Transforming your employed provider network

BUILDING A CULTURALLY COHESIVE, STRATEGICALLY INTEGRATED AND FINANCIALLY SUSTAINABLE PHYSICIAN ENTERPRISE

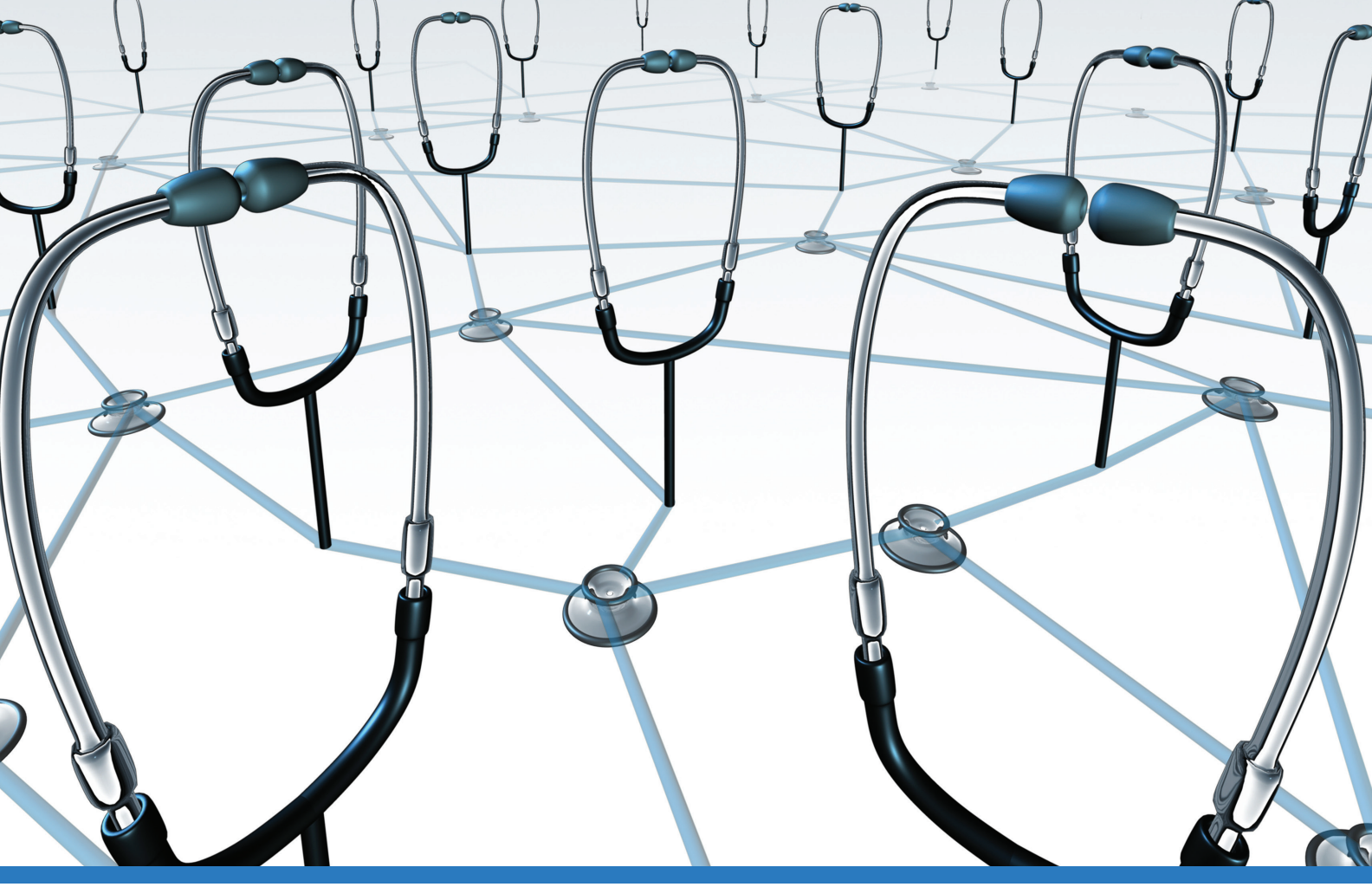
By Travis Ansel *MBA*
and Terry McWilliams *MD, MSJ, FAAFP*

Physician employment continues to be the central physician alignment model for most health systems around the country, with these aggregated networks significantly gaining size and scale over the past 20 years. Many organizations, however, continue to have employed networks that function in silos, largely operating as drivers of volume within the system rather than strategy or value-based performance.

Most health system leadership teams recognize the need and want to change this dynamic, but they often lack the context or capability to engage physicians within the group to make this large, disruptive cultural and operational shift — especially when managing the day-to-day network operations is so challenging. This dynamic leaves employed provider networks largely operating as loosely associated groups of independent practices, with negligible shared culture or identity.

Health systems struggle with the challenges of having developed a culturally diverse, strategically disconnected employed network that is producing escalating subsidies and is not prepared to succeed in a value-based environment. Networks like this will not drive health system success going forward. Health systems must move past these challenges to succeed. To do so, health systems must embrace an employed provider network's importance to the system's ability to execute its strategy and focus on creating an integrated, multispecialty group adept at delivering the capabilities and patient access the health system needs now and in the future.

A common barrier to evolution is that frequently the vision for an employed provider network is tied to the administrative leader of the group or the system CEO, meaning that the vision changes whenever leadership changes, or worse, leadership changes so often that a vision is never set for the group, and simply successfully executing the day-to-day — and surviving — becomes the vision. While some networks may see day-to-day operational success as laudable, management executives and their teams must evolve beyond solely tackling day-to-day operational decisions and develop a focused, long-term plan for building the capabilities that will generate success into the future — especially given the crucial role the employed provider network plays in executing the health system's strategy. Desirable characteristics of this ideal network include:



- Embraces a multispecialty group culture embedded in strategic vision and day-to-day operational management
- Fosters an expectation of mutual accountability
- Embodies uniform policies, procedures and interactional experiences regardless of point of contact
- Produces high-value, predictable results
- Delivers consumer-centric care and service, 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 that has specialty-specific variance where warranted, but includes metrics consistent with improving performance expectations
- Integrates robust physician/advanced practice provider and administrative dyad leadership throughout the organizational chart, embodying a provider-led, professionally managed mantra
- Operationalizes a culture of continuous improvement
- Is financially and operationally sustainable
- Produces predicable, positive outcomes under risk arrangements
- Is integrated with health system vision and strategic direction
- Enjoys a recognizable positive brand that is an asset for the network and the health system
- Develops specialized service line capabilities.

EMPLOYED PROVIDER NETWORKS MUST HAVE CONTEXT FOR CHANGE

While most health system leaders and employed providers would agree that pursuing an employed provider network with these characteristics is desirable, numerous challenges commonly arise on that evolutionary journey.

- An independent provider **culture** that hasn't evolved from a "my practice" or "my service line" mentality since the practices were brought into the network — and which has been reinforced to providers newly recruited into practices with these culturally divisive mindsets.

- An insufficient **investment in management infrastructure**, which strains the limited network resources and results in daily fire-fighting, mounting frustrations and staff turnover that feels insurmountable.
- **Incentive structures** that reinforce traditional behaviors (100% individual productivity) instead of its present or future (evolving non-productivity and team-based incentive models).
- A **physician leadership structure** that is non-existent, not well-utilized or not broadly understood by the employed network or the health system and results in limited effectiveness, mounting frustrations, and potential apathy that precludes moving the group forward and neuters the aspirations of the physician leadership component.
- A **health system leadership culture** that views the employed provider network as a cost center, service line or hospital department as opposed to a peer organization and a strategic driver of short- and long-term value.
- The **context needed to create the imperative to change**. What do we/should we change into? With all the day-to-day challenges — including financial — why invest great effort to shift direction and do something different? Why start today or tomorrow — and how?

Context is often a reason that initiatives to optimize operations or financial performance fail, especially from a provider perspective. Knowing why the initiative is important, why it's being done now, and the long-term benefits set a context for change and change management. Involving providers in the process from the beginning creates engagement that can catalyze the change. Pursuing employed provider network transformation provides the context for change and can turn that context into meaningful, structural change for the network.

EMPLOYED PROVIDER NETWORK TRANSFORMATION OVERVIEW

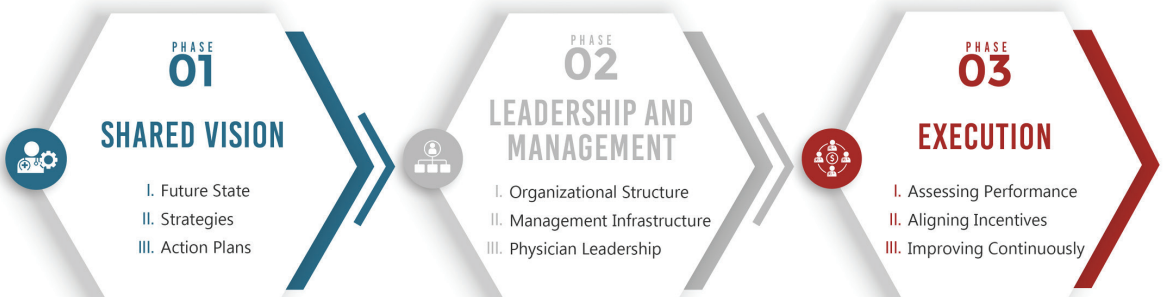
Employed provider network transformation (Figure 1) focuses on creating the impetus and context for change in the trajectory of an employed network's growth and development.

- Developing a **shared vision** defines the long-term goals of the organization and an ideal future state that should be the focus of leadership and provider action within the network.
- Redesigning the **leadership and management** of an employed network to support the group's current and future needs provides the infrastructure to create sustainable change.
- **Execution** of strategies related to the shared vision, the most critical of which are aligning incentives and creating a financially sustainable network, give the network a focus beyond the day-to-day, and creates leadership workflows based upon a continuous plan of improvement.

DEVELOPING A SHARED VISION

Employed provider networks without a defined and clearly conveyed vision typically find themselves stuck in their progression. 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 in five to 10 years if it develops and matures in an ideal environment. This is the crucial, foundational step toward employed provider network transformation. Without a defined vision of what the group is working toward, leadership activities end up being focused on the day to day, as strategies and capabilities

FIGURE 1. EMPLOYED PROVIDER NETWORK TRANSFORMATION OVERVIEW



do not progress. Without the shared vision, the network lacks a context for change.

The shared vision becomes a beacon that draws the network together for a common purpose, provides the foundation from which successful strategies 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 provider network and define the roles and mutual accountability for providers, administration and all staff necessary to achieve that state. The shared vision and associated strategies become the road map that guides the network's journey forward and becomes the context for needed organizational change (Figure 2).

OPTIMIZING NETWORK LEADERSHIP AND MANAGEMENT STRUCTURES

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.

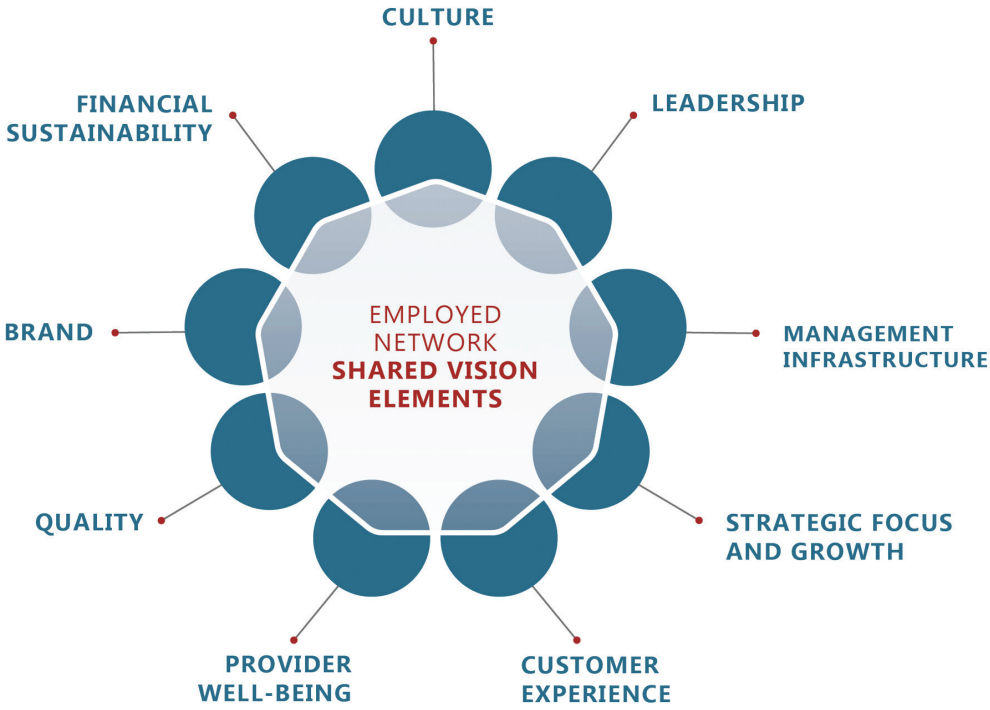
Employed provider networks must have dedicated leadership and support services to execute day-to-day operations as well as develop and execute the strategic capabilities required to fulfill the health system's long-term needs.

The administrative leadership and management infrastructure must incorporate physicians and advanced practice providers (APPs) to maximize effectiveness. The direct input of clinician leaders through dyad leadership structures and provider leadership councils is indispensable in moving the group forward and achieving positive outcomes. These network resources must be guided by the shared vision and associated strategies, the framework of which provides the context that informs the considerable investments required to transform the network into a higher-performing organization.

While there is significant variation from organization to organization in what would make for an ideal organizational structure, the following tenets guide the optimization of organizational infrastructure in a post-shared vision process:

- **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

FIGURE 2. ELEMENTS OF SHARED VISION IN AN EMPLOYED NETWORK



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.

- **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 good starting point.
- **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 five to seven capable direct reports throughout the management structure, with onsite leadership 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 out of line with reasonable expectations and the predictable inability to effectively manage the network and achieve improved outcomes.
- **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 in these roles may require training, coaching and mentoring to be effective.
- **Maximize the physician leadership council**. Physician leadership councils (PLC) report to and augment the executive level dyad leadership/management team and provide a mechanism to involve providers more comprehensively in the employed network's problem-solving/decision-making processes.

Successful 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 with extensive network administrative support.

EXECUTING THE SHARED VISION

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 toward higher performance will position the network to produce tangibly improved performance and outcomes and ultimately lead to achieving high-performing status.

Most importantly, this should include:

- Comprehensively assessing the state of network financial and operational performance and adapting and leveraging performance improvement plans.
- Aligning provider compensation and staff performance incentives with desired behaviors that support shared vision and health system strategies.
- Setting organizational expectations to continuously improve operational, financial, quality performance, customer service and all other aspects of network function.

PERFORMANCE IMPROVEMENT

Determining the current state of employed provider network function (Table 1) and comparing current performance against past performance while utilizing current, comparable cohort benchmarks identifies areas for further assessment and analysis with subsequent determination of specific improvement opportunities and development/implementation/execution of specific action plans.

ALIGNING INCENTIVES

Aligning compensation incentives for management, providers and staff is critical. 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 advances organizational alignment and promotes integration within the network and between the network and the system.

CULTURE OF CONTINUOUS IMPROVEMENT

A key requisite for achieving and sustaining higher performance is imbedding organizational expectations to continuously improve operational, financial, quality performance, customer service and all other aspects of network function. A mindset to continuously improve performance must permeate the entire network to achieve and sustain higher performance, regardless of the stage of network maturation or the specific performance improvement methodology employed. A mentality that drives actions to continually improve individual and network performance ensures the evolution of the network over time.

EMBRACING CHANGE WITHIN THE DIRECTION OF YOUR EMPLOYED PROVIDER NETWORK

Network transformation to a higher performing state is possible, but requires the proper context, framework, urgency, diligence, commitment and perseverance. Creating a vision for the future state, defining the strategies to achieve it, developing the infrastructure to support and sustain it, and instilling the innate desire to continuously improve performance aligned with organizational goals and objectives is a clear but somewhat arduous transformative journey. Although transformation does not happen overnight, it's easy to get started. ■

Travis Ansel, managing partner, HSG Advisors, *tansel@hsgadvisors.com.*

Terry McWilliams, chief clinical consultant, HSG Advisors, *tmcwilliams@hsgadvisors.com.*

TABLE 1. INFLUENCING FACTORS FOR NETWORK IMPROVEMENT OPPORTUNITIES

Network improvement opportunities	Influencing factors
Can we collect more revenue on our current volume?	• Managed care strategy and rates • Fee schedule • Payer mix • Revenue cycle effectiveness
Can we reduce expenses on our current volume?	• Provider total compensation • Provider mix (physicians versus APPs) • Staffing levels and professional utilization • Staffing total compensation • Administrative overhead • Practice consolidation
Can we produce more volume without increasing providers and staff?	• Retention of patients/improvement of network integrity • Coding and documentation • Provider schedules/scheduling templates • Remove barriers to patient access • Remove barriers to efficient practice operations • Care Management • Top-of-license provider usage
Should we reduce our provider complement?	• Mismatch with current/future health system strategic needs • Opportunities to move practice to independence or aligned third party (FQHC, etc.) • Realization that practice/provider is not going to meet performance standards