increase focus on network expenses and subsidy
  - Physician compensation planning
  - Provider productivity
  - Non-provider staffing and productivity
  - Right-sizing the network



# Attacking the Network Expense Structure

## HSG COVID-19 Strategic Implication Survey

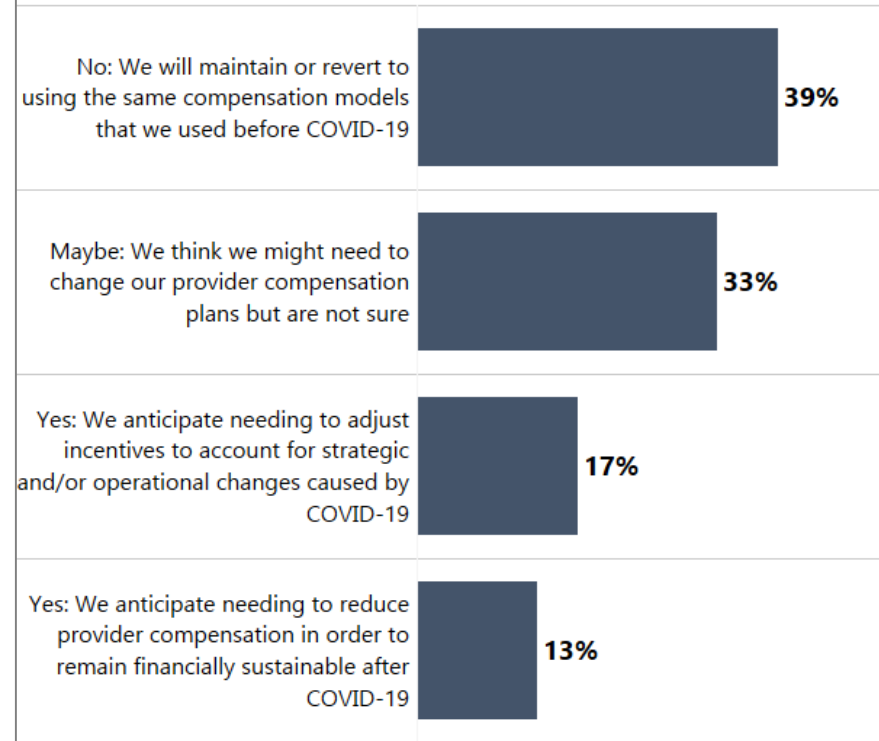
### Have you made any temporary or short-term changes to provider compensation?



#### Additional comments:

- We asked all to take a voluntary pay decrease
- We are requiring our providers to utilize accrued PTO for time that is non-productive.
- We have done away with 403B employer match and core contribution

### Do you anticipate needing to make permanent changes to provider compensation?



#### Additional comments:

- We were in the midst of making some adjustments to the primary care comp model before COVID-19
- Will consider capitation models with payers and physicians

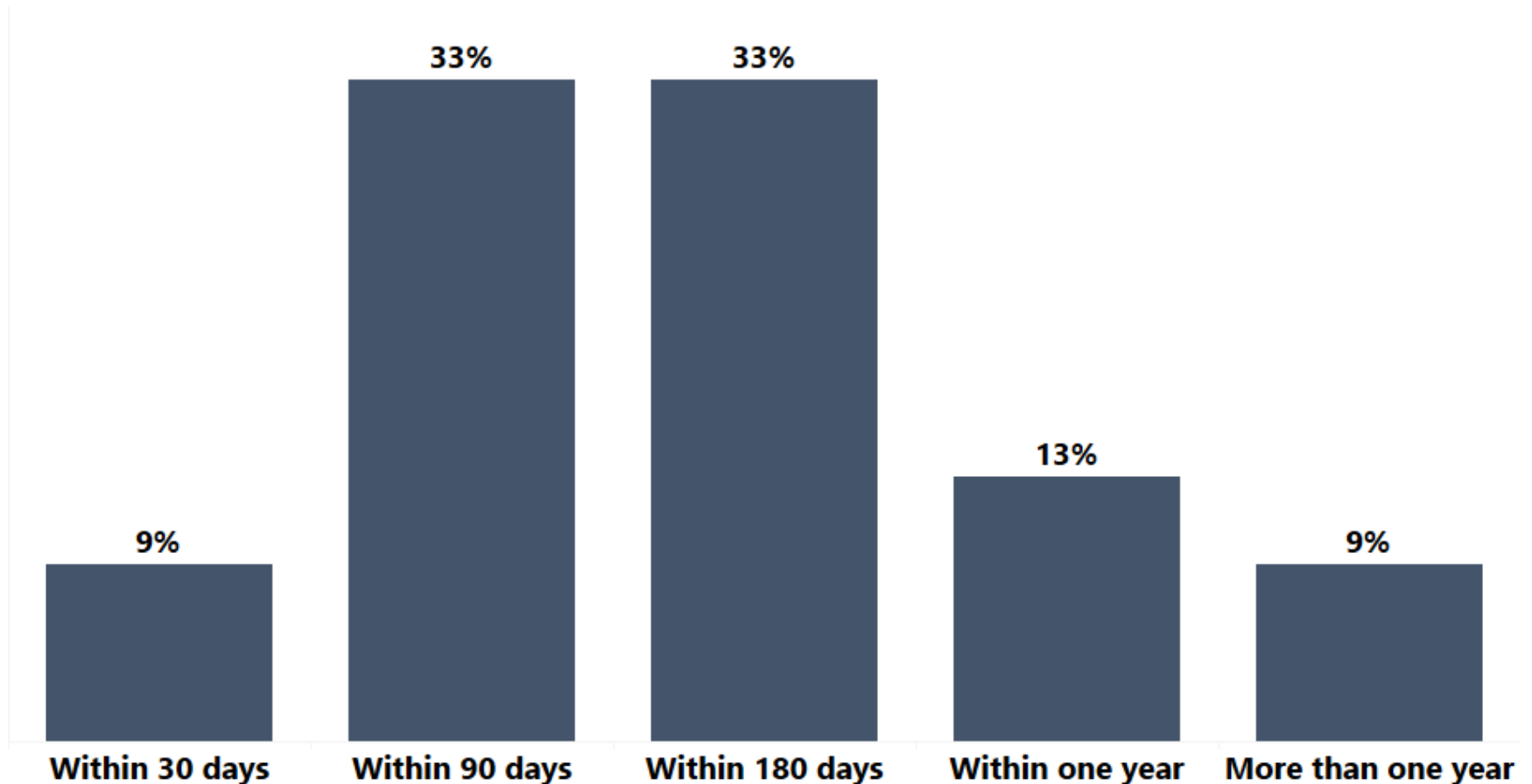
## ...and Network Revenue

- Rebuilding volume
- Access and throughput
- Revenue cycle
- Billing and coding
  - Virtual visits create a new opportunity to underperform
- Payer rates

# Network Revenue

## HSG COVID-19 Strategic Implication Survey

How quickly does your organization anticipate returning to pre-pandemic volumes?



2% of respondents indicated that volume has not decreased as a result of COVID-19

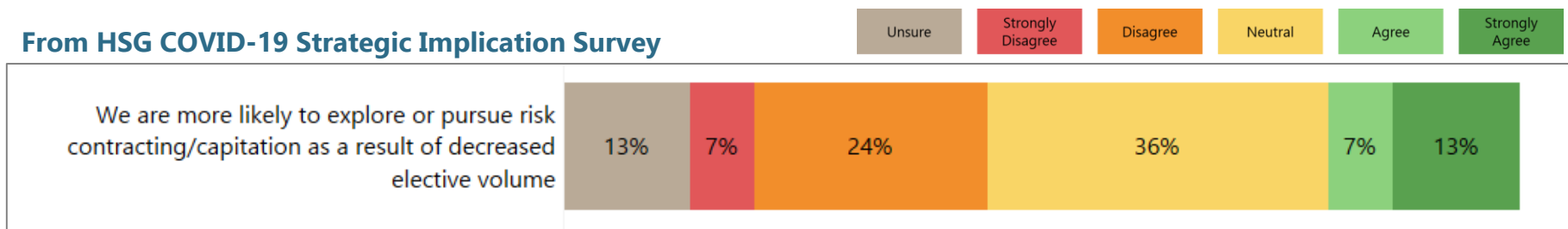
# Implications

- The financial health of the organization will depend on responding to this challenge
- Will need leadership from physicians to make this work and to sell the new reality to their peers
- Care model transitions, including the growth of virtual visits, will make benchmarking more difficult
- The requirement for better management information will grow, investing in information and expertise will pay off

# Risk Contracting

- Short term, a surge in utilization as patients return to the system may make this a bad bet
- However, many organizations could have avoided financial struggles if they were taking risk
- Need to philosophically decide if your organization wants to tackle this challenge
- If yes, focus on building the capabilities and designing care systems/ processes with this outcome in mind
- Recognize the opportunity created by the trend toward virtual health

From HSG COVID-19 Strategic Implication Survey



# Implications

- Potential to “move up the food chain” and get the premium dollar
- Increases opportunities for direct contracting
- Medicare Advantage another opportunity, as some insurers shifting risk under these arrangements
- Obviously, should not take this lightly, as potential for failure is great

# Why Strategy Now



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# Questions



# HSG Upcoming Webinars

Comprehensive registration information for all upcoming webinars can be found here: <https://hsgadvisors.com/webinars/hsg-upcoming-webinars-may-2020/>

Title	Description	Date
<b>Reducing Employed Physician Network Losses</b>	Financial pressures on health systems have never been higher. For many health systems, reducing subsidies related to employment of physicians represents a substantial opportunity to improve the bottom line.	<b>Thursday May 14<sup>th</sup></b>
<b>Approaching Independent Practices – How to Prioritize, Acquire and Employ in the COVID-19 Era</b>	We will discuss what criteria health systems should utilize to prioritize independent practices, and then provide an overview of the process HSG considers best practices for due diligence, acquisition and contracting with these providers.	<b>Thursday May 21<sup>st</sup></b>
<b>After the Surge: Employed Network Leadership Considerations for the Second Half of 2020</b>	We will discuss critical considerations for employed physician network leaders in a Post-Surge environment, including – physician leadership structures, employed group management infrastructure and governance, physician/administration culture, and physician compensation models.	<b>Thursday May 28<sup>th</sup></b>
<b>Virtual Health: Long-term Strategies for Employed Physician Networks</b>	Many of the historic barriers to virtual care have been obliterated. Strategically developing a new long term plan is required – one that recognizes the reduced patient and provider barriers, one that accounts for the predicted roll back of the CMS and commercial insurer latitude afforded during the pandemic, and one that provides a seamless transition from pandemic “crisis” into the “new normal.	<b>Thursday June 4<sup>th</sup></b>
<b>Advanced Practice Providers: Employment, Compensation, and Utilization Models</b>	Employment, compensation, and utilization strategies and tactics are just as important for APPs as they are for physicians – but many health systems do not approach them in the same way. This webinar will explore effective APP employment vehicles, address comprehensive APP compensation models, and promote effective APP utilization.	<b>Thursday June 11<sup>th</sup></b>



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### 20+ Years at HSG 37 Years in the Industry

#### Strengths

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

#### Client Accomplishments

- Client expanded market, growing revenue 8% annually and increasing operating margin by 3%

### PROFESSIONAL EXPERIENCE

Mr. Miller's experience as VP of Quality and Managed Care at Norton taught him to value managing variations in care, which only happens with physician collaboration. Those early experience have been repeatedly reinforced by consulting work, and at HSG, we understand the only path to success for hospitals is through strong ties to strong physicians. His practice focuses on strategic planning with a strong focus on physicians, building physician groups that are strategic assets to the health systems.

### EDUCATION

David was an executive at Norton Healthcare for 15 years, with leadership roles in Operations, Physician Services, Quality and Managed Care. He holds a Master's in Health Administration from The Ohio State University and a Bachelor's in Management from Virginia Tech.



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### **5 Years at HSG 7 Years in the Industry**

#### **Strengths**

- Physician alignment strategy
- Physician network performance
- Provider compensation

#### **Client Accomplishments**

- Expanded network footprint into strategic geographies allowing for improved patient access and 10%+ growth in market share

### **PROFESSIONAL EXPERIENCE**

Mr. Andreoli's professional experience has revolved around helping hospitals and health systems create and improve physician networks. With a technical background and deep healthcare analytics experience, Eric partners with clients to answer strategic questions using data-driven insights. His specific projects have enabled clients to successfully develop and execute strategies related to geographic growth, service line development, physician alignment, and provider compensation.

### **EDUCATION**

After earning a Bachelor's of Science in Biotechnology from Indiana University, Eric decided he wanted more of Bloomington, Indiana and returned to earn a Master's of Business Administration from IU's Kelley School of Business.