

Performance Strategies



Get Ready for the Future of Healthcare

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Physician Alignment — What Does it *Really* Mean for the Hospital?



Challenge

The current economy and anticipation of reform have led many physicians to seek alternatives to private practice. In the physician employment model, hospitals must grow profitability of owned practices while promoting mutually beneficial alignment with independent physicians to improve community care and ensure referrals. Beyond affiliation and employment, alignment means shared incentives to maximize efficiency, safety, quality and reimbursement. Another summit discussion in this issue addresses this topic: [Aligning Incentives to Prepare for Different Reimbursement Models](#).

What are the strategic implications for your alignment strategy? Here's what seasoned leaders voiced at the 2009 McKesson Executive Leadership Summit for CEOs.

CEO Summit Discussion

Physician Alignment — What Does it *Really* Mean for the Hospital?

The rate at which physicians are seeking employment has accelerated dramatically over the past year and shows no signs of letting up. It's easy enough to understand what physicians get out of hospital employment: work/life balance, income security, reduced/eliminated overhead costs and access to technology. What's not so clear is what hospitals gain from employing them. Business and regulatory advantages notwithstanding, strategic planning before acquiring practices and employing physicians is critical in order to align a hospital's goals and objectives with those of its medical community.

Know When Employment Makes Sense

Primary care doctors seek employment or acquisition of their practices more often than specialists, who tend to organize into larger, stronger groups and bill for higher-cost services and procedures. When analyzing practice profitability, the bottom line is important, but so too, is whether the physician's services will generate income.

Drivers for hospitals' employment and/or purchase of practices can include competitive pressure, community size and geography (rural versus urban). The medical community culture (collaboration versus competition) may also drive such decisions. In some cases, hospitals are purchasing primary care practices or hiring particular kinds of specialists to keep an adequate supply of providers in the community.

For some organizations, physician employment is a proactive part of a long-term growth strategy. For others, it's reactive, with bidding wars to protect the referral base. Still others decide to employ physicians on an opportunity-by-opportunity basis.

Connect Independent Practices

Most CEOs are working to connect their employed and independent physicians. However, they also are sorting through a plethora of information system choices and supporting multiple electronic health records (EHRs). Many CEOs said they can't afford to continue this pattern. Yet others said they've selected a single EHR solution and "mandated" it as the only one they can or will support. Participants called on vendors to collaborate on interoperability.

There is No Universal Model for Organization

Participants advised against forcing the hospital's management template on a group practice. Some participants have set up distinct practice corporations with common ownership, enabling a different structure for each with separate benefits, overtime policies, etc. Others tried to do so but experienced challenges when hospital-based medical staff and staff within the practice company perceived inequities regarding benefits. No matter what the model, successful arrangements must:

- Involve physicians in management

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Physician Alignment — What Does it *Really* Mean for the Hospital? (Cont.)

- Foster an ownership mentality
- Include an effective governance structure

Achieving Profitability Isn't Painless — But It's Possible

Several participants emphasized the importance of analyzing profitability as a whole, including incremental referrals and income from ancillary services that might have gone elsewhere. As one participant stated: “The lines are blurring between outpatient and inpatient — you get rid of those artificial distinctions by measuring the total service-line performance.”

There was nearly universal agreement on the value of recruiting and employing experienced practice managers. The hospital mindset and approach don't mesh well with the practice environment. One CEO noted that maximizing the ratio of nurse practitioners and physician assistants to physicians has improved both physician satisfaction and quality.

SUMMARY: Physician Alignment — What Does it *Really* Mean for the Hospital?

- The rate at which physicians are seeking employment has accelerated dramatically over the past year and keeps increasing
- There are significant regional/community differences in the percentages of physicians being employed and the reasons they are employed (from the hospital's point of view). Factors include competitive pressures, community size and geography (rural versus urban) and community culture (collaboration versus competition)
- To be successful, it is crucial to have experienced practice managers responsible for managing physician practices and to take a holistic approach when analyzing profitability

How IT Can Help

Make Physician Alignment a Win/Win with IT

To ensure physician alignment is what it truly should be – a mutually beneficial, joint effort to maximize efficiency, safety, quality and reimbursement – McKesson believes hospitals should use IT to connect physicians to the organization, while at the same time, help practices improve their operations. Connectivity can help an organization recruit physicians, then manage the relationships to enhance clinical, operational and financial outcomes for both sides of the alignment equation.

- [Physician portals](#) for secure access to information wherever and whenever it's needed
- An [ambulatory EHR for employed physicians](#) that is integrated with the [inpatient EHR](#) along with practice management software
- An [ambulatory EHR and practice management software designed for independent physician practices](#)
- Provider-patient, provider-provider [communications services](#) that enable physicians to communicate and share results with patients and collaborate with their peers
- [Revenue cycle management](#) practice services that improve financial performance by automating and streamlining billing for increased cash flow and reduced A/R days
- [E-prescribing](#) for affiliated physicians, which automatically sends the prescriptions to virtually any pharmacy, advises the patient, and enters the information in the PHR
- [Computerized provider order entry \(CPOE\)](#) that enables the hospital to provide advanced decision support with order sets, guidelines and best practices

Alignment Success Stories

[Methodist Peoria Leverages IT to Get and Keep Physicians on the Payroll](#): Information technology helps Methodist Medical Center align physicians by making employment an attractive option in these tough economic times.

[Atlantic Health Focuses on Individual Physician IT Needs to Enhance Relationships](#): Atlantic Health finds that getting to know individual needs and tailoring the solution is key to enhancing physician alignment.

[Wheaton Franciscan Healthcare Leverages Clinical Information Technology to Enhance Physician Alignment](#):

Wheaton Franciscan Healthcare attracts and retains physicians by putting doctors at the center of clinical information technology implementations.

Learn More

[HFMA: Structuring Physician Practice Acquisitions](#)

[CCHIT: New EHR Certification Programs](#)

[HFMA: Physician Integration](#)