Employed Physician Network Transformation

Hospital Leadership Track

June 7, 2021

3:00-4:00 PM

HSG Presenters

TRAVIS ANSEL
MBA
MANAGING PARTNER
Email: TAnsel@HSGadvisors.com
Office: (502) 814-1182
Cell: (502) 994-0073

Strategy Thought Leader for Health Systems and Employed Physician Networks

Expertise in:
- Employed Physician Network Growth
- Physician Network Strategy
- Market Development Strategy
- Operational and Financial Performance
- Management Infrastructure

DR. TERRY MCWILLIAMS
MD, FAAFP
DIRECTOR & CHIEF CLINICAL CONSULTANT
Email: TMCWilliams@HSGadvisors.com
Office: (502) 614-4292
Cell: (502) 322-6383

Family Physician
Former Health System CMO

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

Employed Physician Network Transformation

- Understanding the Evolution of Employed Physician Networks
- Transforming Physician Networks
- Components of Physician Network Transformation
- Questions and Answers

Employed Physician Network Transformation Description and Behavioral Outcomes

Description

Employed physician networks are critical to a health system's strategic success – however many still operate as a disjointed collection of independent practices or specialties. This presentation outlines a recommended process for evolving the employed network into a tightly integrated multispecialty group that can be leveraged for strategic success.

Behavioral Outcomes

1. Understanding the building blocks of successful integration of an employed physician network
2. Leveraging provider engagement to execute the integration process

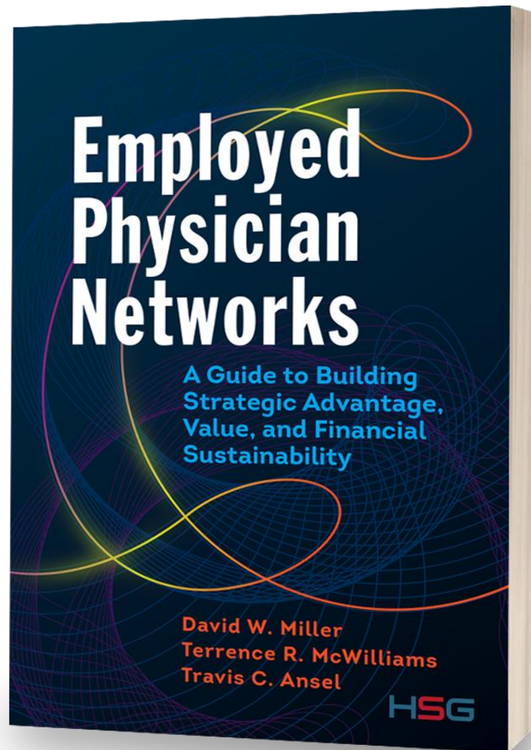
Behavioral Outcomes Supporting Points

1. Building a Shared Vision of the future of the employed network
2. Updating Organizational Structure and Management Infrastructure to support integration efforts
3. Aligning provider behavior with strategic goals

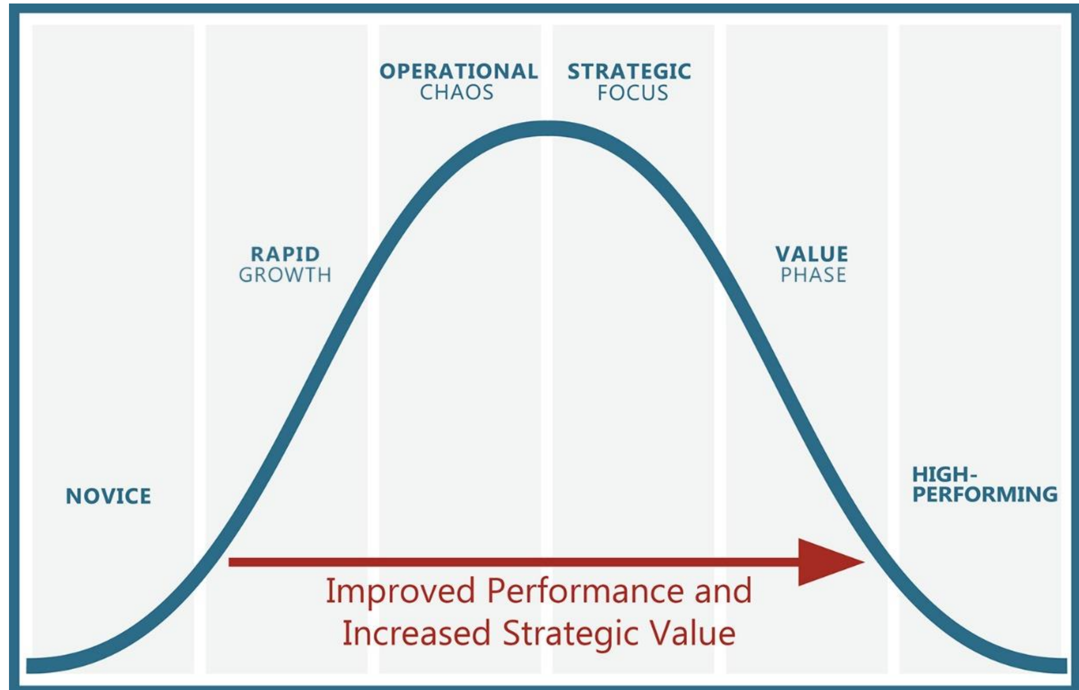
HSGadvisors.com | © 2021 HSG

Introductory Slides

Our View of the World



HSG Physician Network Growth Phases™



Our work with health system employed physician networks is what led us to create **"HSG Physician Network Growth Phases"** which our view of how employed physician networks progress, the challenges they face at different points in their evolution, and what must be done by health system leadership to move the network forward. The penultimate goal is to create a sustainable, high-performing network that is culturally and strategically integrated with the health system and capable of driving the health system's achievement of its goals and objectives.

HSG Physician Network Growth Phases

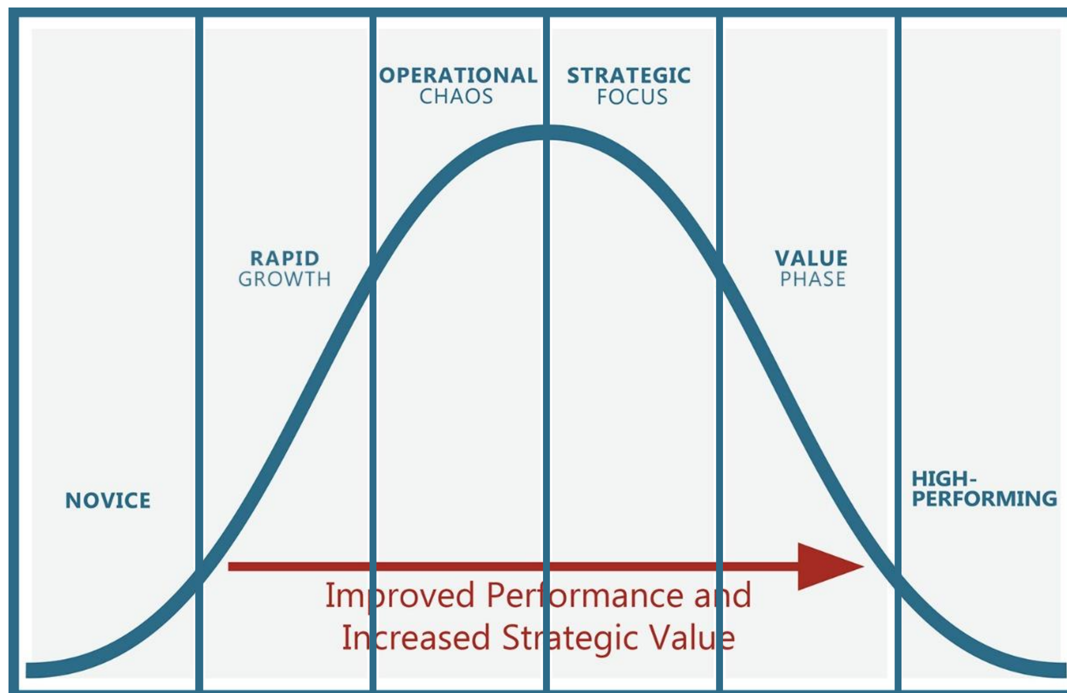
In **Novice Phase**, the network is informally growing, absent of strategy.

In **Rapid Growth**, the network is actively growing due to external factors (competition, ensuring service capacity) and scales quickly; rapidly overwhelming the health system's capability to manage the network of employed practices.

In **Operational Chaos**, the network has outstripped the infrastructure built to manage it, the gaps in culture and leadership become apparent, and shortcomings manifest themselves as daily operational firefighting and unsustainable financial performance.

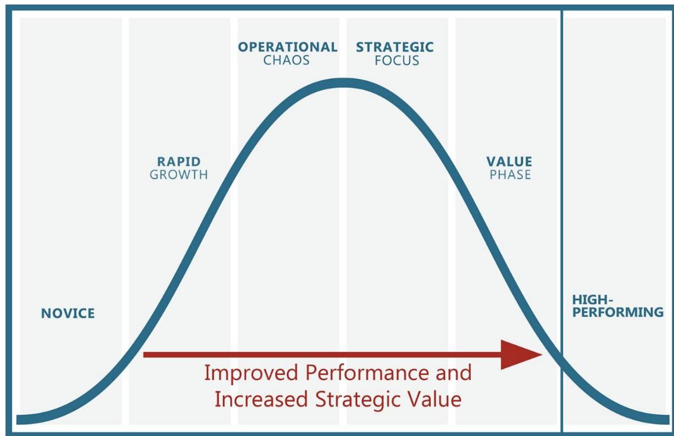
In **Strategic Focus**, the network has built sufficient culture, infrastructure and leadership structures to sustain its operational and financial performance.

In **Value Phase**, the network is capable of beginning to leverage its competencies to drive value beyond its ability to produce volume – with a focus on developing proficiencies that allow the health system to succeed in a value-based environment.



In **High-Performing**, the value-based care delivery capabilities of the network become engrained in the culture of the organization. The network is capable of measuring and continuously improving upon its performance.

The Goal: High-Performance



By HSG's definition, at the highest-level, a **High Performing Employed Physician Network is one that, at its core:**

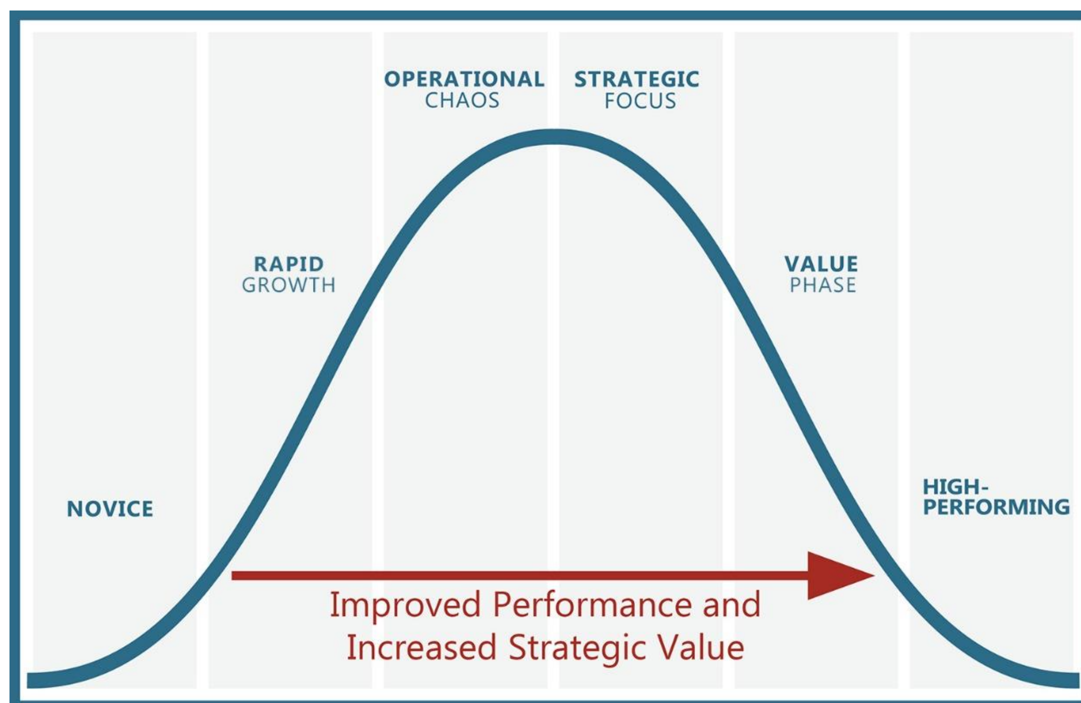
- Is integrated with health system vision/strategic direction
- Embraces a multispecialty group culture that is embedded in both strategic vision and day-to-day operational management
- Produces high-value, predictable results

Other Key Characteristics:

- Embodies uniform policies and procedures
- Delivers consumer-centric care, with a focus on access, engagement, and positive population health outcomes
- Utilizes all providers and support staff at top-of-license and capabilities in a clinically transformed practice model
- Incentivizes providers with a common compensation philosophy
- Integrates robust physician and advanced practice provider and administrative dyad leadership throughout the organizational chart, embodying "provider-led, professionally managed" mantra
- Operationalizes a culture of continuous improvement
- Is financially and operationally sustainable
- Enjoys a recognizable positive brand that is an asset for the network and the health system

HSGadvisors.com | © 2021 HSG

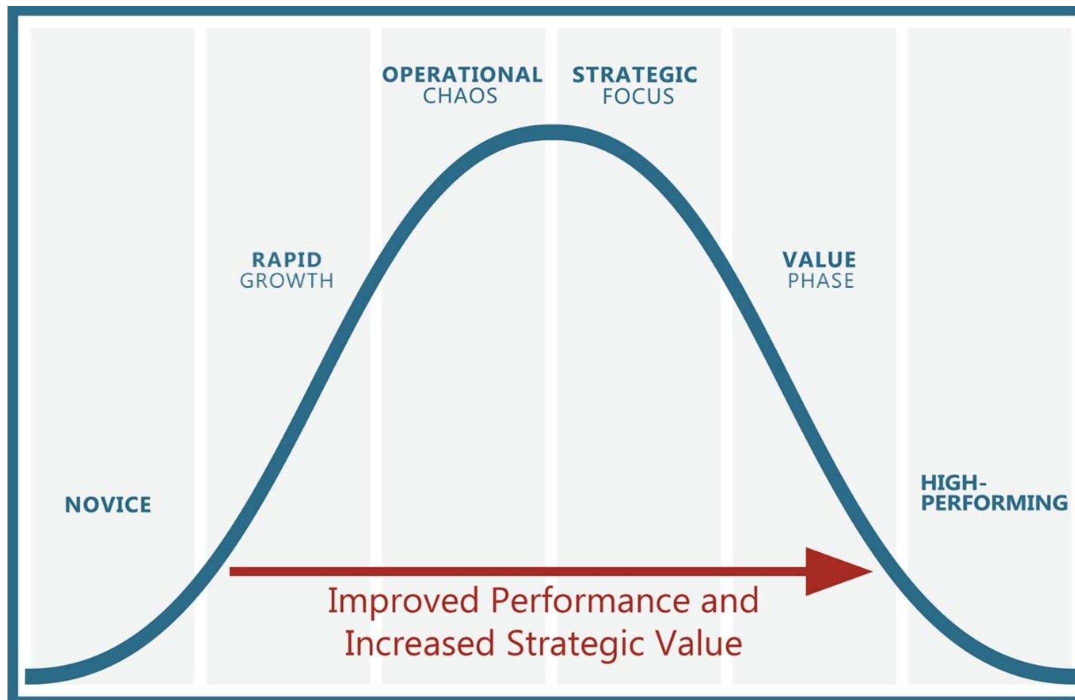
Challenges with Progression



- Ideally, an employed network progresses linearly across the phases
- Many health system-owned employed provider networks are still dealing with the challenges caused by Rapid **Growth:**
  - The growth in practices and providers far outstripped the management capabilities of the existing employed network
  - Initiatives related to making the group of practices an actual "group" fell by the wayside as operational issues mounted.
  - Subsidies for the employed network rapidly escalated,
  - Compensation and incentive structures remain wildly divergent from specialty to specialty

HSGadvisors.com | © 2021 HSG

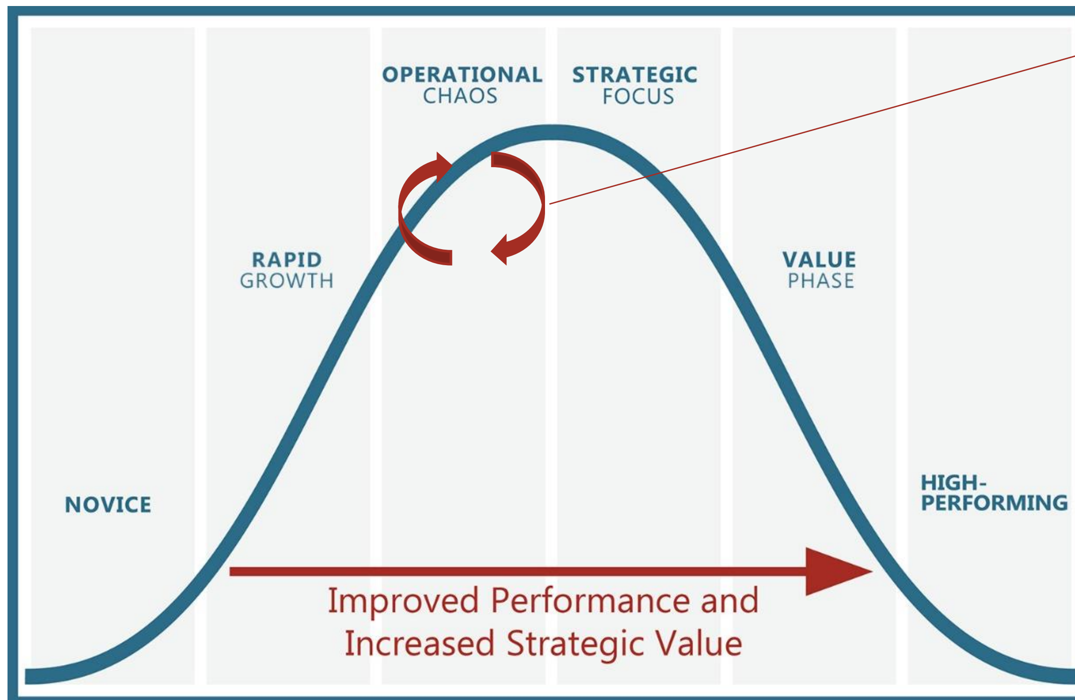
Challenges with Progression



- Commonly, networks have a difficult time transitioning past the **Operational Chaos** phase
  - Culture of group has not progressed to support a broader view than "practice-level"
  - Management Infrastructure not supportive of size or complexity of group
  - Clinical Leadership structure not present or not sufficient
  - Incentive structure is focused on individual wRVU production
  - Day-to-day firefighting overwhelms focus on strategy development
  - Network has a "leader" rather than a "vision" the network prescribes to

HSGadvisors.com | © 2021 HSG

What Happens When We Don't Progress?



Implication: If this is where your network is – continuing to run out the day-to-day is not going to result in meaningful change to the strategic direction of the network. Leadership must take a step back and **create the context** for significant change in order to take the network in a new direction.

- If a physician network is not able to progress, it can become stuck in a phase – this is particularly true for **Operational Chaos:**

- Common symptoms include:
  - Providers detached from strategic direction or objectives of the physician network or health system
  - Network leadership focused on day-to-day issues; not broader strategic issues
  - Physician leadership either non-existent or disengaged
  - Frequent turnover in executive or director-level roles as the network searches for a direction
  - No plan for the network to support current health system strategy; let alone a broader expansion into value-based care/risk.

HSGadvisors.com | © 2021 HSG

Transformation Overview

Creating Context for Transformational Change

Collaboratively defining the **Shared Vision** of the employed provider network's ideal future state provides the direction and context for how the network will need to evolve to attain that vision. It provides a picture of how the group would look and function like in 5-10 years if it develops and matures in an ideal environment. This is the crucial, foundational step toward Employed Network Transformation. Without a defined vision of what the group is working toward, leadership activities end up being focused on the day-to-day; strategy does not progress; capabilities do not progress. Without the Shared Vision, the network lacks a context for change.

Creating Context for Transformational Change

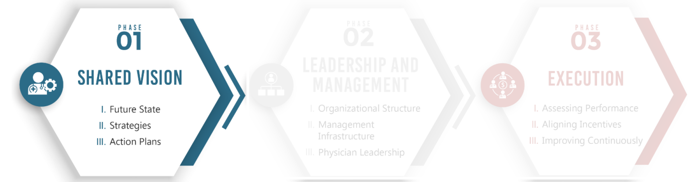
Health systems must be willing to elevate the employed network within the health system structure. It cannot be treated as a subservient entity to the hospital(s). Investments in the employed network **leadership and management infrastructure** must be made proactively with the goal of achieving operational efficiency and a long-term ROI. Employed provider networks must have dedicated leadership and sufficient dedicated support services to execute day-to-day operations as well as develop and execute the strategic capabilities required to fulfill the health system's long-term needs.

Creating Context for Transformational Change

The path toward higher performance requires concerted efforts to build upon the foundation laid by the Shared Vision and Optimized Leadership and Management Structures. Detailed assessments and analytic action plans related to fulfilling Shared Vision Strategies must be pursued and implemented. Simply identifying and implementing initiatives is not enough. The results of each implementation must be re-assessed and re-analyzed to determine whether the desired results were achieved and how these results might be further improved. **The process of continuous network improvement must be embedded in the network culture, processes, and actions.**

Building a Shared Vision

Building a Shared Vision



The **Shared Vision** becomes a beacon that illuminates the future, draws the network together for a common purpose, provides the foundation from which strategies necessary for success arise, and establishes or reaffirms the framework for a common network culture that transcends individual components.

The **Shared Vision** must explicitly define the ideal future state of the employed network and define the roles and mutual accountability for providers, administration, and all staff necessary to achieve that state.

The **Shared Vision** becomes the roadmap that guides the network's journey forward and becomes the context for needed organizational change.

Elements of a Comprehensive Shared Vision

Elements of Shared Vision	Notes
Culture. This element outlines desirable characteristics for an evolving group culture, how the network will be defined within the health system, and how the network will be defined in the community.	The process requires developing common philosophies, uniform policies and procedures across practices, and a universal contracting structure.
Leadership. This element defines the network organizational structure and the importance of physician leadership within it.	This often involves formal positions in the structure for physician leaders – often in a dyadic relationship with administrative leaders – and a provider leadership council.
Management Infrastructure. This element ensures that skill sets match the clearly defined roles and responsibilities of operational positions within the organizational structure.	Adequate levels of dedicated support services should exist to permit efficient, effective, nimble operations. These resources must be progressively developed and expanded as the network grows and matures.
Strategic Focus and Growth. This element addresses how the organization will manage strategic initiatives related to the employed network and how it integrates with health system strategy.	Factors include strategic expansion and positioning of clinical capabilities in the communities served that maximize access to care – both with existing and incremental resources defined in a current Health System Medical Staff Development Plan. This element often also includes how the network will evolve its value-based care delivery and population health management capabilities.
Customer Experience. This element includes how the network proposes to interact with all internal and external network customers. Patients are obviously the most important external customer, and most organizations adopt the concept of placing the patient at the center of network decision-making processes.	This philosophy becomes imbedded in the organizational culture and developing mechanisms to measure, monitor, and enhance patient experience and engagement becomes a focus.

HSGadvisors.com | © 2021 HSG

Elements of a Comprehensive Shared Vision

Elements of Shared Vision	Notes
Provider and Staff Well-Being. This element is emerging as a foundational consideration for employed networks and includes developing mechanisms to actively monitor and improve provider and staff wellness – and reduce the risk of "burnout."	Points of emphasis include both individual and organizational interventions.
Quality. This element establishes or expands a comprehensive network quality plan based on sound performance improvement methodologies that pertinently involves all specialties in the network.	Comprehensive quality in this context involves clinical quality, patient safety, operational efficiency, citizenship, and patient experience if it is not its own element. Specialty-specific measures, metrics, and objectives are created, measured, internally reported – and performance improved.
Brand. This element requires maturation of most of the other elements to create a brand that reliably delivers on its promises in every interaction at every location.	The brand reflects a uniform experience among the practices, buoyed by consistent policies and procedures and a consistent look and feel.
Financial Sustainability. This element defines what financial sustainability actually means and how finances will be monitored and managed within the organization.	This element invariably addresses a unifying and affordable provider compensation philosophy/framework and how the network will attract and retain patients.

HSGadvisors.com | © 2021 HSG

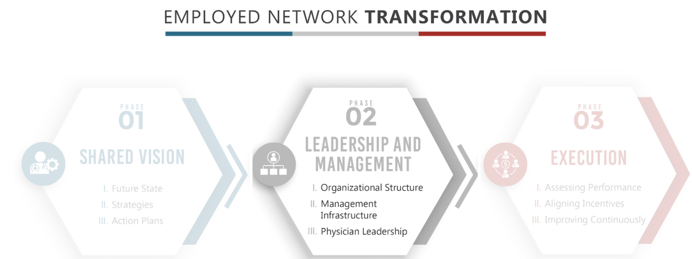
Process for Shared Vision Development

Evolving Leadership and Management Structures

HSGadvisors.com | © 2021 HSG

Evolving Leadership and Management Infrastructure

The **Leadership and Management Infrastructures** in which most employed networks exist is largely a result of piecemeal additions made over time as new practices were added. In some cases, the network may be no more than an amalgamation of the still existing corporate structures of the practices who were acquired early in the network's development.



For networks to successfully evolve the capabilities the health system needs, the Organizational Structure must support effective operations. Executives in these organizations may perceive the need for change but encounter significant internal barriers to doing so. Barriers may include –

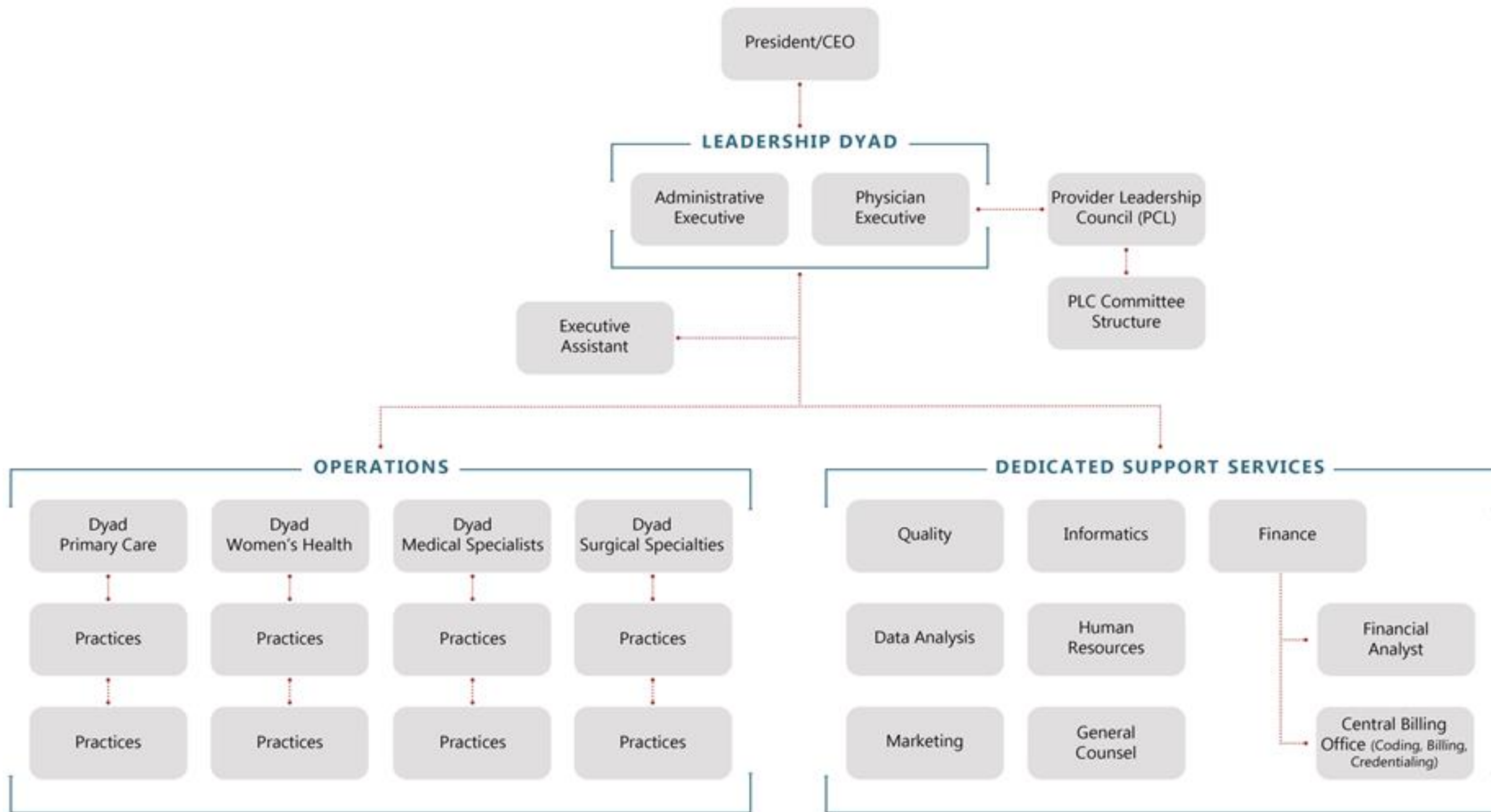
- Disruption to provider/practice autonomy
- Momentum perpetuating status quo
- Lack of context with which to engage providers
- Lack of leadership structures to effectively engage providers and create change
- Time and effort consumed with fire-fighting in daily operational issues

HSGadvisors.com | © 2021 HSG

Evolving Leadership and Management Infrastructure

- **Elevate the Employed Provider Network.** The employed network should be a peer of the hospital(s) and other organizational entities within the context of the health system structure. In many health systems, the employed network is subservient to the hospital – leading to the impression within the network of being less important and less well supported. This conceptual shift often represents a significant swing in cultural mindset and operational functional state.
- **Build Dyad Leadership.** Dyad leadership teams consisting of administrative and provider pairs should be utilized throughout the network – from the executive level to the regional/divisional level and the practice level. Infusing physician leadership into the formal organizational structure unifies reporting relationships which further optimizes operations. Individuals placed in these roles may require training, coaching, and mentoring to be an effect team.
- **Align Specialties.** Grouping practices by specialty aligns philosophies and operational approaches, which facilitates management and promotes cohesion. At the simplest level, grouping primary care, medical subspecialties, and surgical specialties in separate divisions is a place to start this thought process.
- **Consider Geography.** In larger networks, grouping like-specialty practices by geographic location/spread utilizes management more efficiently and permits greater onsite management presence.
- **Focus on Span-of-Control.** Networks should target an organizational structure that promotes a span of control of 5-7 capable direct reports throughout the management structure – except at the practice level. This allows realistic interactions related to monitoring, supervision, and mentoring. Many employed provider networks experience a mentality focused solely on overhead and subsidy reductions, leading to lack of investment in leadership and management staffing. This results in a management span of control that is wildly out-of-line with reasonable expectations and the predictable inability to effectively manage the network and achieve improved outcomes.

Evolving Leadership and Management Infrastructure



Physician Leadership
Building Dyad Management

- Pairing a physician leader with an administrative leader as a joint leadership team with joint accountability
- Both individuals have primary and shared responsibilities that exploit personal and professional strengths to result in synergistic function
- Can be a highly productive and efficient leadership tandem
  - Complementary rather than duplicative in nature
  - NOT two people doing the same job
  - NOT one person doing all of the work for "team review"
- Applicable at all levels of organization's functional units

HSGadvisors.com | © 2021 HSG

Physician Leadership
Building Dyad Management

Sample responsibilities might include the following:

Shared	Physician Member	Administrative Member
• Developing or implementing strategy and associated action plans	• Providing "medical staff" supervision ▪ Performance review ▪ Discipline ▪ Recruiting, on-boarding	• Developing operational goals, priorities, responsibilities
• Fostering group culture	• Creating, implementing, and monitoring clinical practice guidelines	• Monitoring group financial functions – budgeting, accounting, reporting
• Promoting, monitoring, and reporting group and individual performances ▪ Quality of care, patient safety ▪ Patient experience ▪ Operational efficiency ▪ Operating budget	• Driving population health management initiatives	• Managing and developing human resources consistent with organizational guidelines, established contracts, and legal requirements
• Developing internal and external organizational relationships	• Evaluating clinical outcomes (effectiveness and efficiency)	• Coordinating necessary support functions – marketing, IT, financial
▪ Optimizing clinical informatics and data analytics systems	• Supporting Administrative Member	• Supporting Physician Member

HSGadvisors.com | © 2021 HSG

Building an Effective Provider Leadership Council (PLC) and Committee Structure

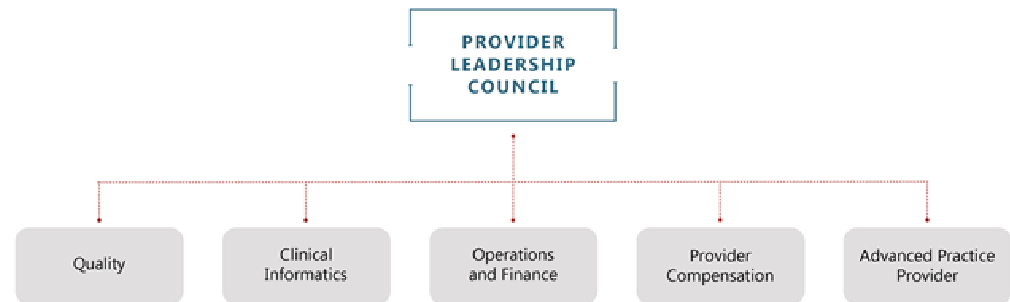
The benefits of establishing a Provider Leadership Council includes the following:

- **Soliciting strategic and tactical input from direct care providers.** Direct involvement in these areas at all stages of development predicts more positive results and more immediate provider "buy in".
- **Reviewing practice performance.** Established operational (financial, productivity, and efficiency), clinical quality, patient safety, and patient satisfaction metrics should be reviewed through a dashboard format on a regularly scheduled basis. This provides the Council with the opportunity to help replicate positive practices and identify potential areas for improvement.
- **Presenting potential new initiatives.** The PLC is an excellent mechanism through which to vet proposed initiatives – regardless of source.
- **Promoting "ownership" of practice function and initiatives.** Abdicating, or abrogating, this important responsibility will result in subpar network performance.
- **Establishing the desired culture**. The PLC creates the foundation for a common culture within the network and Council members serve as role models for peers and colleagues.
- **Educating and grooming future leaders.** PLC or PLC Committee membership introduces prospective leaders to the network/hospital/health system perspective and promotes a collective rather than individual focus that can differentiate potential leadership candidates and allow early development of leadership characteristics.

HSGadvisors.com | © 2021 HSG

Building an Effective Provider Leadership Council (PLC) and Committee Structure

- Successful **Provider Leadership Councils (PLCs)** are supported by a committee structure that accomplishes the detailed work of PLC functions and ultimately drives the PLC agenda.



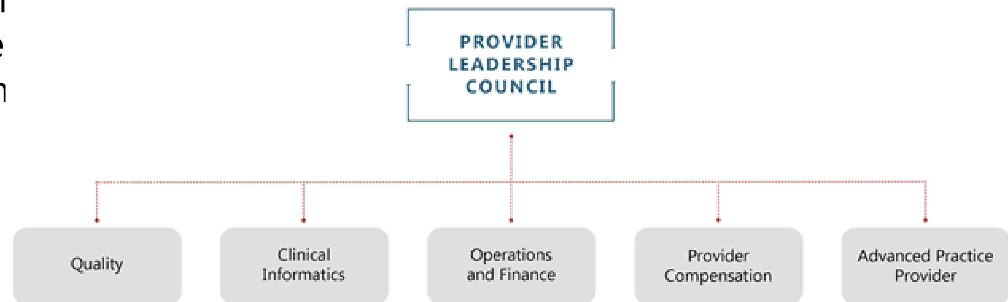
- The PLC becomes the focus for evaluating and achieving the Shared Vision – including monitoring the status of prioritized potential strategies and re-evaluating them over time – and the PLC Committees become the vehicle to develop and attain a large portion of the associated strategic initiatives.

- This effort allows agenda creation and action to shift from being solely driven by network administration to being driven by the PLC and its committees and supported by network administration.

- An effective committee structure also involves more network providers in network functions in a multispecialty, multidisciplinary manner and promotes greater ownership in network actions and outcomes.

Building an Effective Provider Leadership Council (PLC) and Committee Structure

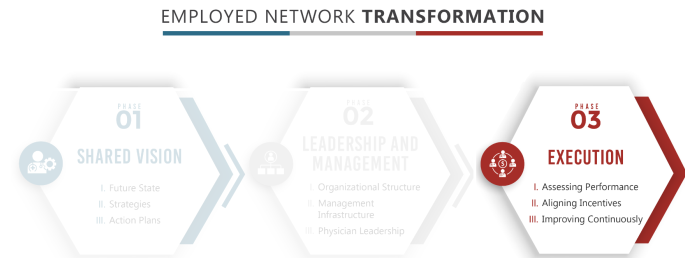
- **Quality Committee.** Focuses on developing and executing a Medical Group-specific quality plan. Interfaces wi the health system plan and infrastructure Invariably focuses on MIPS, ACO, and oth pay-for-performance programs, patient experience, and clinical best practice adoption.
- **Clinical Informatics Committee.** Primarily focused on optimization of the ambulatory EMR platform and standardizing IT processes across practice sites. Invariably includes cross over initiatives with other PLC Committees to achieve common objectives.
- **Operations and Finance Committee.** Focuses on providing input for achieving financial sustainability, streamlined clinical operations, and highly effective yet cost efficient practices. Invariably involves determining preferred processes to be standardized across practice locations.



- **Provider Compensation committee.** Focuses on evolving the employed network compensation philosophy. This includes interfacing with quality committee to update yearly non-productivity metrics.
- **Constituency committees.** Provide a formal forum for constituency groups to address pertinent professional issues within the Medical Group. Report to and take direction from the Provider Leadership Council – so voice is heard. Work collaboratively with other Provider Leadership Council Committees as many initiatives and opportunities will overlap. Most common application is for APPs.

Executing the Shared Vision

Executing a Continuous Improvement Philosophy Within the Employed Network



- With the Shared Vision defining the network's desired future course and the Organizational Structure, Management Infrastructure, and Physician Governance providing a solid operational engine, developing and executing upon a philosophy of **Continuous Improvement** towards High-Performance will position the network to produce tangible improvement in employed network performance and outcomes.

- Most importantly, this should include:
  - Aligning provider compensation incentives towards desired behaviors that support shared vision and health system strategy
  - Continuously and comprehensively assessing the state of network financial and operational performance and adapting performance improvement plans to be leveraged by leadership, including:
  - Setting organizational expectations for alignment and continuous improvement

Aligning Incentives Under a Common Compensation Philosophy

- One area that crosses Shared Vision areas and outcomes is aligned compensation incentives for management, providers, and staff. While the assessment, analysis, design, and implementation processes for each of these categories differ, the **common element is that the components should directly align individual efforts with each other and with network and health system organizational goals and objectives**. Pursuing this approach also promotes integration within the network and between the network and the health system.

- The complexity and lift of aligning provider compensation with organizational goals and objectives depends on the employed network's maturation along the HSG Employed Network Growth Curve. A network in the Operational Chaos phase usually has multiple agreements and compensation model parameters in place based on individual negotiations conducted during the Rapid Growth phase. The variability creates an administrative management burden and an impediment to developing a common culture. However, until the network develops an adequate leadership and management infrastructure to drive the process, it may not be able to accomplish anything beyond addressing outliers with a large misalignment between productivity and compensation.

- As the employed network evolves towards Strategic Focus, it can start developing a cohesive, comprehensive compensation strategy based on a common framework within and across specialties. While productivity will remain a focal point of the compensation model, progressively incorporating nonproductivity incentives and team/group incentives become essential to align and integrate individual effort more fully.

HSGadvisors.com | © 2021 HSG

Continuously And Comprehensively Assessing The State Of Network Financial And Operational Performance

Network Improvement Opportunities	Influencing Factors
Can we increase collections on existing volume?	• Commercial payer contract rates • Fee schedule • Payer mix and market demographics • Revenue cycle effectiveness • Coding and documentation
Can we decrease expenses on existing volume?	• Provider mix (Physicians vs Advanced Practitioners) • Staffing levels and utilization • Staffing compensation • Administrative overhead • Practice overhead • Practice consolidation
Can we generate more volumes with existing providers and staff?	• Patient retention • Provider schedules and scheduling templates • Patient access • Efficient practice operations • Care management • Service and procedure mix • Top-of-license provider utilization
Should we divest or add any providers or practices?	• Mismatch with current/future health system strategic needs • Opportunities to move practice to independence or aligned 3rd Party

HSGadvisors.com | © 2021 HSG

Continuous Network Improvement

- Simply identifying and implementing initiatives is not enough
  - Planning and designing change for identified improvement opportunities in conjunction with provider leadership is the starting point
  - Successfully implementing the change across the network is the next challenge
  - Networks must then re-assess and re-analyze the area of change to determine whether the desired results were achieved and how these results might be further improved or sustained
  - Subsequent action is taken to address these newly identified opportunities – and the cycle repeats
- The concept of continuous network improvement must be embedded in the network culture, processes, and actions to keep the network progressively moving forward toward higher performance

HSG | Thank You

HSG | Questions

Conflict of Interest

I have no real or perceived conflicts of interest that relate to this presentation.

HSGadvisors.com | © 2021 HSG

About HSG

Company **Overview**

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

Headquarters: Louisville, KY

Formed: 1999

Focus: Health Systems and Physician Network Strategy and Execution

Physician Strategy

Driving a common strategic focus with engaged physicians.

Physician Leadership

Identifying and engaging strong physician leaders is integral to the network's development and success.

Performance Improvement

Improving the performance of employed physician networks.

Network Integrity

Leveraging Physician Network Integrity Analytics™ to create and monitor strategies for patient acquisition and retention.

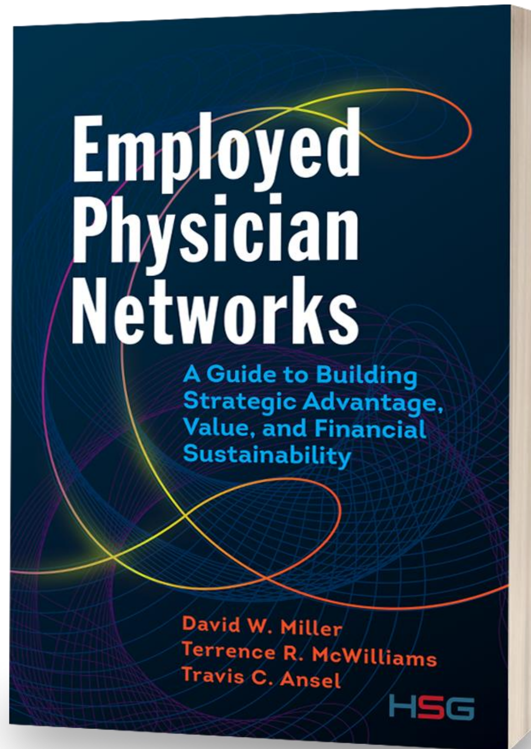
Physician Compensation

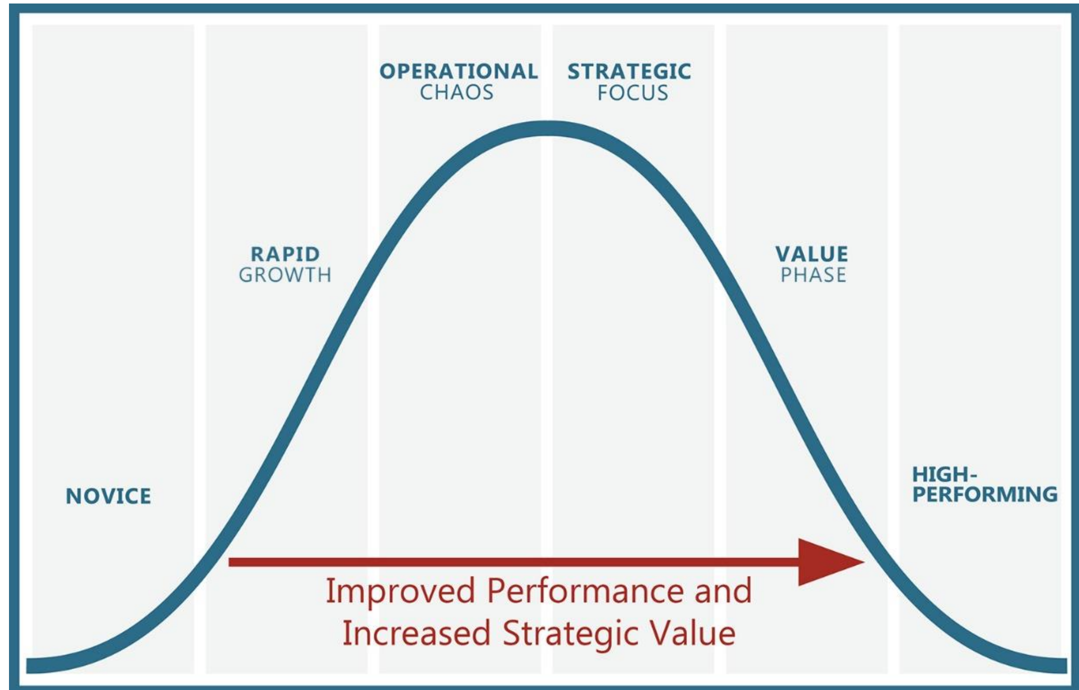
Aligning physician compensation with health system and employed network goals.

OUR MISSION

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

HSG Physician Network Growth Phases

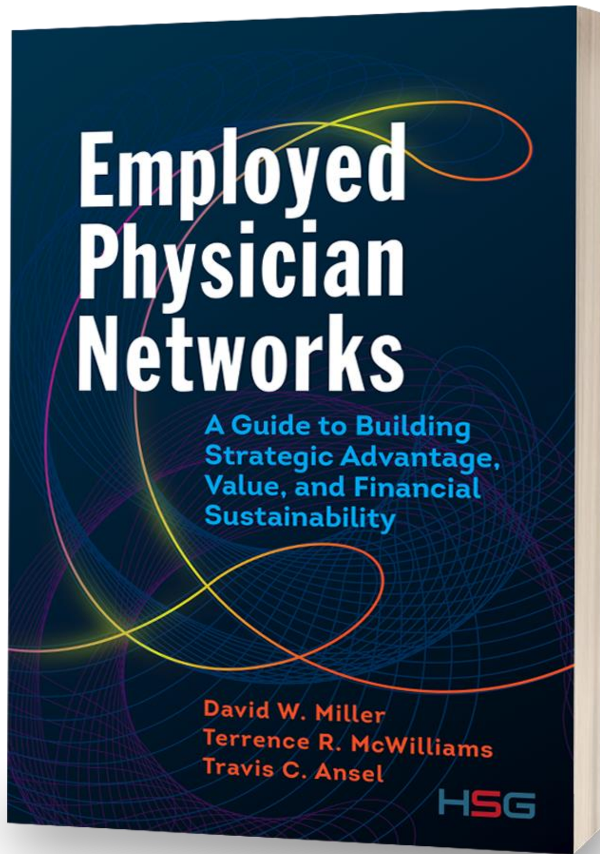




Our Philosophy on Employed Network Growth: As an Employed Physician Network evolves towards maturity in terms of its growth and size, **the network must have a systematic plan** that is focused on evolving its management team's capabilities, infrastructure, governance, provider engagement and leadership to address the network's current and future needs as well as execute on the health system's strategic goals.

HSGadvisors.com | © 2021 HSG

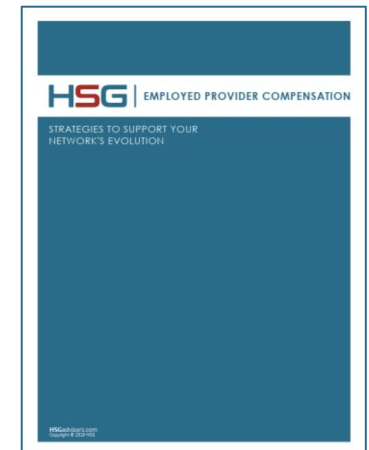
HSG Thought Leadership
Overall Approach



Employed Network Shared Vision

Management Infrastructure

Physician Leadership & Governance



Aligned Compensation Incentives

Find these materials and more at: https://hsgadvisors.com