

HOW PROACTIVE IS YOUR PHYSICIAN/HOSPITAL ALIGNMENT STRATEGY?



By Brian Ackerman and Carolyn Kent

So you have decided to pursue a physician/hospital alignment strategy. Great...what does that mean? And perhaps more importantly, do you know who you actually want to align with? Let's assume that you have already gone through the process of determining your preferred alignment method(s), whether it is employment, joint ventures, medical directorships, etc. Regardless of chosen method(s), the success of any physician/hospital alignment strategy ultimately hinges on how that strategy is executed at the individual physician level. Having the most advanced employment arrangement, for example, is not nearly as important as pinpointing who you want to employ.

Given the current economic climate many hospitals are being inundated with requests from physicians for employment. Often hospitals are so busy working to iron out new employment contracts that many are failing to stop and ask the first question, "Who do we actually want to align with?" Answering that question is a critical first step in allowing you to be more proactive in your pursuit of priority physician alignment targets. Physician-specific characteristics, as well as the unique needs of the hospital and community, should be considered when attempting to isolate the priority targets for your hospital.

Physician-Specific Characteristics

As a first step in determining which physicians to target for alignment take the time to understand the composition of your medical staff and the impact each physician is having on your hospital. Who is essential to maintain on the medical staff to sustain volumes and financial viability? How loyal are those essential physicians to your hospital? Answering these questions by analyzing the characteristics of your medical staff is a necessary component of a successful alignment strategy.

Financial Impact

To begin, an assessment of the revenue generated by each physician on your medical staff should be reviewed to understand how much individual physicians are contributing to the hospital's top line, and how that compares to other members of the medical staff, particularly those in the same specialty. Benchmark sources such as Merritt Hawkins' "Physician Inpatient/Outpatient Revenue Survey" can also be used to provide perspective on how your medical staff is performing relative to their peers across the country.

If possible, additional analyses should be completed beyond top line impact. Adjusting for expenses and understanding each physician's contribution margin impact will provide a much clearer picture of how reliant your facility is on certain physicians and physician groups. For many facilities the 80/20 rule is a very real phenomenon they may not be aware of, with the top 20 percent of their medical staff accounting for nearly 80 percent of the hospital's total contribution margin. The composition of that 20 percent is often surprising, and should be understood prior to the pursuit of any alignment strategies.

Referral Volume

Even though financial impact measures a physician's direct contribution, it does not account for the indirect impact that many physicians have through referrals. An analysis of information surrounding referral volumes should also be considered. Unfortunately, as primary care providers spend less time at the hospital, it can be difficult to track referral data for those providers. If you employ specialists, you will likely be able to obtain data relative to their referral sources more easily than independent providers. When this type of data is not available, a more qualitative approach should be taken. Conducting interviews with key specialists and their staffs is an essential step to identifying physicians who are a fundamental part of your facility's referral base. Your (or your specialists') reliance on these providers, combined with their relative "independence" from your hospital, often make these providers high alignment priorities.

Hospital "Loyalty"

After reviewing the financial and referral impact that providers are having on your facility, a hospital should also understand the potential impact those providers may have on competing facilities. A "splitter" analysis can provide insight into which physicians are privileged at other hospitals and their impact at those facilities. Research can be conducted using state medical board data or other public sources to estimate a physician's full-time equivalency (FTE) outside of your facility. Also, information from your financial impact analysis can be used to estimate how much time a provider might be spending elsewhere. For example, a provider you consider to be busy who is only generating 25 percent of the revenue of his peers at

your hospital potentially may be splitting his/her time elsewhere. Splitter physicians may be especially vulnerable to aligning with a competing hospital or system given existing relationships; thus, those splitters who are having a significant impact on your facility should be considered a high-priority alignment target.

Hospital/Community Needs

In addition to physician-specific characteristics, the process of selecting physicians for alignment should consider your hospital's longer-term strategic goals and how this process may impact demonstrated clinical needs of the community.

Hospital Strategic Objectives

Highest priority physicians or groups for alignment should weave into the fabric of a hospital's strategic plan. Evaluate various alignment targets against the ability of each to move the hospital toward its desired strategic position. Ultimately, aligned physicians are partners with the hospital and are equally responsible for the facility's success. Which physicians on your medical staff can enhance the service lines your facility is targeting for expansion? Does your facility have the physician capacity necessary to achieve its desired growth? For instance, a hospital desiring to increase cardiology market share in a given region should consider targeting alignment initiatives at the cardiologist, or cardiology group, that has an office in that region and/or is drawing many of their patients from that geography. In the end a hospital's volume and market share growth can only occur if the physician complement necessary to achieve that growth is in place.

Specialty Demographics

Identifying specialties with a large percentage of physicians nearing retirement helps facilities establish priority targets that can ensure future stability and alignment within a given specialty. Hospitals should not only consider the average age in each specialty, but also the percentage of providers within that specialty that are over expected retirement age. Tying these results back to the financial impact analysis often highlights the importance of these near-retirement providers to your longer term viability. In these cases you will likely want to consider aggressive recruitment of new providers and/or consider ways to align with younger physicians, if any, who practice in that specialty. These younger physician alignment targets, who may not surface during the contribution margin analysis, may not necessarily be a short-term alignment priority; but, relationship building should commence at an early stage to safeguard strong alignment ties in the long-term.

Community Need

Conducting a community physician needs assessment by specialty can provide further insight. A community needs assessment will highlight those physician specialties, and individual physicians, that are most needed to meet your community commitments. Even if your facility has the majority of physicians needed within a specialty, alignment strategies should be considered in order to ensure that your facility will continue meeting the needs of your community. In addition, this process should assess where your hospital's physician complement stands in relation to competing hospitals. Because a community needs assessment evaluates all physicians in a community, this process can call attention to situations where a competitor hospital might have the predominant share of physicians within a certain specialty; thus, a community needs assessment identifies specialties where alignment with your existing physicians should be considered a higher priority.

Conclusion

Many experts are predicting that most physicians in this country are going to be employees of a hospital within the next decade. Regardless, hospitals must be careful not to be overly reactive to this trend. Instead, a structured approach to your physician alignment strategy should include the identification of those physicians most critical to your hospital and community. Assuming those same providers "fit" with your organization, your physician alignment strategy should lead with those individuals and grow from there. Producing some early "wins" will be important for the future viability of your strategy.

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