Strategies for Physician Engagement and Alignment

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Objectives

• Overview of HFMA strategy and Value Project
• Increasing Value in Physician Practice Relationships
  – Affiliation and Employment
  – Financial Support and Sustainability
  – Compensation and Incentives
  – Physician Leadership
  – Population Management
Realignment Is Erasing Traditional Healthcare Boundaries

Driven by demands for care transformation, the healthcare industry is realigning at an unprecedented pace.

The IHI Triple Aim

- Population Health
- Experience of Care
- Per Capita Cost

The Triple Aim framework was developed by the Institute for Healthcare Improvement in Cambridge, Mass. (www.ihi.org).
HFMA’s Value Project Initiative

• Guide the transition from volume-based to value-based healthcare delivery and payment system
• Develop and identify practices to enhance value of care
• Provide tools for measuring performance, applying successful practices and improving value
HFMA Value Project

Current State & Future Directions of Value

Four Key Capabilities for Value

Defining & Delivering Value

Organizational Road Maps for Value-Driven Health Care

Acquisition and Affiliation Strategies

Reconfiguring Cost Structure

Physician Engagement & Alignment

hfma.org/valueproject
VALUE = \frac{\text{Quality}^{(1)}}{\text{Payment}^{(2)}}

\text{(1) Composite of patient outcomes, safety, and experiences}
\text{(2) Cost to all purchasers of purchasing care}
Complexities and Inefficiencies Drive Waste

- **Unnecessary Care: $210 Billion**
  - Overuse beyond evidence-established level
  - Discretionary use beyond benchmarks
  - Unnecessary choice of higher cost services

- **Excess Administrative Complexity: $190 Billion**
  - Insurance paperwork costs beyond benchmarks
  - Insurers’ administrative inefficiencies
  - Inefficiencies due to care documentation requirements

- **Inefficiently Delivered Care: $130 Billion**
  - Mistakes (errors and preventable complications)
  - Care fragmentation
  - Unnecessary use of higher cost providers
  - Operational inefficiencies at care delivery sites

Source: Institute of Medicine, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America* (2012)
HFMA Members See Greatest Opportunities for Savings in Clinical Process Redesign

What have you identified as the greatest opportunities to achieve savings, either directly or through utilization impacts, over the next three years?

- Clinical process/workflow redesign/greater use of clinical pathways and evidence-based medicine: 61%
- Improvements in productivity management: 41%
- Establishing a high-performing network of physicians to ensure best quality/low cost choice for payers and consumers: 29%
- Centralization of administrative/operational functions (e.g., shared physician office functions, shared IT): 27%
- New partnerships/affiliation/merger to achieve economies of scale: 24%
- Service rationalization (e.g., fewer heart surgery programs): 7%
- Asset rationalization (e.g., fewer or smaller facilities): 5%

*Ranked 1 & 2*
HFMA Value Report Focus: Critical Role of Physicians

• Affiliation and employment options
• Compensation and incentives
• Financial support and sustainability of the physician enterprise
• Physician leadership and governance structures
• Population management capabilities
Research Methodology

• Interviews with organization executives, subject matter experts in strategic consulting, capital formation, and legal and regulatory issues

• Site visits and interviews at DuPage Medical Group, Floyd Memorial Hospital and Health Services, HealthONE/HCA Continental Division, Hill Physicians Medical Group, OSF HealthCare
Affiliation and Employment
Drivers of Affiliation

- Demands for better-coordinated and more cost-effective approaches to care delivery
- New health plan products formed around narrow or preferred networks
- Economic pressures ranging from flat or declining payment rates to the need for investments in EHRs and healthcare IT
- Movement toward value based payment models
  - MACRA
MACRA

MIPS

• Advancing Care Information
• Clinical Practice Improvement Activities
• Quality
• Cost

AAPM

• Comprehensive Primary Care Plus
• MSSP Tracks 2 and 3
• Next Generation ACO Model
• Comprehensive ESRD Care
• Oncology Care Model (2-sided risk)
Primary care physicians spend on average $50,468 annually per year dealing with external quality measures.

Lawrence P. Casalino et al. Health Aff 2016;35:401-406
Alignment and Employment Options

MOST RESPONDENTS REPORT PURSUING A MORE INTEGRATED DELIVERY SYSTEM WITH AN EMPHASIS ON EMPLOYED PHYSICIANS

Which of the following arrangements most closely resembles the model you have been pursuing recently with physicians? Exclude emergency department, pathology, and radiology specialists. Please check all that apply.

- A management services agreement: 13%
- A faculty practice plan: 13%
- A co-management arrangement within a hospital: 14%
- A clinically integrated network of private practice physicians: 31%
- A more integrated delivery system with an emphasis on employed physicians: 64%

Mix of Employed and Non-Employed Physicians in Hospital and Health System Networks

Which of the following options most closely approximates the composition of your network, in terms of the mix of employed and non-employed physicians?

- Most are employed (more than 75%): 30%
- Majority are employed (between 50% and 75%): 15%
- Equally divided between employed and non-employed: 11%
- Majority are non-employed (between 50% and 75%): 19%
- Most are non-employed (more than 75%): 21%
- Employment not permitted by state law: 4%

Physician – Health System Alignment Options

Integration

Level of alignment

Degree of change

Autonomy

Accountability

- Physician-led integrated system
- Multi-specialty employed group clinic
- Employment of PCPs & specialists

- Clinically integrated network
- Network service co-management
- Common EHR
- Bundled payments contract

- Physician lease
- Management services
- Practice management
- Hospital service co-management

- Hospital-based specialty contracting
- Independent MDs with hospital privileges

Source: Healthcare Financial Management Association, Strategies for Physician Engagement and Alignment Toolkit, hfma.org/valueproject
### Understand goals of each stakeholder

<table>
<thead>
<tr>
<th>Common Network Goals</th>
<th>Health System Goals</th>
<th>Independent Physician Group Goals</th>
<th>Employed Physician Group Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance quality and cost efficiency</td>
<td>Manage financial support of employed physicians</td>
<td>Maintain shareholder value</td>
<td>Ensure strong physician leadership within health system</td>
</tr>
<tr>
<td>Leverage business intelligence/IT</td>
<td>Manage subsidization of the network</td>
<td>Maintain an effective role in network governance</td>
<td>Maintain an effective role in network governance</td>
</tr>
<tr>
<td>Increase market share/managed population</td>
<td>Reduce system leakage</td>
<td>Meet or exceed physician financial goals</td>
<td>Avoid unintended health system decisions that adversely effect the employed physician group</td>
</tr>
<tr>
<td>Ensure quality and “fit” of recruited and retained physicians</td>
<td>Expand primary care base and right-size specialty base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultivate the right blend of entrepreneurship and team-based focus among physicians</td>
<td>Align compensation for employed physicians and incentives for the clinically integrated network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce unnecessary costs and non-productive efforts</td>
<td></td>
<td></td>
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<tr>
<td>Secure the best possible contractual terms</td>
<td></td>
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<tr>
<td>Manage the transition toward value-based payment models</td>
<td></td>
<td></td>
<td>Source: Healthcare Financial Management Association, Strategies for Physician Engagement and Alignment Toolkit, hfma.org/valueproject</td>
</tr>
</tbody>
</table>
Group Practice executives find the relationship with the hospital/health system will be increasingly important for measuring quality and outcomes, lowering operating costs, and contracting in risk-based arrangements.

- Accessing data about outcomes and quality
- Lowering operating costs for the group
- Contracting with Medicare and private plans in risk-based arrangements
- Identifying and training physician leaders
- Attracting and keeping physicians
- Stabilizing physician compensation
- Increasing market share
- Accessing capital for needed technology and facilities
- Accessing patients through payer contracts & local reputation
- Being affiliated (branded) with a well-known institution

How do you view the importance of your relationship with the hospital?
(1. Not important 5. Very important)
Considerations: Assess your physician market

Some key questions:

• What is the physician supply/demand by specialty?
• Where do cases that leave the market go?
• Are some groups deemed to be of higher quality than others?
• Are some groups deemed lower cost than others?
• What is the demographic of the patient population?
• How easy is it to recruit physicians to this market?
Considerations to Address Before an Acquisition or Affiliation....

**CONSIDERATIONS BEFORE AGREEING TO ACQUISITION OR AFFILIATION**

- Governance issues/desire for local ownership: 65%
- Cultural fit between organizations: 68%
- Physician opposition: 22%
- Inability to integrate information technology: 19%
- Management concerns about retaining their positions: 14%
- Concerns about FTC response: 7%
- None: 2%

*Although combined 1 & 2 rankings placed governance issues/desire for local ownership slightly behind cultural fit between organizations, it is listed first on this graph because survey respondents who identified it as a consideration overwhelmingly ranked it as their number 1 concern.*
Physician Affiliation and Employment Lessons Learned

- Employment does not equal alignment, understand each others goals
- Clear and consistent communication is critical
- Know your market needs and have strategy in place from the start
- Consider employment needs beyond physicians
Financial Support and Sustainability
While medical groups are viewed as key to the long-term success of the health system, from the perspective of CFOs in medical groups, investments by the hospital/health system in the medical group are not a priority.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percent Agree/Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in our medical group are more important to the hospital than expansion of its inpatient facilities.</td>
<td>80%</td>
</tr>
<tr>
<td>In our community, the branding of our group is better than the branding of the hospital.</td>
<td>60%</td>
</tr>
<tr>
<td>The administration of our hospital understands the operational needs of our group.</td>
<td>40%</td>
</tr>
<tr>
<td>The majority of physicians in our group believe the hospital treats them fairly in terms of the business relationships.</td>
<td>30%</td>
</tr>
<tr>
<td>The financial controls for budgeting and expenditures in the health system/hospital are compatible with the budgeting and expenditures in the medical group.</td>
<td>20%</td>
</tr>
<tr>
<td>Our health system/hospital treats our group as its partner.</td>
<td>10%</td>
</tr>
<tr>
<td>The majority of physicians in our group believe the hospital's operating costs result in less money for them.</td>
<td>5%</td>
</tr>
<tr>
<td>The Board of our health system/hospital recognizes that the medical group's success is the key to the health system's success long-term.</td>
<td>80%</td>
</tr>
<tr>
<td>The majority of physicians in our group think the hospital's costs are too high.</td>
<td>70%</td>
</tr>
<tr>
<td>The senior management of our health system/hospital recognizes that medical group's success is the key to the health system's success long-term.</td>
<td>80%</td>
</tr>
</tbody>
</table>
Do you believe your organization will achieve a positive ROI after two years of physician employment?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>No</td>
<td>76%</td>
</tr>
<tr>
<td>Yes</td>
<td>24%*</td>
</tr>
</tbody>
</table>

* Further breakdown shows 21% of hospitals with >100 beds; 29% of hospitals with 500+ beds

Changes in Productivity Following Physician Employment

What has been your experience, in terms of productivity, when physicians move from private practice to hospital or health system employment?

- **29%**
  Physician productivity decreases substantially once employed
- **5%**
  Physician productivity improves once employed
- **10%**
  Physician productivity stays the same whether in private practice or employed
- **56%**
  Physician productivity decreases slightly once employed

Those answering “Not applicable” excluded from the analysis

*Source: HFMA Value Project Survey, 2014.*
Strategies to Manage Financial Support of Employed Physicians

- Productivity declines are not inevitable: measure and benchmark performance
- Hold physicians accountable for costs
- Recognize importance of smooth onboarding and credentialing process
- Balance employed specialists with adequate primary care network.
- Disconnect between medical group and hospital CFO: is financial support an “investment per physician” or “loss per physician”? 
Compensation and Incentives
Significant Changes Anticipated for Physician Compensation Agreements to Align with Value-Based Contracting and Care

Bases for Compensation Agreements, Current and in Three Years*

- **Productivity or volume**: 77% (Current), 59% (Expected)
- **Quality**: 65% (Current), 86% (Expected)
- **"Citizenship"**: 45% (Current), 46% (Expected)
- **Revenue**: 38% (Current), 21% (Expected)
- **Cost-of-care or efficiency**: 16% (Current), 67% (Expected)
- **Panel size**: 3% (Current), 16% (Expected)

*Percentage of respondents
Group practice executives are transitioning physician compensation models to align with alternative payment models.

CFOs are preparing to redesign physician compensation plans to support value-based contracts.

Maintaining physician compensation during transitional years is a challenge.

What is the split in your compensation plan today for the majority of physician in your group?

Current Compensation and Bonus

- **84%** Base
- **16%** Bonus

Compensation and Bonus in 2-3 Years

- **70%** Base
- **30%** Bonus

Considering the environment for the next 2-3 years in your market:
For physicians in your group: To achieve optimal performance, how would you split compensation?

2016 HFMA Survey of Physician Practice Executives
Group practice executives must maintain a focus on volume and productivity while also shifting to rewards based on better outcomes and patient satisfaction.

What factors would you include in your bonus payment and how would you weight the importance of each?

**Large variability in how CFOs will weight clinical productivity.**

Others listed:
- Peer working relationships
- Citizenship
- Quality measures (quality, safety and resource measures)
- Financial performance of the group as a whole
How do you engage physicians on performance metrics: (check all that apply)

- Compensation tied to metrics
- Performance review meetings
- Specialty input to metrics
- PCP input to metrics
- Metric-based action plans
- Metrics published for group review
- Other (please specify)

2017 HFMA Survey of Physician Practice Executives
<table>
<thead>
<tr>
<th>Variables</th>
<th>Provider Organization No. 1</th>
<th>Provider Organization No. 2</th>
<th>Provider Organization No. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Details</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Provider</td>
<td>Integrated safety-net provider of primary and specialty care</td>
<td>Provider network affiliated with large integrated delivery system</td>
<td>A multispecialty group with two-thirds of revenue from capitation</td>
</tr>
<tr>
<td>Employed Physicians</td>
<td>450</td>
<td>500</td>
<td>180</td>
</tr>
<tr>
<td>Value-Based Payment (VBP) Models as % of Revenue</td>
<td>45%</td>
<td>80-85%</td>
<td>66%</td>
</tr>
<tr>
<td>Compensation Details</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RVU/Productivity*</td>
<td>80% (in the form of RVU-benchmarked salary)</td>
<td>40%</td>
<td>55%</td>
</tr>
<tr>
<td>Value-Oriented Performance</td>
<td>20% (based on withholds that must be earned back by the physician)</td>
<td>60%</td>
<td>45%</td>
</tr>
<tr>
<td>Value-Oriented Performance Details</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>10%</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>Patient Satisfaction/Access</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Efficiency</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Network Management</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Citizenship</td>
<td>N/A</td>
<td>N/A</td>
<td>5%</td>
</tr>
<tr>
<td>Seniority</td>
<td>N/A</td>
<td>N/A</td>
<td>5%</td>
</tr>
<tr>
<td>Bonus Opportunity</td>
<td>Yes, based on productivity and system performance on VBP models.</td>
<td>Yes, based on system performance on VBP models. The formula used for bonus distribution reflects primary care physician performance on quality (25%), patient satisfaction (25%), and total cost of care (50%).</td>
<td>Yes, based on medical group performance on VBP models.</td>
</tr>
</tbody>
</table>

* RVU = relative value unit
Compensation and Incentives: Common Issues and Concerns

- Productivity will remain part of compensation for employed physicians.
- Quality and efficiency metrics will be increasingly important.
- The challenge: defining metrics sufficiently valid to support decisions affecting physician incomes.
- Development of team-based care approaches may require compensation and incentives tied to both organizational and individual goals.
- Financial incentives are insufficient to ensure physician commitment to change practice patterns and care delivery.
Physician Leadership
Physician Involvement in Key Health System Priorities

Transforming Health Care

- Augmenting Analytics
- Patient Involvement
- Coordinating Chronic Care
- Enhancing Primary Care
- Aligning Incentives
- Right-Sizing Specialty Care
- Shared IT Center
- Enhancing Capital Access
- Reducing Leakage
- Reducing Cost Structure

Managing/Shaping a Sustainable Health System

Direct link to physician practices

Source: Healthcare Financial Management Association, Strategies for Physician Engagement and Alignment Toolkit, hfma.org/valueproject
Group Practice Executives identify a need for medical groups to engage frontline staff in the group’s financial strategy and to improve the quality of physician leadership.

- The front line staff in our group understands our strategy.
- Morale among physicians in our group has improved since affiliating with the hospital.
- The physicians in our group are comfortable in team-based care management models.
- Morale among physicians in our group is good.
- The physician leadership in our group is savvy about the finances and operation of the group.
- Physicians in our group have confidence in its governing structure and are able to operate in the interests of the member physicians.
- Improving the quality of physician leadership in our group is a major need.
Finance Leaders Seek Collaborative Relationship with Physician Leaders

What are the most important skills you hope to develop in physician leaders? Please select the two that you consider most important.

- Collaborative decision-making: 46%
- Performance measurement: 36%
- Quality improvement: 35%
- Strategic thinking: 31%
- Change management: 30%
- Financial management: 24%

Source: HFMA Value Project Survey, February 2014
Physician Leaders/Champions

Identify/develop physician leaders/champions who have a high level of credibility with physicians and other providers

1. An understanding that the current healthcare model is unsustainable
2. Desire to focus on improving the value of care
3. “Intellectual interest” in the administrative challenges
4. Ability to use data and integrate it into performance improvement strategies
5. Credibility with colleagues
6. “Soft skills” necessary to successfully execute policy
Opportunities to Develop Physician Leadership

• Physician-led councils
• Leadership development programs
• Identify physician champions
• Process improvement initiatives
Population Management
Population Management Capabilities: Realigning Incentives

INCENTIVE AND BEHAVIOR FLOWS FOR POPULATION MANAGEMENT

- Financial Incentives
- Rewarded Behaviors
Strategies for developing population management capabilities

• Provider/Payer Partnerships
  Collaborate on new payment models & benefit design
  Sharing of data
  Provider networks

• New Care Management Models
  Care delivery teams & coordination of care
  Reducing fragmentation of services

• Information Technology & Data Analytics
  Timely and actionable information
Telemedicine

• Offer services not available in local market
  – Tele: Primary Care, Psychiatry, Neurology, Wellness, Cardiology

• eICU: Centralized group of intensivists monitor patients at remote locations

• Nursing Home Care

• Disruptive Patients

• 24 Hour Urgent Care Clinic
  – connects patients via Skype, Facetime
Primary Care Expansion is a Dominant Focus

**STRATEGY REGARDING PRIMARY CARE AND SPECIALTY PHYSICIANS**

Looking forward over the next three years, which of the following best describes your organization’s physician affiliation strategy, in terms of emphasis on primary care versus specialty services? Please check all that apply.

- Little change in primary care or specialty care: 9%
- Reduce or control utilization of specialists: 15%
- Expand specialty care: 42%
- Expand primary care: 79%

However challenges in recruitment of primary care, is a top concern.

What are the most important challenges facing your group in the next 3-5 years?
Physician Availability Often Limited

**AVAILABILITY OF INDEPENDENT PHYSICIAN PRACTICES/GROUPS FOR ACQUISITION OR ALIGNMENT**

Please describe the extent to which independent physicians or medical groups are available within your community for acquisition or alignment.

- Virtually none are available: 31%
- Several are available: 50%
- Most are available: 19%

Assessing Your Situation: Physician Network

- How strong is your existing physician network?
  - Do you have an adequate base of primary care providers to meet current and projected future needs?
  - Do you have the right mix and number of specialists to meet current and projected future needs?
- Are there opportunities in your market(s) to align with additional primary care or specialist practices to meet your current and projected needs?
Align Value Metrics

- Replace process measures with outcome measures
- Align measures with Triple Aim (patient experience, population health, per capita costs)
- Focus on a limited set of metrics
- Use incentives to drive outcomes
- Make performance reporting actionable
Explore Strategic Partnerships

Collaborative Goal

High

Specific Harm Reduction

Chronic Disease Management

Onsite Clinics

Accountable Care

Wellness Programs

Population Health Management

Low

Acute Focused Initiatives

Degree of Collaboration
Differentiate on Value

- Be clear about your value equation
- Focus your efforts on achieving it
- Improve value delivered to care purchasers—and communicate value improvements
Learn

- ANI: HFMA National Institute
  – June 25-28, Orlando

- Virtual Conference
- Seminars
- Webinars
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hfma.org/webinars

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