

*evaluating physician affiliation &  
network integration:  
a conversation for boards & administration*

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# *agenda*

- *Drivers*
- *Models*
- *Lessons Learned*
  - What works?
  - What doesn't work?
- *Action Planning*



# *drivers*

- *Market Dynamics*
- *Regulatory and Payment Reform*
- *Continuum of Care*

# *market dynamics*

*accelerating physician affiliation and network integration*



More Care (32M uninsured, Baby Boomers, Chronic Disease)



Higher Quality (P4P, Shared Savings, Core Measures)

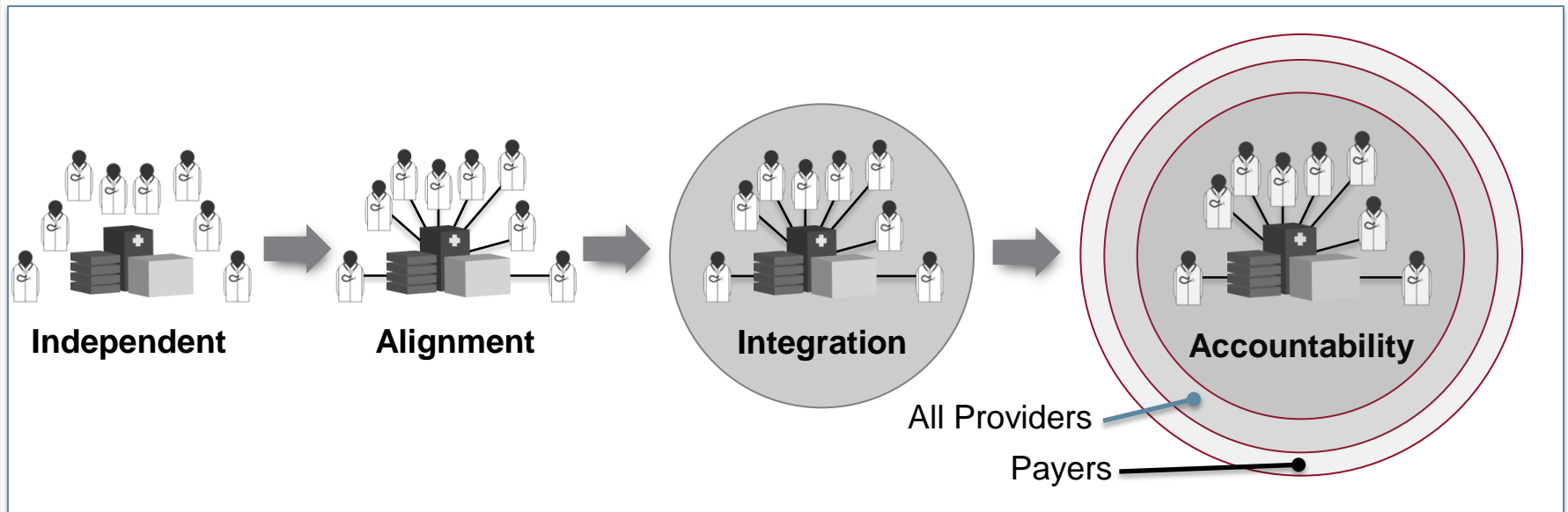
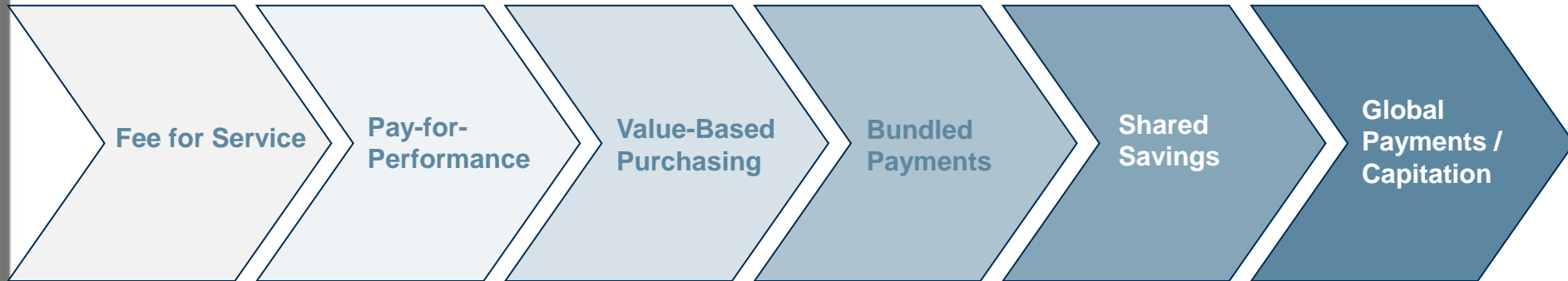


Less Money (\$240B Cuts, \$90B Penalties)

**“Bottom line, if you attempt to use the same care delivery model moving forward, faced with the magnitude of reductions in forecasted revenue, you will go out of business.”**    *~ Michael Sachs, Sg2*

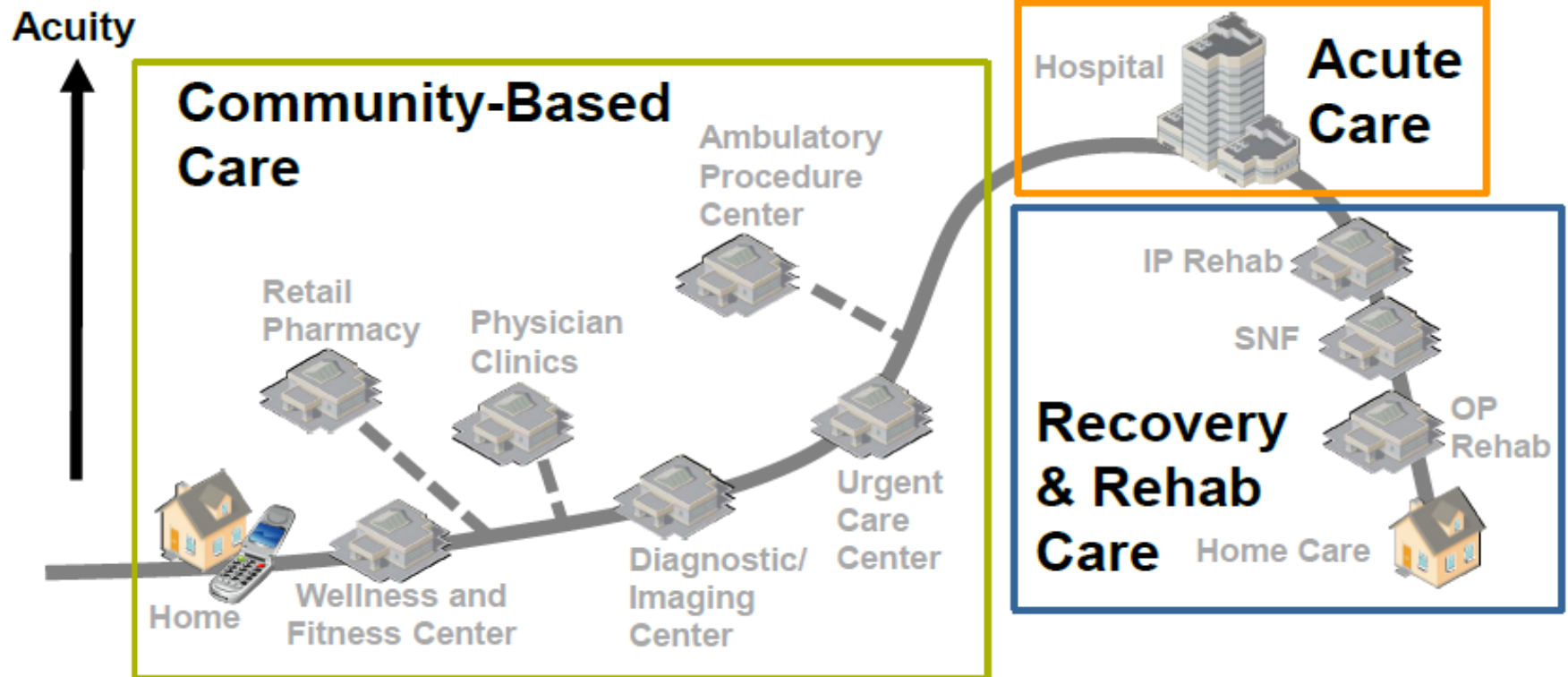
# *payment reform*

*accelerating physician affiliation and network integration*

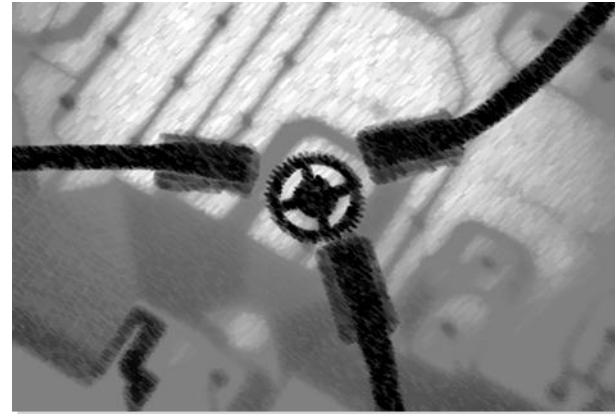


# *continuum of care*

*accelerating physician affiliation and network integration*



# *potential models for physician integration*



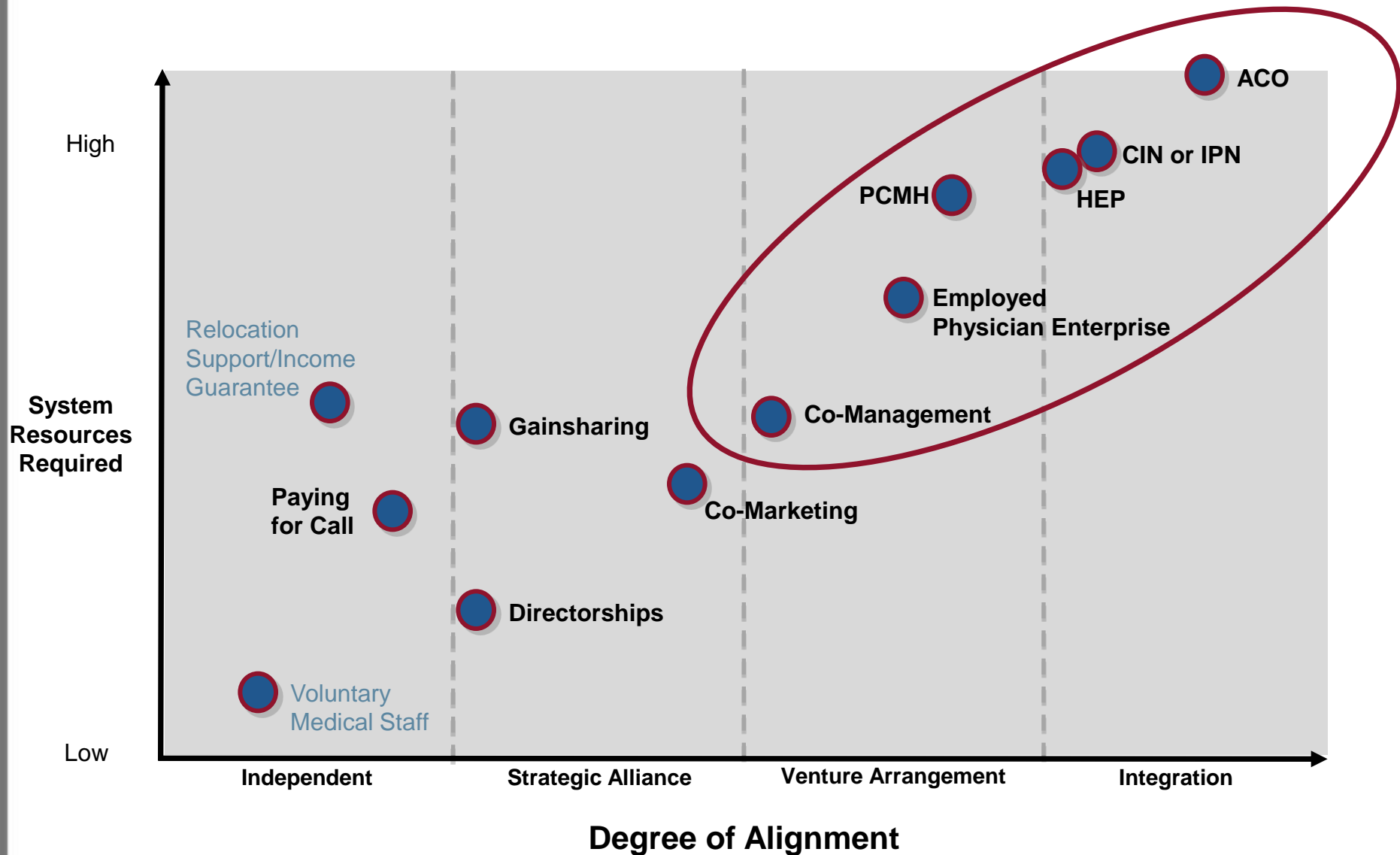
- *Employment*
  - Direct
  - Through wholly owned subsidiary or affiliate entity
- *Exclusive Contracts/Independent Contractor Agreements*
- *Co-Management/Medical Director Agreements*
- *Clinically Integrated Networks*

## *one size does not fit all...*

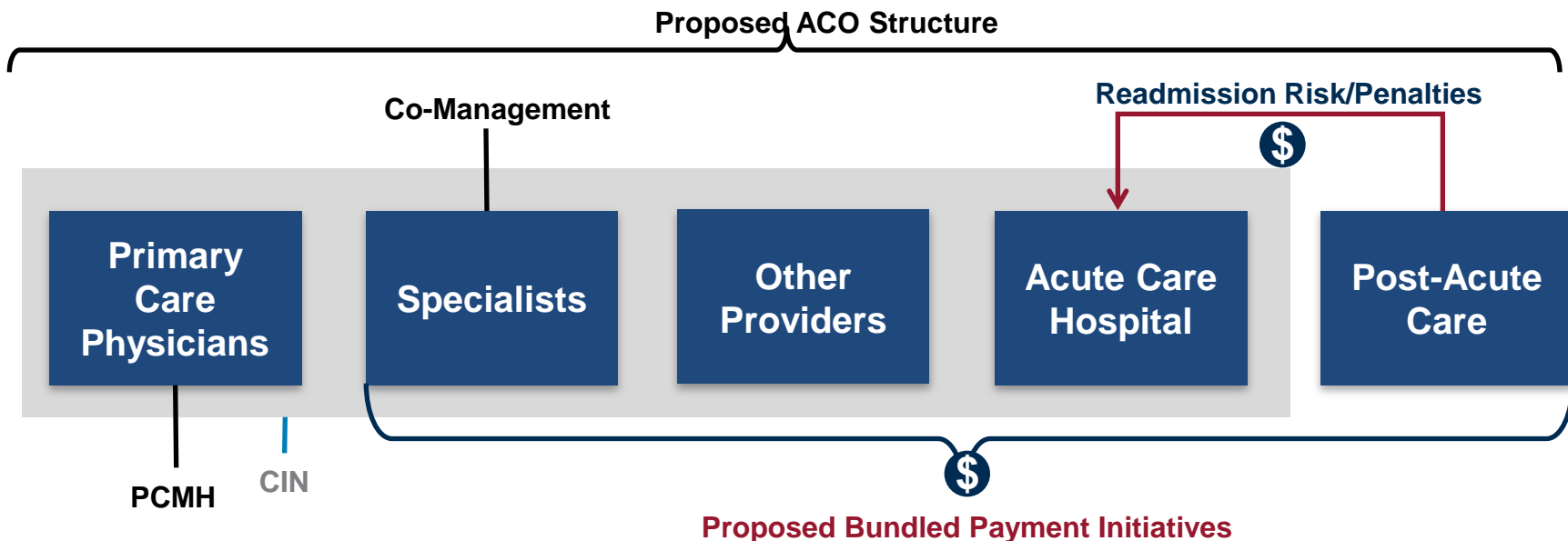
- *Situational strategies must be developed.*
- *Hospital and physicians must understand the collective strategic objective and the type of integration must incentivize attempts to achieve that objective.*
- *Lower cost/improved quality are objectives that are supported by the federal government and private payors.*



# *broad spectrum of models to consider*



# *clinically integrated models are accelerating*



## **Patient Centered Medical Home (PCMH):**

Primary care approach that supports comprehensive, team based care, improved patient access and engagement; serves as “hub” of care coordination; focuses on chronic disease management

## **Clinically Integrated Network (CIN):**

Acute care hospital, multispecialty physician network and other providers committed to quality and cost improvement, with support from joint negotiated commercial contracts

## **Accountable Care Organization (ACO):**

Model to promote accountability for a patient population by improving care coordination, encouraging investment in infrastructure, and redesigning the care continuum around quality

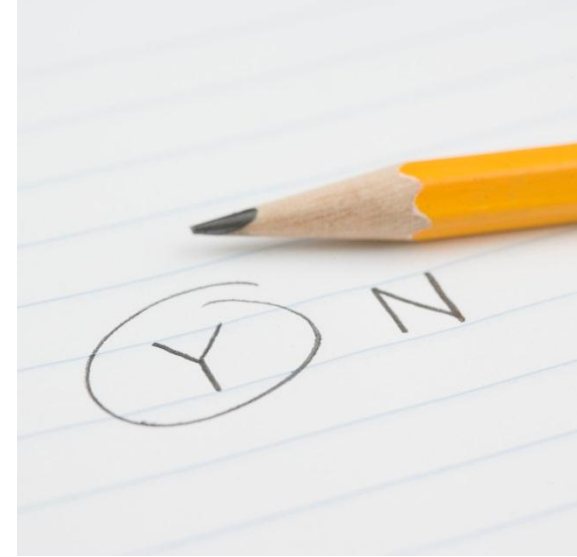
**Co-Management:** Model to align physician incentives around quality, cost and satisfaction with fair market compensation

## *what works?*

- *Include physician in governance and management*
- *Transparency in affiliation and integration*
- *Continuing education of physicians of what hospitals can and will do vs can't and won't do*
- *Joint strategic plan which physicians buy into, understand, and are responsible for implementing*

# *what works?*

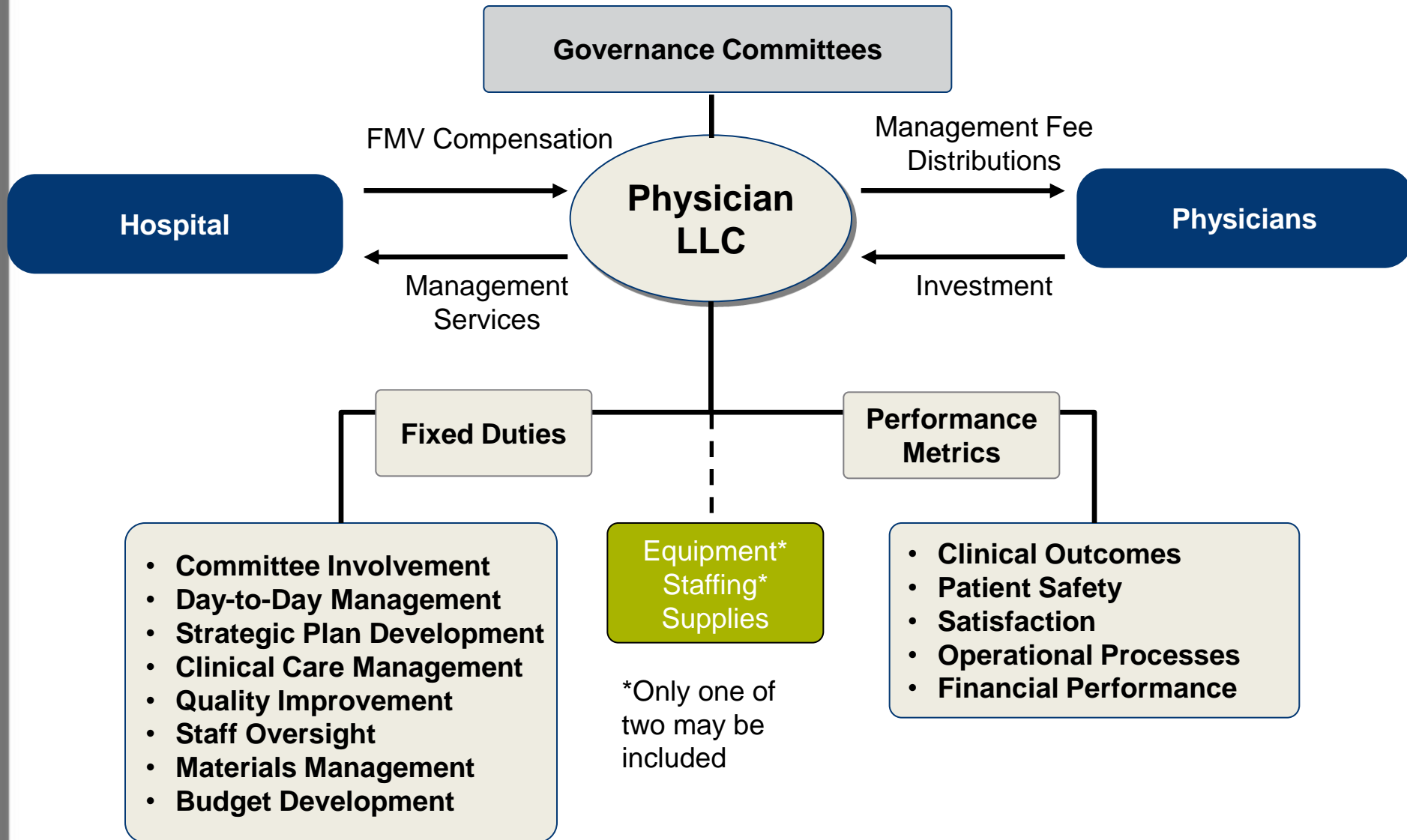
- *Cultural integration*
- *Clear definition of goals, metrics and expectations*
- *IT systems to track, measure and report performance*
- *Clinical/financial accountability*
- *Customizing/aligning compensation to organizational goals*
- *Developing physician leadership*



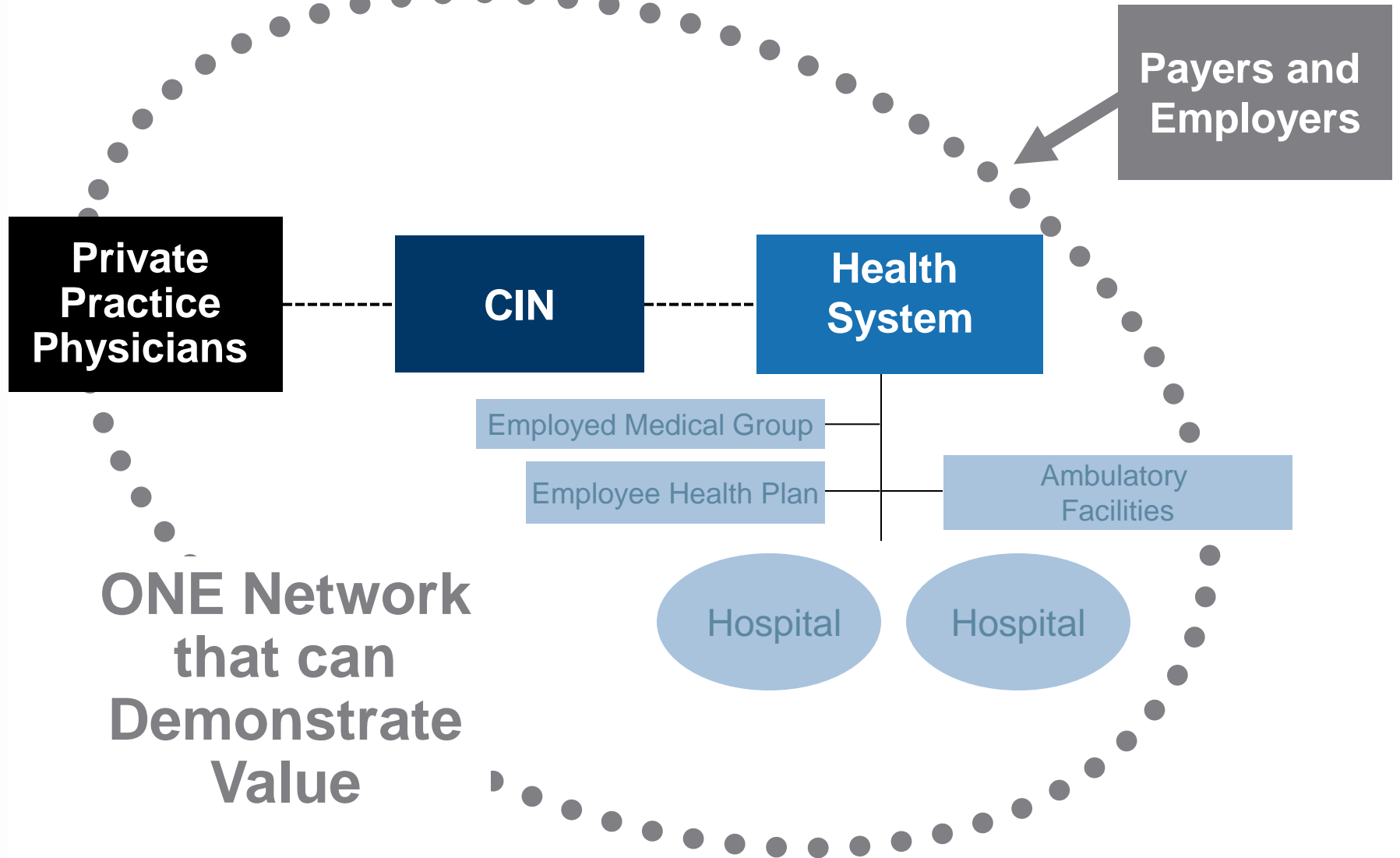
## *what doesn't work?*

- *Make physicians an offer they can't refuse*
- *One-sided arrangements*
- *Command control management style*
- *Lack of physician participation in strategic planning process*
- *Lack of physician engagement and/or leadership*
- *Failure to educate physician on compliance and business objectives*
- *Failure to define and measure quality improvements or cost reductions*

# co-management model



# *clinically integrated network (CIN)*

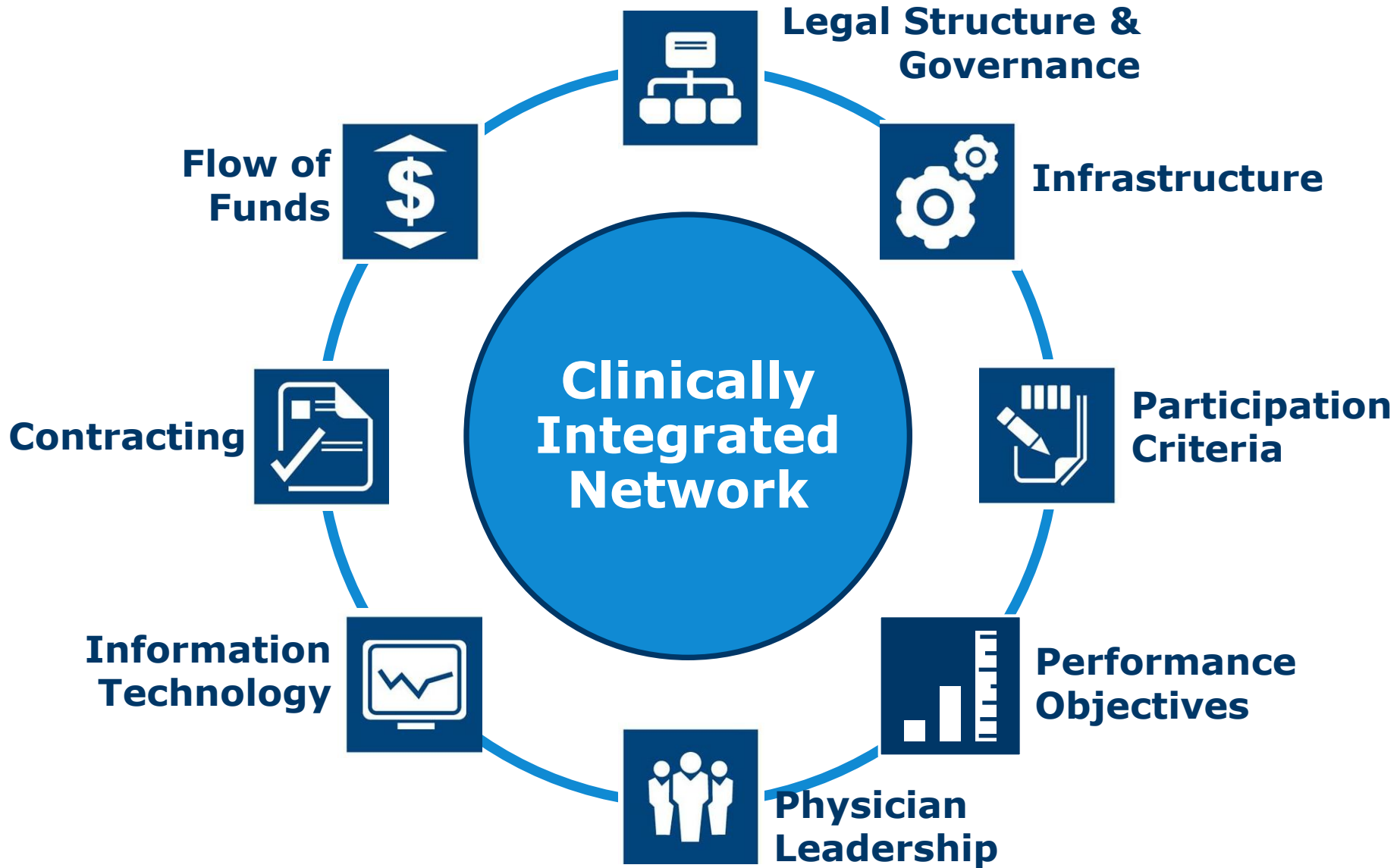


## *clinically integrated network (CIN)*

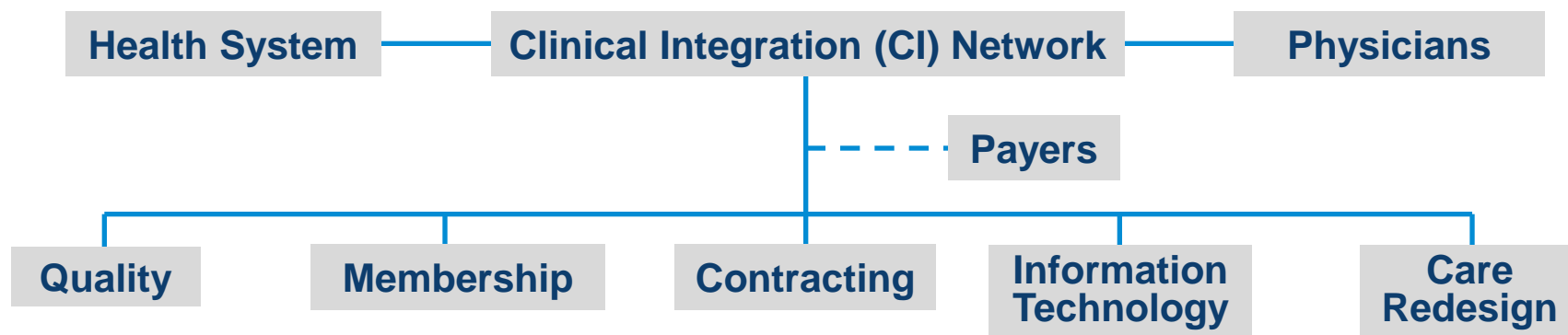
- *Clinically Integrated Network (CIN) is commonly defined as a health network working together, using proven protocols and measures, to improve patient care, decrease costs and demonstrate value to the market*
- *Generally, the FTC considers a program to be clinically integrated if it performs the following:*
  - Establishes mechanisms to reduce cost and improve quality (enhance value) of healthcare services
  - Selectively chooses network physicians who are likely to further the value objectives
  - Invests human and financial capital to accomplish defined objectives



# *CIN key components*



# CIN value proposition



## The Value of Clinical Integration to...

Health System	Patients & Communities	Physicians
<ul style="list-style-type: none"> <li>• Enhanced reimbursement for demonstrated quality</li> <li>• Transformational care redesign</li> <li>• Co-leadership with physicians</li> <li>• Reduction in operating costs and waste</li> <li>• Demonstrated quality</li> </ul>	<ul style="list-style-type: none"> <li>• Improved coordination of care</li> <li>• Higher patient satisfaction</li> <li>• Improved quality and outcomes</li> <li>• Enhanced cost efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced reimbursement for demonstrated quality</li> <li>• Long-term viability of private practice</li> <li>• Role in leadership and governance</li> <li>• Improved network coordination</li> <li>• Enhanced patient care and satisfaction</li> </ul>

# *managing risk*



- *Parties must discuss business risk*
  - To hospital
  - To physician
- *Parties must discuss legal/compliance*
  - Risk is equally shared

# *forecasting future developments*

- *Role of medical staff*
  - Employed versus independent physicians
- *Changes in laws to make integration easier*
- *New reimbursement methodologies*
- *New and integrated alignment models*

## *action planning for your leadership team*

- *Strategic, cultural, and economic assessment of your market*
- *Clear definition of objectives and win-win criteria*
- *Thoughtful consideration of alternative models*
- *Disciplined plan and process for integration*

