Performance Improvement for Hospital-Owned Medical Practices
Strategies for Success
When Your Practices are Falling Short

WEBINAR GUESTS:

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OBJECTIVES:

1) Identify and avoid the most common mistakes in owning medical practices.

2) Define the actions you and your organization must take to correct these mistakes.

3) Learn how to position your practice for market leadership.

Hospitals and health systems can enjoy all the benefits of employing physicians without suffering the losses.
In what ways might hospitals/health systems be paying too much for the practices they purchase?

- Employment contracts
- Ongoing compensation

Would the income levels of our employed physicians be sustainable in private practice?

How a physician compensation plan can help:

- Hospital administrators can promote organizational viability by ensuring that they are paying physicians at a level that the physicians’ productivity can support.
- High productivity is motivated as employed doctors are able to influence their own income like their private practice peers.

What are some of the most common problems you see when you work with hospital-owned medical practices?

- Physicians who were previously in private practice may be tired of running the business side of the practice.
- Younger physicians often have no prior experience running the business side of a practice.
- Hospital administrators may mistakenly believe they can run the practice like a hospital department.
Common scenario:

When compensation increases at the same time productivity is decreasing, it causes a substantial problem!

How an effective governance structure can help:

- Physicians and administrative leadership work together to develop a common vision and common goals.
- Physicians are more engaged, which in turn makes them feel more accountable to achieve goals and objectives.
- Administrative leadership solicits and utilizes physician feedback to help run the practice, recognizing that managing a physician practice is very different from managing a hospital department.

What are some of the major pitfalls hospitals may encounter as they try to develop their physician networks?

- Lack of planning and coordination with regard to network growth
- Growing too quickly, which often results in referral leakage

- Are there service gaps in our network?
- What types of physicians (primary care/specialty) are required to meet community need?
How a **network development plan** can help:

- Hospitals acquire practices based on a clear strategy that has been validated through appropriate market research, thus meeting community need.
- Physicians clearly understand which physicians are a part of the network and keep referrals within that network, driving revenue back to the hospital.
- Hospital administrators (market managers) can see the “big picture” and ensure that they care for the needs of patients in their service area.

**What challenges would you caution hospitals/health systems about when acquiring medical practices?**

- Acquiring practices as a *reactive* strategy
- Building a medical practice network without adequate primary care market share

**Are our practice acquisitions the result of careful planning?**

How a **medical staff development plan** can help:

- Hospitals and health systems can build a network that is properly balanced with enough primary care practices to support market share and the right specialties to support the hospital and its essential service lines.
- Competitive strategy can be built literally neighborhood by neighborhood to both establish a proper payer mix and ensure that the network is meeting community need.
What kinds of problems are you seeing with practice managers in hospital-owned medical practices?

- Lack of site-level physician practice management expertise
- Lack of support in staff development, provider productivity, or patient satisfaction
- Gaps between performance expectations and actual performance

How a **site-specific action plan** can help:

- Physicians and managers can develop a plan with revenue enhancement strategies and expense reduction strategies tailored specifically to their site, which pinpoints problem areas and motivates performance improvement.
- A strong manager and specific plan at every practice site can move the whole network forward to meet their goals.

What is the nature of the challenges you find with the staff of medical practices?

- Lack of expertise in practice managers impacts staff effectiveness and competency levels
- Staff members aren’t positioned or organized to support provider productivity and/or patient satisfaction

**Are our staff members positioned in the right roles to support our physicians in delivering efficient and effective care?**

How **management training programs** can help:

- Coaching, mentoring, and training of management strengthens the whole organization.
- Developing managers enables them to develop their staff, increasing physicians’ level of confidence in the competence of those to whom they are delegating.
What are the main areas that a network, or even an individual practice, should focus their attention on?

- **Strategic**: governance, strategic plan, management support
- **Operational**: patient flow, daily operations, revenue cycle
- **Human Resources**: physician compensation, employment contracts, accountability, training, staff

All categories should work well both individually and collectively.

Why do physicians become less productive once their practice is purchased?

- The real-time risk and reward, as encountered in private practice, is often lost in the compensation models of employed physicians.
- Fast-growing networks may adopt several different compensation models within one network, making it difficult to establish clear expectations and achieve unity.
- Differing compensation models, responsibilities, or expectations within one group can cause underlying resentment and additional challenges.

### Does our physician compensation model...

- promote productivity?
- motivate high quality?
- provide a market rate of compensation?
- support practice viability?
How can hospitals/health systems transition their physicians from an ownership mentality to an employee situation without diminishing their commitment to the success of the practice?

- If we treat physicians like employees, they will act like employees.
- If we treat physicians as business partners (and engage them in setting high performance expectations), most will act like business partners.

What kinds of cost burdens do you see hospitals placing on their owned practices that inhibit their financial performance from an accounting perspective?

- Increased employment cost (salaries, wages, benefits)
- Increased occupancy costs

How do we make the reporting in our practices meaningful in actually driving change that improves performance?

- Reporting should be individual to each site, tailored to show relevant information rather than just extensions of hospital reports.
- Reporting should be accessible and promote action and accountability.

- Do our reports drill down and create accountability at the practice level?
- Do our practice managers have usable information that allows them to identify problem areas and improve performance?
What are the objectives most hospitals and health systems have when they engage Halley Consulting Group to conduct a network evaluation?

They want to know very specifically what it takes to become:

- Operationally viable
- Financially viable
- Market leaders in their community

What benefits do clients receive from network evaluations, and why are these specific benefits important?

- Full engagement of employed physicians as partners
- Organization positioned, from a governance perspective, to have the sponsorship necessary to effect change successfully
- Gap analysis comparing performance of individual providers to external benchmarks
- Clear, concise recommendations to bring each practice and the entire network into harmony with best practices
- Quarterly action plan, prioritizing recommendations and including a timeline for implementation, along with site-specific action plans for each practice

What is the typical cost for these evaluations? What is the range of return on investment, and how soon do clients realize a return?

- Typical cost: $45 thousand to $110 thousand, depending on network size
- Return on investment: (for clients who fully embrace and properly implement recommendations) has ranged from several times the cost of the evaluation to millions of dollars
- Return timeframe: (for clients who fully embrace and properly implement recommendations) can be anywhere from five months to 18 months, with an option for a rapid improvement plan when the situation is urgent