Transitioning Aggregated Physician Practices to High-Performing Clinical Enterprise

Alan S. Kaplan MD
SVP/Chief Clinical Officer, Iowa Health System
President/CEO, Iowa Health Physicians & Clinics

Objectives

• Gain historical perspective regarding physician employment and how it relates to the current state
• Learn an approach to creating a unified, strategically and operationally aligned medical group
• Learn how to merge cultures by creating an intentional culture
• Understand the governance and infrastructure requirements to become a “high performing” medical group
• Identify difficulties you are likely to encounter
The Fall of Private Practice

Reimbursement

Episodes of Care

Maximum Productivity

Breaking Point

Cost

Narrow Revenue Streams in Peril

Reimbursement

Episodes of Care

Maximum Productivity

Effects of ancillary revenue

Cardiology

Cost
Physician Employment on the Rise

Source: Merritt Hawkins & Associates.

Rising Health System Liability

MGMA Average investment per physician = $174,000

Increasing Expenses
- Hospital competition
- Market compensation
- Administration
- EHR
- Facilities

Operating Loss per Physician

Cost to Provide Episode of Care

Episodes of Care
Aggregation—Not Strategic Growth

- Goal: referrals
- Defensive acquisitions
- Hiring to location & specialty as opposed to culture and performance
- Unappreciated financial value
- Less than optimal leadership and infrastructure
- “Second class” treatment

Common Outcome

- Transition from independent practitioners to autonomous employees
- Lack of responsibility & accountability to parent organization (WIIFM)
- Employed physicians do not function like a team
- Referral patterns do not meet expectations
- Demanding & difficult to manage
Changing External Environment

Physician Alignment Imperative

- Wellness
- Disease management
- Care coordination
- Quality and safety improvement (33 CMS ACO metrics)
- Clinical information systems and real-time analytics
- Financial sustainability

"Between 20% and 30% of all US health care is pure waste."

Don Berwick
Former CMS Administrator

ACO = accountable care organization.

CMS = Center for Medicare & Medicaid Services.
Good Advice

We can't solve problems by using the same kind of thinking we used when we created them.

−Albert Einstein

Iowa Health System

• 9 Regions in Iowa & Illinois
• 27 Hospitals
• 800+ Employed Physicians
• Home Health
• ACO with 220,000 lives
Physician Empowerment

“Become a physician-driven organization that attracts physicians, strengthens alignment and improves patient-centered care”

Endorsed by system hospital CEOs and adopted by IHS board of directors

Physician Leadership Academy

• Formal online application
• Selection criteria
• Physician-friendly format
  • Online courses
  • Onsite courses
• CME credit (114 hours)
• Graduate degree credit
• Formal graduation ceremony
• Post-Graduation talent management program

http://www.ihs.org/body.cfm?id=335
Employed Medical Groups

Strategic and Operational Alignment
A Two Year Journey

• Year One
  – Gain consensus of asset “owners”
• Year Two
  – Engage physicians in the planning process
  – Develop compensation plans
  – Gain consensus of practicing physicians

Beyond the Vision & Burning Platform

• Employed groups ranged from a few individuals to over 300 providers
• Very little optimism due to disparity of group cultures & compensation plans
• Representatives from all groups and regions came together in a senate model to create a new organization referred to as “NewGroup”
The Creation of NewGroup

- Practicing physicians were empowered to create a new organization from a blank piece of paper
- Process facilitated by system CMO & outside consultant
- Iterative process between physician steering committee, participating medical groups and the senior affiliate regions

Physicians are People Too—Maslow’s Hierarchy
Physicians Engaged in Compensation Plan Design

• Primary care compensation
  – 12% at risk for performance: quality, patient satisfaction and financial

• Specialist compensation
  – Multiple contractual agreements in place
  – Specialist compensation standards tackled in first year post merger
  – 7% at risk for performance

NewGroup as a Senior Affiliate

• Parent IHS Board approves NewGroup as a senior affiliate
• Equal partner with the regional senior affiliates
• NewGroup representation on the parent IHS Board
NewGroup Corporate Structure

- Nonprofit corporation with 11 member board
  - 6 community members
  - 1 regional administrative CEO
  - 4 employed physicians (officers of the board)
- Authority delegated to Operating Committee
  - Led by physician CEO (not actively practicing)
  - 3 practicing physicians from each region

Regional Partnership Structure

- Dual Hire
- Dual Reporting
- Unilateral Termination
NewGroup Becomes Reality
January 1, 2012

• Approximately 540 providers by end of year one
• Letters of Intent
  – 350 providers to join over two years
• Name launch mid-April 2013
  – Trademark agreement to accelerate alignment

Creating an Intentional Culture
Culture Retreat January 19 & 20, 2012

FINDING OUR TRUE NORTH
Best Outcome Every Patient Every Time Period!

Values
• Patients First
• Integrity
• Pursuit of Excellence
• Partnership
• Community Stewardship

First Year Quality Improvement
• Embedded 49 quality metrics in compensation plan
• 22% Overall improvement
Lessons Learned

- Board & CEO support is imperative
- Invest in leadership education
- A compelling vision only gets the physicians to the table—then the work begins!
- Empower your physicians
- Consider a senate leadership model
- Create an intentional culture