

Kurt Salmon 

Physician Hospital Alignment In the Post Reform Environment

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Becker's Annual ASC Conference

Physician Hospital Alignment in the Post Reform Environment

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Physician Hospital Alignment in the Post Reform Environment

Today's Discussion

Trends in Physician Hospital Alignment

> What's different today

Three Key Factors in Physician-Hospital Alignment

> What are the most important elements to create durable alignment

Strategies that Work

> How are successful organizations aligning physicians

What's Shaping Alignment?

Health reform has changed the model for physician alignment

- > Shifting emphasis from GROWTH to EFFECTIVENESS

HOSPITAL	FORCES DRIVING ALIGNMENT	PHYSICIAN
<ul style="list-style-type: none"> > Control referral stream > Maintain and grow market share > Improve operational efficiency 	Economic	<ul style="list-style-type: none"> > Stabilize income > Stabilize reimbursement, malpractice pressures
<ul style="list-style-type: none"> > Respond to community need > Develop integrated delivery system > Become highest-quality provider 	Vision	<ul style="list-style-type: none"> > Prepare for succession planning > Adjust to new physicians' expectations (lifestyle)
<ul style="list-style-type: none"> > ACOs, care management > Payor relationships, capitation > Collaborate on pay-for-performance and quality-improvement initiatives 	Health Care Reform	<ul style="list-style-type: none"> > ACOs, care management > Payor relationships, capitation > Collaborate on pay-for-performance and quality-improvement initiatives

What's Different This Time?

Similar to the changes in the early 1990's.....except.....

- > Greater cost pressures
 - > Healthcare = 12.2% GDP in 1990 vs 17.3% in 2010
- > Continued legislation
 - > PPACA
 - > MSDRG
 - > Budget deficit reductions
- > Cultural shift
 - > Aging medical staff (average age = 46 today up from 42 in 1990)
 - > Resident preferences show dramatic declines in practicing in highly entrepreneurial environments (solo practice, small groups)

Alignment

Agreement or cooperation among individuals with a common cause or view

- > Lined up but functioning independently
- > Accepting of the same goal

Alignment is not simply:

- > Employment
- > Volume loyalty
- > Common culture

But requires all three simultaneously

Not Simply Employment

Southeastern Physician Group and Hospital System

- > On of first major cardiology group to be employed in the current era
- > 85 cardiologists and surgeons
- > Tightly aligned for decades

Result:

- > Focus became internal – how to maximize physician reimbursement
- > Hospital quit actively cultivating the relationship because the physicians were now "integrated"
- > Year 3 physician projected incomes were off more than 15%
- > Year 3 volumes about equal, but acuity shifted dramatically lower
- > Year 3 hospital technical fee income down \$10M

Not Simply Volume or Revenue Loyalty

Southwestern System

- > Four hospital system
- > 100 employed primary care
- > Physicians very loyal to individual hospitals within the system

Result:

- > Physician loyalty focused at the hospital level rather than the system
- > Opposed building system-level programs
- > Loyalty was volume/financial with opposition to quality improvement efforts
- > Unable to consolidate for scale economies, common protocols, market power, etc.
- > Lack of common vision creating difficulty for the system to adapt to the changing environment

Not Simply Common Culture

Midwestern Health System

- > Sole provider hospital with multispecialty clinic and private practice physicians
- > Single culture and vision to build quality and volumes in rural midwest
- > 600 bed hospital

Result:

- > Physician professional fee cuts
- > Multispecialty group builds own diagnostics
- > Hospital supports non-clinic private practice
- > Market becomes fragmented
- > Volumes stagnate and decline
- > Physician group fracture and de-specialize

Why Does Definition Matter?

Definition is important.....

- > Recognizes the inherent differences in individuals / organizations
- > Is more tangibly measurable
- > Provides a continuum of relationship "status"
- > A precursor to integration and other forms of team

Alignment (rather than integration) is more appropriate
in nearly all cases because it suggests there is
ongoing work to do

Three Elements Needed for Alignment

Economic Alignment

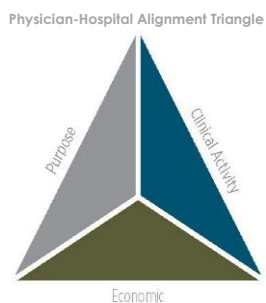
- > Correlation of finances

Clinical Activity Alignment

- > Correlation of activity and expectations of quality, service, and volumes

Alignment of Purpose

- > Correlation of vision, values and efforts



How Much Alignment Is There Today?

Increased focus on *Economic Alignment*

- > Incomes are under pressure – money becomes important
- > Large growth in physician employment
- > Younger physicians significantly preferencing employment

Increasing need for Clinical Activity Alignment to include “effectiveness” in addition to growth

- > “Clinical integration” the focus
- > Developing common protocol calls, creating efficiencies in the hospital, preparing for population management

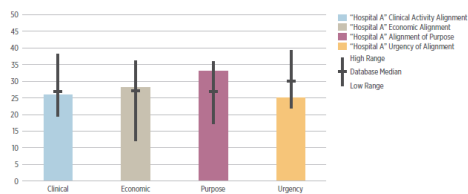
Limited success on *Alignment of Purpose*

- > Limited clear vision in the industry making it difficult to present a clear vision

How Much Alignment Is There Today?

Kurt Salmon Recent Assessments:

- > Large range of alignment across the ~100 hospitals
- > Example



What are the Strategies to Improve Alignment?

No single strategy will work to improve alignment in all areas.....multiple strategies needed

- > Alignment strategies fall into four major groupings
 - > **Business Services** provided to physicians
 - > **Contracts** with physicians
 - > **Structured Communications** with physicians
 - > **Employment** of physicians
- > Each strategy is targeted to improve different elements of alignment

Four Groupings of Strategies to Improve Alignment

Business Services <ul style="list-style-type: none"> > Management Services Organization > Lease and real estate contracts > Information infrastructure > Payor contracting organizations > Clinically integrated physician networks 	Contracts <ul style="list-style-type: none"> > ER call pay > Physician recruiting > Medical directorships > Clinical co-management/ PSAs > Joint Ventures
Structured Communications <ul style="list-style-type: none"> > Blogs/One-way digital communication > Two-way digital communication > Town Hall forums and retreats > Physician advisory council > Direct physician leadership 	Employment <ul style="list-style-type: none"> > Individual contract, productivity > Standard contract, varied incentives > Single-specialty group > Multispecialty group > Integrated organization

ASCs Can Facilitate Stronger Alignment

ASCs focus on aligning physicians economically

- > Economic alignment
- > ASCs often structured as joint ventures to link financial returns

ASCs can create an opportunity to deploy other strategies that impact the other two areas of alignment

- > Clinical activity alignment
- > Increased focus on operations
- > Consistent more service-oriented approaches to care
- > Reduced costs
- > Alignment of purpose
- > Increased communications

Example: Community Hospital

ASCs are fundamental for improved care coordination for patients in the post-reform environment

- > 2003 - 2010: Midwestern system
 - > Physician owned ASC adjacent to the hospital campus
 - > Physicians good hospital partners, on active medical staff, support inpatient care (procedures and admits), part of hospital IPA
- > 2010 - 2011: Hospital purchases ASC
 - > Part of continuum of care initiatives, to support high quality, coordinated care with the system
 - > Allows physicians continued control in governance and operations of the enterprise
 - > Encourages the collective enterprise to reevaluate "appropriate care in the appropriate location"

Conclusions

1. Physician-hospital alignment is a key focus for the
2. Three areas of alignment:
 - > Economic alignment
 - > Clinical activity alignment
 - > Alignment of purpose
3. No one strategy works across all three areas for all physicians.....multiple strategies are needed
4. Physicians and hospitals need to consistently communicate and improve methods of alignment
 - > Dynamic environment, strategies will constantly evolve and change to meet the new needs of the market, the physicians and the hospital



More information (research, white papers, survey results, advice) contact

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