

Six physician alignment strategies health systems can consider



Executive summary

A growing number of physician practices are consolidating, and more individual physicians are joining health systems.¹ For the first time ever, less than half of US physicians—47 percent—own their practices. While physician consolidation is nothing new, this time around it appears to be driven by the need to improve patient outcomes while reducing costs. This emphasis on value and affordability fundamentally distinguishes today's consolidation from prior years and is causing many health systems to rethink how they work with physicians.

In the early 1990s, hospitals and integrated delivery networks acquired physician practices primarily to capture new or protect existing market share for inpatient services. Many of those organizations subsequently lost money, divested, and exited the business of practice management.²

Today, affiliating with a larger organization can help physicians reduce financial and regulatory risk, and gain access to the resources and capabilities they otherwise would not be able to build or buy, according to Deloitte's 2016 Survey of US Physicians.³ Being part of a larger organization also can enable physicians to practice population health under value-based care contracts.

To better understand what health systems are doing to successfully align with physicians to deliver affordable,

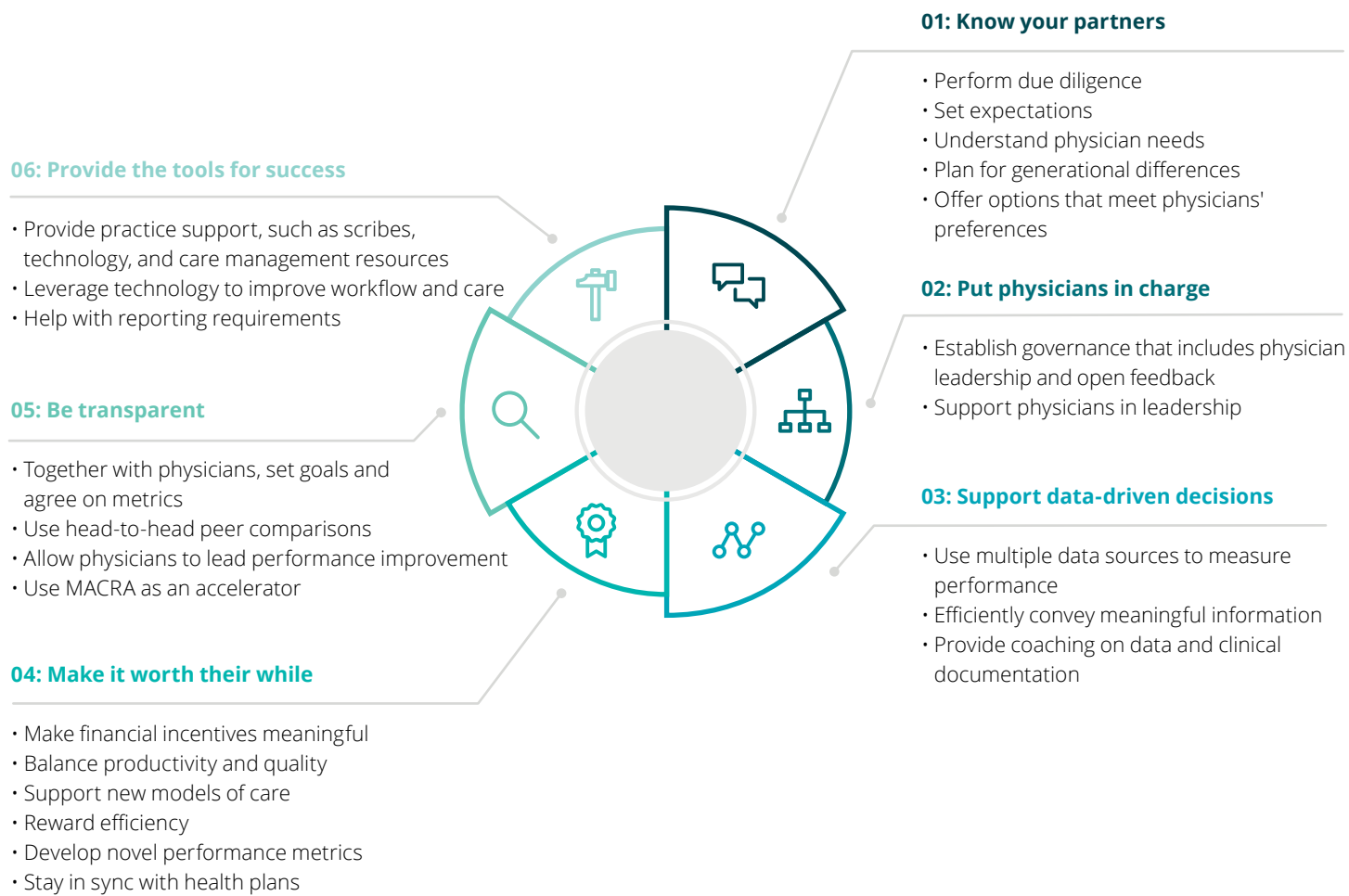
high-quality care, the Deloitte Center for Health Solutions interviewed 28 executives in leadership roles at health systems and large physician groups.

We found that embracing value can be a challenging cultural change. As health systems shift their focus from volume to value, they should concurrently address quality, affordability, and revenue objectives. Sharing data and savings with physicians could be essential to making this work. Our research uncovered other strategies that can help, such as surrounding physicians with resources for care management, quality improvement, and operational efficiencies, and aligning compensation approaches and quality metrics with those used by major health plans.

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) could serve as an accelerator in these efforts. MACRA may offer a framework for health systems, physicians, and health plans to standardize approaches for evaluating physician performance on quality and value.

Executives we interviewed agree that six strategies (see Figure 1 on the following page) can strengthen the alignment between health systems and the employed and/or independent physicians they work with.

Figure 1. Health system checklist: Operationalizing value and partnering with physicians



Introduction

There is no question that the number of small, independent physician practices is shrinking.⁴ Many physicians are consolidating to stay financially afloat, to meet regulatory requirements, to negotiate complex value-based contracts with health plans, and to access capital for expensive health information technology (HIT) and reporting investments. Respondents to Deloitte’s 2016 Survey of US Physicians anticipate that between one-third and two-thirds of remaining independents will consolidate within the next three years. However, 67 percent of all physicians, and 75 percent of independents, would prefer to be part of a clinical network versus direct employment.⁵

Consolidation could indeed be the future, but what does that mean? To some, consolidation is just another term for mergers and acquisitions (M&A). But physician

consolidation extends beyond M&A to encompass a wide range of strategies in which physicians band together or integrate clinically and financially with other stakeholders—from employed groups to independent practice associations (IPAs) to clinically integrated networks (CINs) and more—that align with health systems and health plans. Consolidation also means that health systems need a playbook for collaborating with physicians.

To gain insight into how health systems and physician groups work with their physicians, the Deloitte Center for Health Solutions interviewed 28 executives from 26 health systems and large physician groups. We also spoke with professional associations and organizations that serve both health systems and physicians.

Key findings

Health systems recognize that physicians are critical to value-based care and population health efforts

“We should have started sooner on these quality and cost initiatives rather than being forced by the government.”

—Senior vice president, hospital operations

Since alignment occurs when patient care and financial goals are shared between a health system and its physicians, the strategy for achieving those goals should be developed collaboratively.

Many health system leaders understand that they are responsible for more than delivering positive clinical outcomes; they should do so efficiently and with an eye to affordability. This value orientation defines how health systems work with physicians, according to executives we interviewed.

The focus on value emanates from demands by employers,⁶ consumers, and government programs for efficient and cost-effective care. Emerging regulations are also adding pressure. MACRA, in particular, is a game-changing law that solidifies many elements of payment reform. MACRA could push more physicians into risk-bearing, coordinated care models used by all health plans, not just Medicare.⁷

To succeed in the value-based care environment, the executives we interviewed concur that health systems and physicians should pursue the same goals: superior outcomes, lower costs, and positive patient experiences. Employing the following six strategies may aid health system-physician collaboration and alignment:

Six strategies can strengthen health system-physician alignment



01.

Know your partners



02.

Put physicians in charge



03.

Support data-driven decisions



04.

Make it worth their while



05.

Be transparent



06.

Provide the tools for success



01: Know your partners

More than half of all physicians are employed by a health system or hospital,⁸ which suggests that some markets might have a limited supply of physicians available for employment or affiliation.⁹ Regardless, health systems might consider shifting their focus from growth via physician acquisition and employment to true clinical integration. After all, not all physicians want to be employed; many of them prefer the flexibility and autonomy of independent practice.



What is clinical integration?

Several definitions of clinical integration exist,¹⁰ and each emphasizes care quality and efficiency. For instance, the Federal Trade Commission defines clinical integration as a program to evaluate and modify practice patterns by physicians participating in the CIN and create a “high degree of interdependence and cooperation among the physicians to control costs and ensure quality.” A successful clinical integration requires sophisticated approaches to manage costs and care, intentional selection and support of participating physicians, and smart investments in health technologies and resources.¹¹

Perform due diligence

Health systems and physician groups should choose potential partners carefully, say the executives we interviewed. While acquiring a 20-physician practice or employing a single physician is not as consequential as a hospital merger, similar due diligence approaches apply.

Diligence may need to extend beyond credentialing and background checks to include evaluating practice

performance metrics such as patient or procedure volume, utilization for its patient panel (emergency department [ED] admissions, use of diagnostic and specialty services), several years of financial history, payer mix, quality performance, staffing, and geographic location. Interviews with physicians and their staff—as well as colleagues in the community—can help the health system assess cultural fit.

“We have to make sure that we’re not just picking up warm bodies. There could be a great surgeon in town. We want to acquire this surgeon, but if he likes the most expensive sutures, the most expensive implants, his surgical costs are higher than everyone else’s. Do you want that person? Or do you say, ‘Hey, if you want to join and use our suppliers for lower costs, then you are a fit.’”

—President, health system-affiliated provider network

“We see differences in performance of providers new to the independent practice association (IPA) and those who have been in the IPA or employed for a long time. Today, anyone can come into the IPA. But not everyone in the IPA gets access to every single risk contract. You can come into the IPA, but you have to have the requisite baseline elements in place to perform well under value-based arrangements.”

—Assistant vice president, strategic planning, health system

Set expectations

A dialogue about expectations can help physicians understand what it means to join a hospital system or network (within the context of the current financial and quality environment as well as a vision of the future), according to our interviewed executives. And developing an understanding of what candidate physicians expect to get out of the relationship can help determine whether it is mutually beneficial.

Understand physician needs

Some health systems might not fully understand the needs of their existing employed or affiliated physicians, executives tell us. Structured needs assessment through physician surveys, along with unstructured conversations through physician liaisons, can improve this understanding. Subsequent steps can include identifying segments with distinct business and psychographic needs, as well as motivations and preferences. Doing so could help organizations develop customized approaches to achieve physician activation and desired behavior change.

Plan for differences

Our interviewees agree that generational and gender differences can influence how physicians prefer to work. For instance, younger physicians tend to be accustomed to employment and working in teams,¹² whereas many older physicians value independence and autonomy, but might view employment as a path to retirement. Female physicians, who make up 50 percent of incoming residents, tend to have different preferences for work hours and job sharing than their male counterparts.

As one of our interviewees notes of the new generation of physicians, “Even the way they use the space is different.” She says her organization tries to anticipate generational preferences as young physicians begin to replace those who retire. The organization set up modular offices in their new medical office building so that configurations could change as physicians change. “Older physicians want their own office. Younger people want that collegial approach, and they use their offices for patients to [meet] in a consultative kind of way.”

Physician specialty, academic affiliation, pediatric or adult practice, and inpatient versus outpatient focus also figure into physicians’ needs, preferences, and professional priorities.

Offer options that meet physician preferences





The executives we interviewed favor a physician alignment strategy that includes a range of options, from direct employment to loose affiliation. This approach allows health systems to develop tiered networks, where the level of physician alignment corresponds to the level of clinical integration and the physicians’ ability to perform under risk-based arrangements. Furthermore, this approach can give physicians more choice in how they can engage: options for alignment could match physician preferences, comfort levels, and ability to meet performance requirements.

A range of alignment models exists today, each with varying levels of health system support and integration (see Figure 2). Our interviewed executives were quick to point out that a multipronged approach offers flexibility—which can benefit the health system as much as the physician. Providing options for physicians to shift between loosely affiliated, closely aligned, and directly employed arrangements could become a competitive advantage for health systems, especially as near-term needs shift and long-term plans evolve.

“Bigger is probably better in many instances, but not a size that fits all.”

—CEO, practice management company

Figure 2. Range of multipronged, flexible alignment options

	<i>Loosely aligned transactional relationship</i>	<i>Mid-level alignment, preserving physician independence but leveraging health system capabilities</i>	<i>Full employment, PHO, CIN, foundation employment, hospital-owned physician groups</i>
 Governance	<ul style="list-style-type: none"> • Medical directorships • Department/program chairs • Committee participation 	<ul style="list-style-type: none"> • Clinical co-management of service lines, centers, or institutes • Focus on practice management, quality, and safety initiatives 	<ul style="list-style-type: none"> • Physicians active on board and executive team • Dyad leadership models • Shared strategic values • Formal contractual alignment via direct employment or foundation model • Physicians represented in health system leadership, shape strategy
 Finance	<ul style="list-style-type: none"> • Minimal financial linkages or risk sharing • Group practice contracts • On-call contracts 	<ul style="list-style-type: none"> • Gainsharing in specific programs • Ambulatory and ancillary joint ventures 	<ul style="list-style-type: none"> • Common payer contracting/participation strategy • Bundled reimbursement • Capitation • Physician compensation tied to payer contracts • Global capitation
 Operations	<ul style="list-style-type: none"> • Common HIT limited but growing • MSOs/PHOs provide support services: billing, labs, payer contracting, credentialing, MIPS/PQRS reporting 	<ul style="list-style-type: none"> • Integrating/interfaced EMRs • Shared services agreement for certain business functions, such as scheduling, prescription refills 	<ul style="list-style-type: none"> • Integrated information management • Singular business units managing all operations • Joint practice improvement/efficiency approach
 Clinical services	<ul style="list-style-type: none"> • Volume-focused • Quality and safety management programs in place 	<ul style="list-style-type: none"> • Delivery systems provide continuity of care • Organizational commitment to quality and safety 	<ul style="list-style-type: none"> • Value-based/ACO delivery model • Clinical effectiveness is core competency • Population-based care



02: Put physicians in charge

“Once you have agreement on what is important, the other stuff becomes a tactical solution.”

—Chief medical officer (CMO), physician group

Most of the executives we interviewed say it is a mistake to treat physicians as employees or contractors. Accountability for outcomes can be achieved when physicians are equal partners—or even when physicians take the lead. This moves them from alignment to activation.



Physician activation

occurs when health systems and physicians are motivated and encouraged to change behaviors through deliberate and structured engagement. The powerful combination of behavior change and aligned incentives can help organizations motivate their physicians to be the driving force behind improving care, patient experience, and efficiency.¹³

Establish governance that includes physician leadership and open feedback

According to our interviewed executives, a robust governance structure is an imperative—from identifying and cultivating physician leaders to moving physicians from the exam room to the board room.

Many of the health system leaders have concluded that a physician-led structure is most effective. Organizations may approach this differently, but the underlying principle is that physicians have a voice and are empowered through formal and informal channels. Executives describe some tactics that help these governance arrangements work:

- A physician leader may be paired with a business leader in a dyad model.¹⁴ In some variations, the physician leader *outranks* the business leader.
- Elected physician leaders might outnumber business leaders within a health system’s physician group. Business leaders might have supermajority rights when it comes to budget, brand image, and payer contracts, but a minority presence on all other issues.
- The business leader may have veto power that is exercised only after the physician perspective has been presented and considered.

A strategy that includes open communication and continuous feedback is critical. Many organizations see value in setting up committees to plan and implement strategic initiatives. This helps to engage physicians by giving them authority to drive change. Usually, such committees are organized by service line, and meetings are held before or after working hours. Physicians might receive a small stipend for participating. Health systems also might use town-hall and department meetings to engage physicians.



Rationale for physician-led governance: An administrator's perspective

"There was once a pervasive attitude when business people told physicians, 'You don't need to worry about the management piece, we'll take care of that.' This is a very myopic view. There are many great physicians who have built great practices and understand the market the way that non-physicians do not. If you don't have the foresight to bring in these docs and give them a voice and anticipate they will see things differently, then you're missing part of the puzzle. We feel that, yes, I may be the president of the executive council, but I don't want to make decisions in isolation. I have veto power, if it's something I feel is mission-critical. But if I'm going to go against the grain, I need to know that my position is stronger than theirs."

—President, health system-affiliated provider network

Support physicians in leadership

Some organizations are beginning to invest in physician leadership development. For many, this is new territory. One CMO described how the health system reorganized its physician group from "a chaotic structure of 100 elected department chairs" to a "workable number of 25 medical directors." Another CMO told us about partnering with a business school to develop "a mini MBA in practice management" specifically for physicians. The hospital leader of the future ought to be a physician, according to this CMO. Making the program available to department chairs and line physicians gets the health system one step closer to this vision.



03: Support data-driven decisions

Despite the proliferation of data, many physicians do not have access to insights that can support clinical and care management decisions. The Deloitte 2016 Survey of US Physicians shows that 35 percent of all physicians do not receive any care pattern information, and only 16 percent use data in making referrals. Yet, 90 percent of surveyed physicians consider care pattern information to be useful.¹⁵ Organizations we interviewed try to fill this void and have seen results both with their employed and independent physicians. Even without an electronic medical record (EMR) system, physicians can perform well on quality and cost measures if they are armed with the right data reports.

Use multiple data sources to measure performance

Dashboards shared with physicians typically include a combination of quality and efficiency measures, such as Healthcare Effectiveness Data and Information Set (HEDIS) scores, ED and hospital utilization, urgent care referrals, specialty referrals from primary care providers (PCPs), and patient experience. Health systems use multiple sources to assemble these data points, according to our interviews. Sources can include EMRs, health information exchanges, patient surveys, claims data, and information from the Centers for Medicare and Medicaid Services (CMS).

Efficiently convey meaningful information

Health systems should try to make information meaningful and actionable. Interviewed executives say they do this by identifying the most relevant data points and metrics by service line, while striving for a uniform approach for defining and displaying the data. "The intent of dashboards is to make this easy ... to make one stop," says a physician leader from a large regional system. Many executives emphasize that dashboards need to be different to meet the needs of various practices and specialties. They also should be easy for the physician to access without having to log out of one system and into another. Dashboard development is often seen as an iterative process among system administrators, vendors, and users.

Provide coaching on data and clinical documentation

Clinical documentation is becoming increasingly important for care coordination, data reporting, and reimbursement. Several of our interviewees say physicians typically do a good job with procedure coding, but less so with diagnosis coding. States one, "The chore of a diagnosis code is to order a test, or for legal reasons, so physicians choose codes that get the work done. But what suffers is intensity and specificity." However, physicians tend to be receptive to training and coaching on clinical documentation, especially when the impact on patient care and reimbursement is clearly communicated. "Doctors have to be convinced it's in their best interest to take documentation seriously," says an interviewee. Documentation integrity not only supports accurate and consistent performance measurement, it is critical to value-based reimbursement.



04: Make it worth their while

“Employed or independent, you need to align incentives somehow.”

—CMO, large medical group

Designing and aligning incentives that support population health activities and encourage physicians to embrace value-based care is on the mind of nearly every executive we interviewed. Many say their approaches are still evolving, but note that they want to push compensation models further to support health outcomes and align physician and health-system goals.

We found that the principles for aligning incentives are consistent across physician specialties, regardless of whether physicians are directly employed or affiliated with the health system. Health systems have developed a variety of practices that tie physician compensation to value.

Make financial incentives meaningful

Several executives stress that incentive payments need to be significant. The CEO of a large medical group describes a compensation model where physicians can earn a bonus worth more than 25 percent of their total compensation. Bonuses are awarded for “high-quality, high-efficiency patient care.” If a physician does not meet the bonus criteria, the funds are redirected to that physician’s department or allocated to peers. The CEO says that this value-oriented compensation model requires ongoing education, and adds that being clear, consistent, and open about quality and efficiency metrics is central to its success. Bonus criteria are revisited annually, through a compensation committee comprised of physicians, so that “physicians decide what will be in the bonus program.” Criteria are then discussed at a department level, which allows feedback and adjustments to be integrated into the program. Agreeing upon metrics for success is necessary for this type of model to work.

An experienced physician leader suggests that health systems take a measured and collaborative approach to designing quality-based compensation plans. “It takes time to generate trust with physicians. Two percent isn’t much and isn’t meaningful. But you work together to get to this figure” with the attitude that “our goal isn’t to take your money, but to give you money.” We heard similar sentiments from more than one executive that the approach has to be gradual, collaborative, and focused on the financial upside rather than penalties.

Balance productivity and quality

We heard that achieving a balance of productivity and care quality is possible, even while moving away from fee-for-service (FFS) reimbursement and migrating to value-based care. Many health system executives say they intend to implement value-based compensation programs with physicians if they have not implemented them already, and expect to increase them significantly in the near future.

The quality component of physician compensation is expected to increase from today’s range of 5 to 15 percent to as much as 50 percent, according to our interviews. Some executives say the performance bonus has already reached 30–40 percent for PCPs and 25 percent for specialists. This trend is more common among organizations that have a large portion of revenue tied to value-based contracts.

Some interviewees say productivity measures are useful in any reimbursement system. One health care executive describes a model in which a low-performing salaried physician could be temporarily transferred from salary to relative value units (RVUs), a system for productivity-based compensation, if “he spends too much time on the golf course.”

“We’ll never get totally away from how hard someone will work, how many calories they burn; that’ll always have to be part of the program.”

—CEO, practice management company

Support new models of care

Now is the time to experiment with new models of care, and with them, different models for compensation, say the executives we spoke with.

Some health systems are moving the production component of compensation from RVU to panel size. “I don’t want to constrain my physicians to office-based E&M [evaluation and management visits] as the only way to get paid,” states one physician executive. “I want to open up this creativity for physicians to think outside an FFS model, and encourage open thinking, such as ‘what is the best venue to deal with this patient’s need’ versus ‘what venue do I have?’”

Lessons from bundling program participation have helped, especially in tracking outcomes and costs across the continuum of care. One executive says that orthopedic surgeons “were using different kinds of cement. Some units of cement were \$300, some were \$4. [Orthopedic surgeons] would get scorecards showing whether they’re aligned with lowest cost of care or not.” The program reduced supply costs by \$3 million per year, and the savings from the first year went back to the department.

Some organizations not only tie specialist compensation to bundles or care episodes but also make specialist costs and outcomes transparent to referring PCPs. When value is measured, reported, and shared, high-cost specialists may no longer find themselves in demand, according to the executive. “Primary care physicians will change their referral patterns,” especially as patients complain about high deductibles and large out-of-pocket costs.

Reward efficiency

Some health systems have successfully incorporated billing and operational metrics into their physician compensation models. Physicians who submit charges late might receive only partial credit, resulting in “a reduction in cash” for that service, one executive tells us. Or metrics might be put in place for emergency specialists and hospitalists to track indicators such as throughput, timely discharges, timely signing of charts, length of stay, or readmissions.

Develop novel performance metrics

We also heard about experimentation with novel metrics in tying compensation to performance, including:

- Rewarding specialists for sending a consult note back to the referring PCP
- Managing utilization in specialty conditions (e.g., tracking utilization of high-cost drugs with low survival benefits, palliative care, and crash dialysis starts*)
- Making specialist performance data (e.g., cost-per-case or various measures of quality) available to PCPs to influence referral patterns and specialist behavior
- Tracking opportunities for medication cost reduction (e.g., reports to PCPs that include currently prescribed drugs, prescriber, cost to the health system, cost to the patient, and lower-cost therapeutic alternatives)
- Following evidence-based guidelines for imaging (e.g., adopting guidelines to curb overuse of potentially unnecessary high-cost services)
- Capturing patient-reported outcomes, such as pain measurement before and after surgery, or improvement in functional status
- Completing mandatory training that addresses clinical needs or performance deficiencies

Stay in sync with health plans

Interviewed executives agree that a health system’s strategy must be in sync with evolving payment model requirements if forward-looking, value-oriented compensation systems are to succeed. A gradual transition from traditional to performance-based compensation is ideal, but health systems should stay in step with health plans’ readiness to shift.

Understanding the overarching goals of value-based payment metrics can help health systems design a physician compensation model that can mesh with multiple health plans, even when specific metrics change from health plan to health plan, or from year to year.

* A crash dialysis start describes a situation when a patient has had little-to-no care from a nephrologist prior to starting dialysis and dialysis is initiated in an unplanned fashion, often when the patient is in distress.



05: Be transparent

"If you can't measure it, you can't improve it" is a common maxim in management.¹⁶ But it is the transparency in measurement that can drive accountability and accelerate performance improvement. Nearly all the executives we interviewed support the idea of transparent decision making and performance reporting, and have either implemented or are in the process of implementing these programs.

Together with physicians, set goals and agree on metrics

Executives note that performance metrics should appeal to physicians on multiple fronts. The story behind a chosen performance metric should speak to physicians' compassion by demonstrating the impact on patients. This can include improved outcomes, lower out-of-pocket costs, and improved patient experience (see the Intermountain case study on page 16). Performance metrics also should appeal to physicians' intellect and pride by spelling out financial and/or operational impacts on the organization or department (such as revenue, actual or potential cost savings, denied claims, performance on CMS measures) and effects on physicians themselves (e.g., bonus opportunities and quality performance against benchmarks and peers).

While it takes time to select the metrics and to communicate how the metrics are connected to what physicians do, most interviewed executives concur that "if you show the same data to an administrator and a physician, they'll both come to the same conclusion."

Use head-to-head peer comparisons

Nearly all the executives we interviewed agree that data can be exceptionally powerful in influencing physician behavior. Transparent peer-to-peer comparisons play to physicians' natural desire to excel, states one executive: "Once you give them the information, they all move to where they need to be."

Allow physicians to lead performance improvement

The physician leader is the primary liaison with line physicians at all the organizations that participated in our study. Often, it is the physician leader's responsibility to discuss performance data with individual physicians, departments, and practices. The physician leader helps them develop performance improvement plans and deploys the resources necessary to implement those plans. For such conversations to be constructive, physician leaders say they approach them as coaching opportunities. One leader asserts it is important to help physicians succeed. "You don't ever want to tell a doc that they're doing a bad job. They may be doing stellar with other patients who aren't in our contracts."

Some organizations also have designated staff to work with physician practices around performance improvement.

Use MACRA as an accelerator

For organizations that haven't yet implemented quality and efficiency measurement for their physicians, MACRA could serve as the intellectual rationale for doing so. And for organizations that have been cautious about instituting performance metrics with direct peer comparisons, public reporting of physician performance could establish a precedent and accelerate efforts.

"We post cost and quality scores behind glass in the lunch room. [It] took two years to figure out this system. Data is down to the practitioner's name. We told the docs, 'You need to know what the world already knows about you.'"

—CMO, health system-owned flagship hospital



06: Provide the tools for success

Even as care models are changing, practice workflows, tools, and resources available to physicians are not always keeping pace. Health systems—in partnership with physicians—should design workflows that support population health and new care models. Organizations in our study approach this task in a variety of ways.

Provide practice support

Interviewed executives offer numerous examples of practice support activities, such as professional practice management staff, coaching for improved patient communications, scribes, and access to centralized services and emerging technology. Through their IPAs, some health systems provide a full suite of practice management services to help independent physicians run their practices. With this type of organizational backing, physician practices have more options to improve operations. They might “close the practice to new patients and reassess in three months,” or “maybe a really busy doc needs two medical assistants,” or “a surgery practice needs a second scheduler,” according to one executive we interviewed.

Some health systems provide EMR access to all affiliates, no matter how many of their patients are served by the health system. Of course, organizations can do more EMR optimization for employed physicians than for independents. And for major EMR systems, access to a vendor’s private health information exchange may be available, which can facilitate care coordination across many providers using the same system in that market.

With growing recognition that a traditional practice setup is not optimized for population health activities, many health systems are developing ways to support physicians by giving them access to additional staffing and technology resources. For instance, at some organizations, care-management staff has full, real-time access to EMR systems. They receive alerts when a patient is in the ED, can add and act on reminders, enter notes, and send orders to physicians for sign-off.

Leverage technology to improve workflow and care

EMRs have become the default workflow tool for physicians, interviewed executives admit, but usability problems are a source of frustration for clinicians. Several executives speak of prioritizing efforts to reduce physician burden associated with EMRs. A few describe formal initiatives to reduce the time clinicians spend charting in EMRs.

Other solutions, both inside or outside EMRs, can support better clinical decisions around care transitions by bringing relevant real-time data to physicians, such as point-of-care decision support. Several health system executives are incorporating care pathways directly into their EMR workflow and are finding ways to make that information, as well as cost and quality data, useful and relevant for their clinicians.

Advanced digital technologies may offer some answers. For instance, voice recognition could become the scribe of the future, and natural language processing and artificial intelligence could one day perform medical coding. Health systems with access to capital and technological expertise are well-positioned to take advantage of these innovations.

Help with reporting requirements

Multiple studies show that physicians are ill-equipped to meet MACRA requirements.¹⁷ Our research confirms that independent physicians are nervous about MACRA. At the time of our interviews, executives familiar with independent physicians' sentiment about MACRA describe it as ranging from complete ignorance to panic.

In addition to education, several interviewed organizations offer solutions to help independent physicians meet government reporting requirements. Such a solution might include access to an EMR system

that supports quality reporting, recommendations about the number and type of measures to report, or the IPA/MSO organization "will crunch their numbers and report on their behalf under those practices' tax identification numbers (TINs)," in the words of a health care executive we interviewed.

By being a go-to source for independents, health care systems have the potential to expand their physician networks, strengthen alignment with physicians, or at least earn their goodwill.



Examples of how health system leaders support physicians to improve performance

Health system executives are using a wide range of strategies to help their physicians improve:

"A physician from my group will shadow a member doc for half a day and give a critique and talking points. We have a team of people to work with the physician office and staff. They hold learning sessions with physicians. We offer training on empathy, engagement, also training for the office staff, and talk about patient experience in a particular setting. We monitor which office might not be doing so well in a certain area and identify where they can improve; whether that's engaging a patient when they come in, listening to their complaints, or how the phone is answered."

—CEO, health system-owned IPA

"All docs have care managers available. High-volume practices have an embedded care manager. They have capitation dollars, so they can think outside the box. Does this patient need a home visit? If so and it's a full-risk patient, they can provide it even if it's not individually reimbursable for that individual patient."

—CMO, health system-owned medical group

"An entire team is working on physician engagement and burnout. We know national stats on physician burnout, but don't know department by department in our organization. We are surveying all 1,600 docs to get a baseline, so we can measure changes. We are doing redesigns in EMR to help the day-to-day workflow for docs. We track docs using the EMR in off-hours—we call it 'pajama time.' If a physician is spending too much time, we do an intervention. [We are] also using scribes. And testing whether these initiatives are making a difference. So far, redesigning the EMR is getting us the biggest bang for our buck. Next most effective is ensuring appropriate staffing—anything we can do to ensure docs are spending less time on anything clerical that maybe an RN can do."

—CMO, health system-owned physician group

How do health systems achieve value with their physicians?

In this paper, we identify successful strategies some health systems have used to improve the way they collaborate with physicians to deliver better value to patients. In each instance, the organization and its physicians worked together throughout the process, from identifying the issue to developing and executing the strategy to sharing in the success. The two cases that follow exemplify successful health system-physician alignment.

“If we can get physicians in this country to accept and own accountability for resource use ... we must ensure that incentives for physicians are lined up.”

—CMO, large physician group



Marshfield Clinic: Patient experience and affordability are top priorities

Wisconsin's Marshfield Clinic is among the largest private, multi-specialty group practices in the country, employing nearly 700 physicians. The organization also owns ambulatory surgery centers, imaging facilities and labs, and a provider-sponsored health plan.

Three priorities underlie the strategy for Marshfield's physician group:



Great patient access

(so that Marshfield becomes a magnet destination)



Excellent patient experience



Affordable health care

The focus on affordability is a work in progress. Marshfield's first step was to create an awareness of the issue and its importance to patients, the community, employers, and to Marshfield's own health plan.

Borrowing tools from its health plan, Marshfield's in-house business intelligence unit analyzed the state's all-payer claims database for resource use by specialty on a risk-adjusted basis. To understand cost-related issues that the clinic can affect, it began with a high-level view, asking “as we benchmark ourselves against other organizations or other benchmarks, how can we appropriately reduce resource use without compromising quality?” From there, the organization examined specific practice patterns to identify opportunities for increasing efficiency. The organization also identified individual physicians who outperform or underperform benchmarks for particular episodes.

Affordability metrics are part of compensation for PCPs, but only a small number of practitioners are at risk of being penalized. As Marshfield's chief medical officer sees it, “We incorporated these metrics in such a way that the only people that we want to face a stick [rather than a carrot] are those in the extreme tail of the distribution curve. We don't want to apply a financial stick; this is more to send a message. We shifted that way so that we rely now more on intrinsic motivation.”



Intermountain: Increasing safety, lowering costs, and delivering value in births¹⁸


In 2001, Intermountain Healthcare in Salt Lake City, Utah determined that deliveries induced before 39 weeks tended to be longer, more complicated, and were associated with a significantly higher number of medical complications for newborns. In partnership with its physicians, the health system implemented protocols to limit the number of inductions that took place before 39 weeks, unless medically necessary.

The protocol called for a nurse to complete a checklist that summarized medical appropriateness criteria. If the patient did not meet the criteria, the nurse informed the physician that an approval from the chair of the obstetrics department, or from a perinatologist, was necessary.¹⁹

As a result, the rate of inductions **before** 39 weeks has fallen to

2% 

(the lowest in the country)²⁰

Among other benefits: 

Utah has the **lowest** rate of cesarean sections in the US



VS.



The program has contributed to Utah having the **lowest** C-section rate for low-risk pregnancies



VS.



As a result of generated resource efficiencies, Intermountain is able to support approximately **1,500 additional** deliveries per year without adding beds or nurses

Admission rates to the neonatal intensive care unit (NICU) have been **reduced**



The program saves Utah residents approximately **\$50 million** a year²¹

Conclusion

Surrounding physicians with the right resources for care management, quality improvement, compliance, and operational efficiencies is a work in progress. For many health systems, doing so will require additional investments in people, resources, and technology. To prioritize these investments, health systems should partner with physicians to assess their current operational and clinical needs and their organization's position compared to leading industry practices.

We heard from our executive interviews that top strategies apply regardless of the type of physician affiliation, employment, or alignment model. Therefore, what should health systems consider as they develop their physician strategy for success in value-based care?

Look beyond a binary employment-or-independent view

Most of the leaders we spoke with feel that health systems will continue to grow through employment but agree that maintaining a flexible approach can provide more options for both the health system and physicians.

Strategic considerations, including local market characteristics, can help health systems evaluate the merits of physician employment, affiliation with independent physicians, or a multipronged approach that combines elements of each. MACRA is expected to accelerate the move toward performance-based reimbursement, and it can also provide the background to bake performance metrics into physician compensation.

Ask the right questions

Crafting an effective physician alignment strategy requires a thorough evaluation of a health system's operating model, market presence, and clinical and support capabilities, as well as a procedural review that goes beyond compensation. Questions to ask may include the following:



Have we engaged with the right physicians, in the right locations, with the right performance levels?



Do we have an adequate mix of PCPs and specialists to effectively coordinate care and manage costs for our patient populations?



Can current capacity keep up with population dynamics, patient access, and market demands?



How does our physician network compare to that of our competitors on cost, quality, and market positioning?



How are traditional and nontraditional competitors in our market engaging with physicians (e.g., super-IPAs, national practice management companies, CINs, large medical groups)?



Do we have the right care navigation and steerage patterns to meet patients' needs and support our clinical strategy?



Are there efficiencies to be gained with our ambulatory services footprint through consolidation or reconfiguration?

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Project team

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