Hospital-Physician Integration: Crafting Successful Relationships Beyond Acquisition or Affiliation

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Healthcare Reform: Addressing Delivery, Quality and Reimbursement

• Challenges
  – Increase in covered persons due to healthcare reform
  – Burgeoning Medicare population
  – Limited resources
  – Cost pressures
  – Reimbursement
  – Quality improvement
  – Growing competition for independent hospitals and physicians

  Result: Provider and payor accountability
Healthcare Reform: Addressing Delivery, Quality and Reimbursement (Continued)

- Solutions
  - Continuum of care
  - Coordinated patient care
  - Patient satisfaction
  - Information technology
  - Collaboration with payors
  - Performance-based reimbursement
  - Integrated delivery systems

Result: Improved outcomes at a lower cost

Hospital and Physician Integrated Delivery Systems

- Organizational models
  - Acquisitions: Hospital-owned and/or sponsored
    - Hospital-physician employment model
    - Friendly PC model
    - Medical Foundation model
    - Faculty Practice Plan
    - Centers of Excellence
  - Affiliations
    - Traditional PHOs, IPAs and MSOs
    - Co-management programs (e.g., joint ventures)
Hospital Goals from Integration

• Preparation for changes in reimbursement
• Physician commitment
• Increased productivity
• Cost management
• Quality improvement and better outcomes
• Patient satisfaction
• Leverage with health plans
• Increasing/maintaining market share
• Retention of medical staff physicians

Physician Goals from Integration

• Improved revenue / equitable reimbursement / financial security
• Participation in hospital decision-making
• Better quality assurance
• Improved outcomes
• Patient satisfaction
• Increased patient referrals
• Value-added services
• Economies of scale for their practice overhead
• Autonomy
Hospital-Physician Integration: Crafting Successful Relationships

Essential elements of successful hospital-physician integrated delivery systems:
- Strong leadership
- Trust
- Shared governance
- Articulated Mission Statement
- Goals and Objectives
- Provider commitment and engagement
- Performance goals and measurements
- Information technology (IT)
  - EHR
  - Care coordination
- Communication
- Organizational culture
- Strategy/plan of action

Collaboration with Payors

- Develop programs integrating the hospital and its physicians
  - Next generation P4P arrangements
  - Co-branding
  - Centers of Excellence and product-line management
- Performance-based reimbursement
- Provider and payor accountability
- Clinical efficacy and ROI
- Access to capital to advance the value proposition

Result: Accountable care network responding to the key stakeholders
Performance-Based Reimbursement

• Establish baseline metrics and demonstrate improvement
  – Avoidable admissions (alternate settings to acute care)
  – Nominal readmissions
  – HAIs
  – HACs
  – LOS
  – ER utilization
  – Discharge disposition

Performance-Based Reimbursement (Continued)

• Global Payments (technical and professional components)
  – Acute care episode
  – Episode-of-care
    • 3-7 days pre-admission
    • Acute care inpatient stay
    • 60-90 days post-discharge
Performance-Based Reimbursement (Continued)

- Shared-savings programs
  - Partner with selected non-government and government payors
  - Transition through the risk continuum
    - Upside-only to providers (e.g., improve the MLR)
    - Global payments
    - Limited risk exposure
    - Assumption of risk (commitment and infrastructure)

Performance-Based Reimbursement (Continued)

- Demonstrate value for the healthcare delivery system
  - Hospitals
  - Physicians
  - Allied health professionals

Result: Achievable quality and competitive edge
Essential Element: Strong Leadership

- “Champion” of integration / promotes a Vision
- Best physicians as leaders
- Business knowledge/skills
- Credibility with hospital and physician participants
- Fosters an environment of mutual trust
- Ability to nurture relationships and facilitate constructive interactions
- Elected or appointed

Essential Element: Shared Governance

- Physicians must have meaningful stake in governance
- Hospital contributes administrative expertise
- Partnership in determining organizational strategies and priorities
- Understanding and trust among participants
- Operating agreement with defined responsibilities
Essential Element: Mission Statement

- Clearly represents the purpose of integration
- Integration is Mission-driven
- Sample Mission Statement:

  The Mission of hospital-physician integration is to provide clinically-integrated, high-quality, efficient, patient-centered and accountable healthcare services. Hospital–physician integration will provide a vehicle for contracting with emerging Accountable Care Organizations (ACOs), regional healthcare systems, integrated delivery systems and third-party payors.

Essential Element: Goals

- Realistic
- Address clinical and financial issues
- Accepted by hospital and physicians
- Specific to time periods
  - Immediate and short-term goals
  - Mid-term
  - Long-term
Essential Element: Objectives

- Developed from Goals
- Objectives
  - Concrete specifications of abstract goals
  - Tangible, measurable and can be validated
- Sample Goal: To strive to provide high-quality care
- Sample Objective
  - Reduce preventable readmissions by 10%
  - Reduce HAIs and HACs by 10%

Essential Element: Provider Commitment and Engagement

- Commitment demonstrated by efforts
- Engagement through participation
- Responsibility for actions
- Willingness to make changes
  - Volume to value
  - Independence to team approach
Essential Element: Care-Management Processes

- Evidence-based clinical guidelines
- Clear, concise processes
- Physician input into clinical guidelines and processes
- Physician and hospital accountability
- Incentives based on expected performance
- Emphasis on preventive healthcare and wellness

Essential Element: Performance Goals & Measurements

- Performance goals – relevant to areas being monitored
  - Quality improvement
  - Cost efficiency/management
- Development of performance measurements/metrics
- Accountability assigned
- Incentives defined
Essential Element: Information Technology (IT)

- Compatibility across integrated delivery system
- Electronic health records (EHR)
- Data sharing
  - Utilization
  - Cost
  - Quality
- Information to make informed decisions regarding
  - Integration/services provided
  - Operations/processes
  - Performance measurements and incentives

Essential Element: Communication and Feedback

- Tools for timely communication
  - E-mail
  - Intranet
  - Newsletters
  - Meetings
- Internal, integrated system communication
- External payor/customer communication
- Standard and ad-hoc reporting
- Recognition for desired behaviors/outcomes
**Essential Element: Organizational Culture**

- Amenable to collaboration and partnership
- Visibility, transparency and open communication
- Shared values
- Patient-centered orientation
- Incentives
- Recognition for desired behavior and improved outcomes

**Essential Element: Strategy**

- Strategy/plan of action designed to meet goals, operationalized by objectives, e.g., contracting with targeted payors
- Formal Business Plan
- Implementation Agenda
- Timeframes for achieving objectives
Summary

• Integration is relationship-building
• Relationship-building requires concerted effort
• “Essential elements” in hospital-physician integration are part of a Business Plan
• Successful relationships beyond acquisition or affiliation are crafted by having a Plan of Action

Result: Achievable accountability and competitive positioning for the integrated delivery system