Accelerate Hospital-Physician Collaboration

Bill Woodson
Senior Vice President, Sg2

Scott Becker, JD CPA
Partner, McGuireWoods LLP

Tom Stallings, JD
Partner, McGuireWoods LLP

Kristian Werling, JD
Associate, McGuireWoods, LLP

Elissa Moore, JD
Associate, McGuireWoods, LLP
Agenda

Organize for Performance Improvement

Refocus on Stronger Integration

Choose From Multiple Structures to Strengthen Alignment

12 Steps to Accelerate Collaboration
Manage Today’s Realities and Tomorrow’s Performance

- Economic realities hit most markets and increase employment
- Payment reform focuses on new incentives, bundling and variation
- SGR “too tough” for now
- 10 year forecast mixed message
After the Storm: The Growth Story Resumes With a Different Message


<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spine</td>
<td>2.72</td>
<td>2.58</td>
<td>(5%)</td>
</tr>
<tr>
<td>Orthopedics (Non-Spine)</td>
<td>7.96</td>
<td>8.74</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Use Rate calculated as [(National Discharges/National Population)*1,000]
Sources: Sg2 Impact of Change® v 8.0; Sg2 Analysis 2009.
Multiple Drivers Align Hospitals and Physicians Around Performance

**Hospital Drivers**
- Performance imperatives
- Call coverage struggles
- Recruiting challenges
- Physician competition
- Changes in physician productivity
- Aging workforce
- Turnover and retention issues
- Strained referral relationships
- Lack of physician leadership

**Physician Drivers**
- Income insecurity
- Demanding on-call schedule
- Rising practice costs
- Rising malpractice premiums
- Work-life balance
- Technology accessibility
- Turf issues
- Cost and quality transparency imperatives

Alignment Around Quality, Cost and Service Performance

- Quality
- Service
- Cost
Agenda

Organize for Performance Improvement

**Refocus on Stronger Integration**

Choose From Multiple Structures to Strengthen Alignment

12 Steps to Accelerate Collaboration
Hospital-Physician Strategies Shift Toward High Integration

Traditional Medical Staff Model
- Independent physicians with hospital privileges
- Physician volunteers on committees
- Physician volunteers for call coverage

Low Integration

Paid Positions
- Medical directorship
- Committee participation
- Call coverage stipend

Equity and Contractual Relationships
- True provider joint venture (JV)
- Infrastructure JV for technology and real estate
- Comanagement and service line management agreements
- Professional services agreement

Expansion of Hospital-Based Specialists
Employment or contracting with:
- Hospitalists
- Intensivists
- Surgicalists
- Laborists

High Integration

Employment and Similar Models
- Employment of select specialists and primary care physicians (PCPs)
- Foundation model
- Multispecialty clinic model
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration

Choose From Multiple Structures to Strengthen Alignment

Medical Directorships Information Technology Strategies
Contractual Agreements Joint Ventures
Gainsharing Agreements Employment Agreements

12 Steps to Accelerate Collaboration
Benefits and Challenges: Medical Directorships

**Benefits**

**For Hospitals:**
- Involves physicians directly in service line clinical priorities
- Invests physicians in hospital and service line success

**For Physicians:**
- Offers stronger hospital support of their needs
- Provides additional income in exchange for leadership services

**Challenges**

**For Hospitals:**
- Limited physician availability to provide input and be involved
- Restricted fair market value payment for physician services

**For Physicians:**
- Explicit expectations are needed to clarify the scope of responsibilities
- Must bear the regulatory burden of maintaining time records
# Carefully Design Medical Directorship Agreements

## Key Considerations
- Identify physician or non-physician leaders who can best serve in the role.
- Demonstrate necessity of medical directors for the service line to operate effectively.
- Not appropriate if used solely to provide additional compensation for physicians.

## Key Components of Agreement
- Clearly define:
  - Medical director responsibilities and obligations
  - Hours per week per year that will be devoted
  - Compensation to be paid to the physician by the hospital
  - Term and termination provisions (must be >12 months)
  - Specific time schedule for the physician and documentation method
- Ensure compliance with antikickback statute requirements.
- Satisfy a Stark law exception and internal revenue code section 501 (c)(3) requirements.
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration
**Choose From Multiple Structures to Strengthen Alignment**
- Medical Directorships
- **Contractual Agreements**
- Gainsharing Agreements
- Information Technology Strategies
- Joint Ventures
- Employment Agreements

12 Steps to Accelerate Collaboration
Range of Strategies Exists for Call Coverage Agreements

<table>
<thead>
<tr>
<th>Payment Options</th>
<th>Policy-Based Options</th>
<th>Technology-Based Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Daily stipends</td>
<td>▪ Mandatory call coverage</td>
<td>▪ Electronic medical records and physician portals</td>
</tr>
<tr>
<td>▪ Retirement plans</td>
<td>▪ Designated OR</td>
<td>▪ Teleradiology</td>
</tr>
<tr>
<td>▪ Minimum thresholds</td>
<td>▪ Hospitalists</td>
<td>▪ Remotely monitored ICU</td>
</tr>
<tr>
<td>▪ Tiered payment levels</td>
<td>▪ Physician assistants</td>
<td>▪ Telehealth or telediagnosis</td>
</tr>
<tr>
<td>▪ Maximum payout</td>
<td>▪ Regional pools</td>
<td></td>
</tr>
<tr>
<td>▪ Activity-based payments</td>
<td>▪ Transfer agreements</td>
<td></td>
</tr>
<tr>
<td>▪ Guaranteed payment rates</td>
<td>▪ Regional competitive contracting</td>
<td></td>
</tr>
<tr>
<td>▪ Deferred payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Alternative payouts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OIG = Office of the Inspector General, Department of Health and Human Services; CPOE = computerized physician order entry.
**Benefits and Challenges:**
**Call Coverage Compensation Agreements**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Hospitals:</strong></td>
<td><strong>For Hospitals:</strong></td>
</tr>
<tr>
<td>▪ Ensures emergency call coverage for community</td>
<td>▪ Some agreements may present risk of fraud and abuse</td>
</tr>
<tr>
<td>▪ Creates goodwill with physicians</td>
<td>▪ Agreements may not engage physicians sufficiently in organizational priorities</td>
</tr>
<tr>
<td><strong>For Physicians:</strong></td>
<td><strong>For Physicians:</strong></td>
</tr>
<tr>
<td>▪ Supports lost opportunity costs due to the inability to provide patient care on both the day of and day after being on call</td>
<td>▪ On-call requirements may conflict with work-life balance preferences</td>
</tr>
<tr>
<td>▪ Reduces cost concerns absorbed and the liability risks incurred when treating uninsured ED patients</td>
<td>▪ May be required to spend more time on specific committees that meet priorities around QI in exchange for compensation</td>
</tr>
</tbody>
</table>

ED = emergency department; QI = quality improvement.
Benefits and Challenges:
Professional Services Agreements

Benefits

For Hospitals:
- Ensures coverage and the availability of services

For Physicians:
- Enables reliance on hospital as a committed source of referrals

Challenges

For Hospitals:
- Difficult to structure due to regulatory standards
- Business growth impacted if relationship is terminated

For Physicians:
- Limits options with other hospitals due to its exclusive nature

When is this approach appropriate?
- Consistent availability and coverage needed for a specialty area
- A large physician group is available, interested in pursuing the arrangement and willing to enter into an exclusive contract.
## Benefits and Challenges: Comanagement Agreements

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Hospitals:</strong></td>
<td><strong>For Hospitals:</strong></td>
</tr>
<tr>
<td>▪ Provides opportunities to align closely with a physician group</td>
<td>▪ Broad participation of the physician group is required</td>
</tr>
<tr>
<td>▪ Directly engages physicians in the management of the service line</td>
<td>▪ Careful documentation of physician time and ongoing legal counsel are needed</td>
</tr>
<tr>
<td>▪ May provide opportunities for cost savings and other efficiencies</td>
<td>▪ Payments to physicians must be at fair market value</td>
</tr>
<tr>
<td><strong>For Physicians:</strong></td>
<td><strong>For Physicians:</strong></td>
</tr>
<tr>
<td>▪ Allows greater sense of control over the service line</td>
<td>▪ Compensation and ROI are limited</td>
</tr>
<tr>
<td>▪ Enables maintenance of independent practice</td>
<td>▪ Historic service line challenges (e.g., difficulty securing call coverage) may be inherited</td>
</tr>
</tbody>
</table>

ROI = return on investment.
Virtual Spine Programs Require Less Dedicated Infrastructure

- Case Example-Community Hospital System
  - Virtual Spine Program
    - No dedicated spine facility
    - Collaboration with private spine physicians
    - Priority Consult for triage
  - Program Leadership
    - Service Line Director
    - Clinical Co-management

- Resources
  - Ortho spine surgeons: 9
  - Neurosurgeons: 10+
  - Neuro interventional radiologist: 4
  - Anesthesia/pain service providers
  - OP Rehab

Strong demand from employed primary care physicians.
Organize for Performance Improvement
Refocus on Stronger Integration

**Choose From Multiple Structures to Strengthen Alignment**

- Medical Directorships
- Contractual Agreements
- **Gainsharing Agreements**

12 Steps to Accelerate Collaboration
Benefits and Challenges: Gainsharing Agreements

**Benefits**

**For Hospitals:**
- May increase physician loyalty
- May allow a reduction in expenses and increase utilization

**For Physicians:**
- Provides clear expectations and payment based on cost reductions

**Challenges**

**For Hospitals:**
- Limited departments and specialties in which this can be implemented
- Restricted agreement duration

**For Physicians:**
- Limited income potential
- Limited agreement duration

*When is this approach appropriate?*

- Hospitals and physicians are interested in an agreement that supports cost reduction and QI without a capital investment from either party.
- Agreement meets the latest performance standards of the OIG advisory opinions.
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration

Choose From Multiple Structures to Strengthen Alignment

- Medical Directorships
- Contractual Agreements
- Gainsharing Agreements
- Information Technology Strategies
- Joint Ventures
- Employment Agreements

12 Steps to Accelerate Collaboration
Benefits and Challenges: Information Technology Strategies

**Benefits**

**For Hospitals:**
- Enables stronger alignment with physicians and groups
- Supports coordinated care throughout the health system
- May facilitate improvements in efficiency and quality of care

**For Physicians:**
- Enables access to IT systems
- Provides opportunity to offer evidence-based and efficient care

**Challenges**

**For Hospitals:**
- Need continual training and retraining
- Must determine eligibility
- Must consider HIPAA regulations and patient privacy

**For Physicians:**
- Significant time in training and retraining
- Costly to switch from one hospital’s system to another

HIPAA = Health Insurance Portability and Accountability Act.
Engage Physicians and Legal Counsel in the Development of IT Agreements

Key Steps in Developing IT Agreements

- Engage physician leadership.
- Determine which physician practices are eligible to receive IT support.
- Create a written agreement, including scope of donation, cost of equipment and services and contribution amount.
- Ensure agreement is in compliance with any applicable laws and regulations.
Leading Practice: Develop IT Agreements to Improve Alignment

MemorialCare Medical Centers, Long Beach, CA

| Leadership and Structure | • MemorialCare’s Physician Society is governed by a board of directors that includes 16 physicians.  
• A physician team, the Clinical Design Group, was formed to design the EMR system. |
|--------------------------|--------------------------------------------------------------------------------------------------|
| Development of EMR System | • Epic EMR system implemented  
• Physicians charged a flat fee for system implementation and training and a monthly fee for ongoing licensing and support.  
• MemorialCare donates 75% of implementation costs to the physician practice. Individual physicians responsible for computer and Internet connection costs. |
| Benefits and Challenges   | • Improved efficiency and demonstrated patient safety  
• Enabled recruitment of an orthopedic surgeon and obstetrician/gynecologist  
• System needs continual attention. One challenge is to train and educate all staff members. |
| Lessons Learned           | • Engaging physicians at the outset is critical for more integration.  
• Continuous training and retraining needed for clinical workforce |

Source: MemorialCare Medical Centers, 2008
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration

Choose From Multiple Structures to Strengthen Alignment

- Medical Directorships
- Contractual Agreements
- Gainsharing Agreements
- Information Technology Strategies
- Joint Ventures
- Employment Agreements

12 Steps to Accelerate Collaboration
Benefits and Challenges: True Provider Joint Ventures

Benefits

For Hospitals:
- Assists with recruitment and retention
- Builds goodwill with physicians
- Offers opportunity to increase market share and retain income

For Physicians:
- Realize potential cost savings by partnering with the hospital
- Improve payer contracting strength
- Provides control over governance
- Offers greater control over operations

Challenges

For Hospitals:
- Location may be point of contention
- Physicians gain more control over governance and operations
- Share ownership with physicians
- Income share depends on ROI

For Physicians:
- Hospital likely to retain significant control over the venture
- Bureaucracy with the hospital may mean slower decision making
- Income share depends on ROI
Joint Venture Benefits From Existing Relationship

- Center for Spinal Surgery
  - JV between St. Thomas Health Services & Howell Allen Clinic (HAC)
    - Dedicated IP and OP facility

- Structure
  - Hospital owns 52%, HAC owns 48%
  - HAC administrator
  - St. Thomas administrator
  - HAC physician leader
  - HAC manages day-day operations
  - Joint hospital-HAC board discusses quality/credentialing

JV began in 2005 with existing neuroscience partner.
Benefits and Challenges: Infrastructure Joint Ventures

Benefits

For Hospitals:
- Provides opportunity to partner with physicians
- Provides assistance with the cost of equipment or real estate

For Physicians:
- May be less expensive and less riskier than a true provider JV
- Provides ownership in real estate and/or equipment

Challenges

For Hospitals:
- Regulatory scrutiny of lease arrangements is increasing
- May not see as large a return as with true provider JVs

For Physicians:
- Increasing scrutiny may make this agreement less desirable
- May not see as large a return as with true provider JVs

When is this approach appropriate?
- Increasing scrutiny may make this agreement less desirable.
- May not see as large a return as with true provider JVs
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration

**Choose From Multiple Structures to Strengthen Alignment**
- Medical Directorships
- Contractual Agreements
- Gainsharing Agreements

- Information Technology Strategies
- Joint Ventures
- Employment Agreements

12 Steps to Accelerate Collaboration
Benefits and Challenges:
Employment Agreements

**Benefits**

**For Hospitals:**
- Provides greater control of physicians’ practice and referrals
- Reduces physician competition
- Helps mitigate physician shortages
- Offers more flexibility under fraud and abuse statutes and Stark law

**For Physicians:**
- Offers greater income security
- Supports physician work-life balance interests

**Challenges**

**For Hospitals:**
- Operational costs can be significant
- Difficult to include certain specialists in income opportunities from ancillary services
- Difficult to develop compliant productivity compensation models
- Corporate practice of medicine doctrine in some states
- Liability for physician malpractice

**For Physicians:**
- Perceived lesser control or autonomy
- Payment restricted to fair market value
Clearly Define Compensation and Responsibilities

Key Steps in Developing an Employment Agreement

- Set the compensation structure for primary care physicians and specialists.
- Define patient care and non-patient care duties.
- Meet regulatory standards of Stark law exceptions, antikickback statute, IRS criteria for bona fide employee.
Leading Practice: Employment Supports Recruitment and Retention

WellSpan Health, Central Pennsylvania

| Leadership and Structure | • WellSpan Medical Group unique board representation: 50/50  
|                          | • Currently, 400 providers at 56 sites; adding 40–50 per year  
|                          | • Majority of physicians find voice and representation through medical group rather than traditional medical staff structure. |
| Compensation Model and Incentives | • Developed analysis for identifying downstream revenue  
|                                | • PCP compensation is productivity based.  
|                                | • Specialist compensation is base plus percentage of net collections.  
|                                | • Non-surgeon compensation is RVU based. |
| Benefits and Challenges | • Employed PCPs control 45% of the referrals.  
|                          | • Some physicians have employee mentality. |
| Lessons Learned | • Leadership structured to support a collaborative relationship  
|                          | • Transparency on compensation structure critical for maintaining a healthy culture and fairness  
|                          | • Physician-led medical group and 50/50 board built trust  
|                          | • Shared decision-making essential |

Dedicated Physical Center Offers Flexibility and Integration

- **Emory Spine Center**
  - Formal spine program with dedicated freestanding space
    - Dedicated OP facility
    - New dedicated IP facility
  - **Program Leadership**
    - Department chairman (AMC)
    - Physician director (reports to chairman)
    - Administrator (reports to chairman)

- **Dedicated Resources**
  - 30 MDs (academic)
  - 1 PhD
  - 12 RNs
  - 6 midlevels
  - 4 ATCs

Opened in 2003 with over 10 years of planning.
Agenda

Organize for Performance Improvement
Refocus on Stronger Integration
Choose From Multiple Structures to Strengthen Alignment
12 Steps to Accelerate Collaboration
# 12 Steps for Accelerating Physician Alignment

## Steps 1–4: Initial Planning

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Assemble the core planning team. | - Identify hospital administration representatives.  
- Find the right physician partners. |
| 2. Perform an alignment assessment. | - Identify historical alignment structures and evaluate the effectiveness.  
- Review key lessons from current alignment structures. |
| 3. Create a new compact. | - Create a shared understanding of the value of a compact.  
- Engage key stakeholders in identifying expectations. |
| 4. Review alignment options. | - Understand the benefits and challenges of different alignment structures. |
### 12 Steps for Accelerating Physician Alignment (Cont’d)

#### Steps 5–7: Alignment Assessment

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Assess appropriate level of integration.</td>
<td>Determine whether to pursue low-, medium- or high-integration strategies.</td>
</tr>
</tbody>
</table>
| 7. Identify the appropriate alignment structure(s). | Identify alignment structures that provide “win-win-win” opportunities.  
| | Conduct scenario testing. |
## 12 Steps for Accelerating Physician Alignment (Cont’d)

### Steps 8–10: Development and Implementation

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
</table>
| 8.     | Create a project work plan.  
- Form a development team to create the work plan and determine key milestones. |
| 9.     | Identify performance metrics.  
- Choose a set of metrics to evaluate performance of the alignment structure. |
| 10.    | Communicate agreement to key stakeholders.  
- Develop a communication plan. |
## 12 Steps for Accelerating Physician Alignment (Cont’d)

<table>
<thead>
<tr>
<th>Steps 11–12: Management and Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11. Create a project work plan.</strong></td>
</tr>
<tr>
<td>- Create a management structure that supports success.</td>
</tr>
<tr>
<td>- Explicitly define roles and decision-making processes for the management team.</td>
</tr>
<tr>
<td><strong>12. Evaluate performance and make adjustments.</strong></td>
</tr>
<tr>
<td>- Review performance against benchmarks to identify potential performance gaps.</td>
</tr>
<tr>
<td>- Know when to change direction.</td>
</tr>
</tbody>
</table>
Final Thoughts

- Don’t focus only on economics.
- Monitor physician volumes closely across your market.
- Start piloting new clinical products with your employed physicians and medical groups.
- Prepare for a market in which you and your physicians assume more risk.
- Focus on culture and physician leadership development.
- Use IT to your advantage.
The Sg2 Community Web site is open to all health care professionals. Register today to connect to thousands of your peers and Sg2 experts.

Visit **members.sg2.com** to create your profile and tap into the expertise of the global health care community!
Sg2 is an international, future-focused health care intelligence company. We provide expert-led resources, tools and education to enhance performance, drive growth and maximize clinical effectiveness.

Chicago       London     www.sg2.com     +1 866 681 3343