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How To Maintain Practice Independence While Effectively Partnering with Hospitals

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Real Partnership. Real Performance.

Agenda

- Practical models for achieving physician alignment
- Guidance for ensuring success
- Q & A

Healthcare Reform

- Healthcare reform (payment reform) has created a "burning platform" for action and has challenged the status quo
  - Advanced care delivery models (ACOs, PCMH, bundled payments, clinical integration etc…) are all motivating physicians and hospitals to align themselves. To date, largely through employment arrangements
  - The stick and carrot drivers of the HITECH Act have compelled physicians to evaluate their financial and operational abilities to comply and survive under the associated regulations
  - Healthcare reform has the potential of adding 32M additional "covered lives" to the provider demand pool

It's The Economy Stupid

- The Great Recession has called forth the Depression Era traits of our history
  - Stability, Stability, Stability
  - Saving to recapture our decimated "201(k)" plans
  - Uncertainty about the future
- The cost pressures of running a medical practice are straining the private practice model
  - Decreasing reimbursements
  - Increased operating costs
  - Declining incomes

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The Upshot…

- The U.S. is projected to have a shortfall of approximately 124,000 to 159,000 physicians by 2025 (AAMC, 2008)
- The challenges and promise of Healthcare reform are compelling physicians and hospitals alike to join hands
- Personal and professional financial circumstances are straining the private practice model

- **In 2008, the number of medical practices owned by hospitals exceeded those practices that were physician-owned**
- **In 2010, the number of new physicians that joined hospital practices surpassed those joining physician-owned practices**

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Source: MGMA

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MODELS FOR ACHIEVING PHYSICIAN ALIGNMENT

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Organizational Design Options

- Superior - Subordinate
  - Hierarchy of authority
  - Top down approach
  - Control oriented

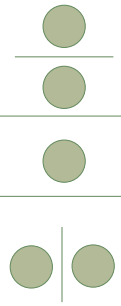
EMPLOYMENT

- Solely independent
  - Singular approach
  - Autonomy oriented

INDEPENDENCE

- Collaboration
  - We work together
  - Multi-directional approach
  - Cooperation oriented

PARTNERSHIP



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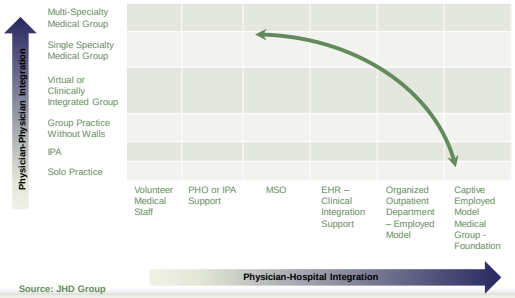
Range of Integration Options



Source: JHD Group

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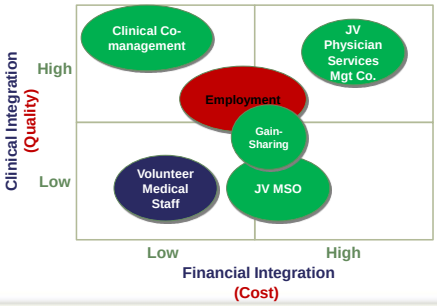
Serving Two Masters



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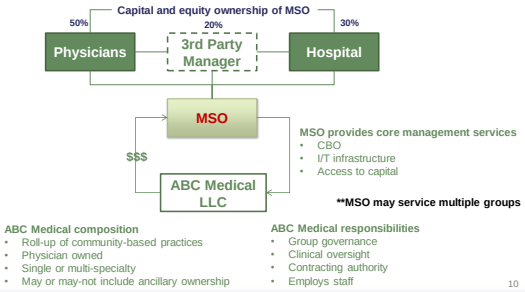
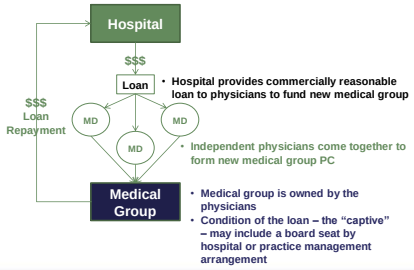
Option #1: JV MSO



JV MSO – Key Features

- Meets an immediate and real need of independent physicians to secure and stabilize medical practices
- Provides a vehicle to align physicians with hospital
- Incorporates third-party expertise; 3rd party also fulfills role as relationship buffer
- Precursor to enabling multi-specialty relationships through a common platform

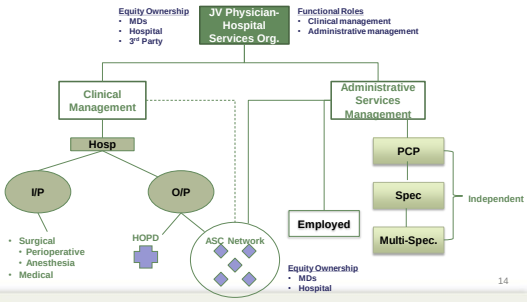
Option #2 – Captive Professional Corporation



Captive PC – Key Features

- Meets a need of many physicians to retain their autonomy and independence
- Enables independent doctors to consolidate and gain strength in group size
- "Loose-tie" strategy between hospital and physicians through the captive arrangement
- Ability to also include an EHR and/or MSO strategy with captive PC and hospital

Option #3: JV Physician Services Organization



JV Phys. Services Organization – Key Features

- Building block to ACO formation
- Provides immediate need to independent specialists and PCPs: revenue augmentation
- Aligns physicians and hospital on the Clinical and Financial fronts
- Brings interdisciplinary skills together for clinical co-management

GUIDANCE FOR ENSURING SUCCESS

Key Attributes of Success

- The "right" strategy
- The ability to fully execute the strategy
- The "right" culture – open and transparent
- Flat organizational structure with streamlined decision-making
- Level 5 leadership

Keys for Successful Integration

1. Know What You Want and Why
2. Communicate, Communicate, Communicate
3. Pee Wee Rules: "Everyone Plays"
4. Adhere to "The 5 Musts"
5. Maintain Aligned Incentives
6. Get the Basics Right
7. Standardization Matters
8. Understand the Price of Equity
9. Culture Trumps Strategy Every Time
10. Don't Make a "Mess"

1. Know What You Want and Why

- "We need a physician practice department in the worst kind of way"….is exactly what you'll get
- Defense is not a strategy that will guarantee you get what you want
- The objectives/purpose of the physician enterprise must be crystal clear to all parties
  - What assets or capabilities are being contributed by each participant?
  - How are the combined assets greater than the sum of the parts?
  - What can the new entity accomplish together that individuals can't accomplish apart?

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2. Communicate, Communicate, Communicate

- The surest way to torpedo your physician enterprise is to miss on communication
- Nothing is trivial – communicate on all fronts and on all matters
- Sometimes you need to go to the Mountain

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3. Pee Wee Rules: "Everyone Plays"

- The most successful medical enterprises are those that find opportunities to harness the talents and input of its members
  - Engage as many as possible
  - Utilize formal and informal leaders to LEAD
  - Rotate players
  - Opportunities
    - Board positions
    - Committees
    - Advisory panels
    - Practice pod leaders
    - Service line leaders

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4. Adhere to "The 5 Musts"

- Physician services MUSTS:
  1. Must be operationally competent
  2. Must be honest
  3. Must be transparent
  4. Must be factual
  5. Must deliver results

Accomplish these musts and you will earn the trust of the physicians with whom you're collaborating

5. Maintain Aligned Incentives

- Dimensions of physician motivation
  - Basic human drivers (Employee Motivation: A Powerful New Model, Nohria, N.)
    - Drive to acquire: material and intangible
    - Drive to bond: concept of homophily
    - Drive to comprehend: making sense of the world, fulfill a purpose
    - Drive to defend: "fight or flight", sense of fair play and justice
  - Higher order needs (Cornerstones of Career Satisfaction in Medicine, Lepnurm et al)
    - Inherent dimensions
      - Doctor-patient relationship
      - Diversity of patients
      - Interactions with other physicians
      - Career advancement
    - Performance dimensions
      - Achievement
      - Responsibility
      - Competence

6. Get the Basics Right

- Most acquired practices were profitable prior to acquisition. What went wrong?
  - IR vs. CBO at PhyCor
  - It's NOT another department of the hospital
- The basics of physician practice management
  - Productivity/revenue-based model
    - Proper compensation plan (Incentive alignment)
    - Patient experience (Customer intimacy)
    - Scheduling (Demand management)
    - Billing and collection (Revenue cycle)
    - Expense management (Cash management)

7. Standardization Matters

- Too many practices are sacrificed at the alter of accommodation
- Not much room in a low margin business for customization
- What needs to be standardized?
  - Information systems
  - Practice policies and procedures
  - Staff compensation
  - Financial and performance reporting

8. Understand the Price of Equity

- There's a world of difference between a successful medical group and a group of successful physicians
  - Price of Equity
    - Collaboration vs. Collegiality
    - Bound by common vision, mission and business purpose vs. by professional background and socialization
    - Accountability to the group vs. you do what you want and I do what I want
    - Integration and interdependence vs. autonomy and independence

9. Culture Trumps Strategy Every Time

Physicians	Administrators /Managers
Doers	**Planners**
1:1	**1:N**
Reactive	**Proactive**
Immediate Gratification	**Delayed Gratification**
Deciders	**Delegators**
Independent	**Participative**
Problem Solving/Solo	**Problem Solving/Team**
Business Owners	**Business Stewards**
Value Collegiality	**Value Collaboration**

"Those That Fail to Learn From History Are Doomed to Repeat It" – Winston Churchill

- Avoid repeating history by adhering the following guidelines
  - Any model can work – it's about alignment and determining what's best for the whole
  - Alignment needs to include:
    - Organizational alignment
    - Constituent alignment
    - Business model alignment
  - Keep the patient at the center of every decision

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