



**SIMPLE BUT POWERFUL SOLUTIONS THAT PRODUCE RESULTS**  
**Physician Alignment is Not an Option**  
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**Simple But Powerful Solutions That Produce Results** has championed a central theme: FOCUS (Strategy) + EXECUTION + LEADERSHIP = RESULTS. In this issue, we suggest a careful review of your **Physician Alignment Strategy**.

### **The Importance of a Physician Alignment Strategy**

Hospitals influence consumer and physician preference. Partners, customers and frequently competitors, *physicians determine access to, demand for, and the location and method of delivery of healthcare services.*

A vibrant, renewable, accessible physician community capable of meeting current and future needs is critical to the success of any community and its hospital.

### **What's Driving Physician Behavior? Here is a partial list.**

Traditional practice arrangements are becoming increasingly unattractive:

- Practice requirements have become harder to meet; shortages in many specialty areas compound the problem.
- Payer requirements are increasingly onerous.
- Professional satisfaction levels and stature has been diminished.
- Physician expectations are changing for seasoned as well as new physicians.
- Practice economics are less and less attractive.
- Practice equity (the retirement fund) has become a myth.

Scale and leverage are becoming increasingly important to ease practice/lifestyle demands, improve practice economics, and respond to current reform initiatives.

New reform initiatives are likely to increase demand, require clinical and business integration among physicians and between physician and hospitals.

### **Why Must Hospitals Take the Initiative?**

- Physicians are disinvesting rather than building their practices and reducing commitments to call and service coverage.
- Productivity has diminished in direct proportion to external demands; physicians often lack the time or ability to self-organize.

- Developing a portfolio of services and alternative practice models is difficult, time consuming and costly.
- Physicians lack the investment capital necessary to create infrastructure required to support multi-physician practices.
- A single model of support such as employment may not be sufficient to meet the needs of a diverse physician community.
- Quality improvement and efficiency initiatives are dependant on aligning physician and hospital incentives.
- If a hospital doesn't help its physicians thrive, someone else will or they will disappear.

### **The Key Strategic Question**

Given the level of investments in time and capital required, to create an effective strategy, it is important to define expected outcomes. Is the strategy focused on?

1. Filling a limited number of current vacancies?
2. Meeting current and anticipated shortages to support existing service levels.
3. Recruiting new physicians to support growth or addition of new clinical programs.
4. Creating a fully integrated hospital and physician network, or
5. Some combination of the above?

### **Basic Elements Of The Portfolio Of Services To Support A Physician Alignment Strategy**

To support any initiative beyond a “liaison” function, the portfolio must include a full range of practice management services. This core service capacity will permit support of individual or group of physicians with varying appetites for control, risk, and practice management responsibilities. The core service is likely to be organized as an independent entity. While it could be owned by physicians or jointly, it is clear that the initial investment for this capacity will come primarily from a hospital.

### **The Core Service - Physician or Management Service Organization – The Clinical and Business Management Engine:**

1. Practice Management Services (Turnkey or ala Cart)
2. Information/Care Management System
3. Electronic Medical Record With Connectivity
4. Scheduling/Calendarng
5. Patient Access
6. Contract Negotiation And Management
7. Recruitment Assistance

A range of **available Relationship Structures or Vehicles** facilitates working with independent physicians as well as those seeking tighter integration or employment arrangements. They include:

1. Support Services or Liaison Unit

2. Joint Venture Vehicle(s)
3. Employment Vehicle(s)
4. Independent Contractor Arrangements (hospital based physicians, call coverage)
5. Market Based Contracting Vehicles

The portfolio of services must be able to deliver as promised. Careful deployment of these services avoids disappointment, anger and costs. There will be few second chances.

Actively involving physicians in the design, development and possibly management and /or governance of the service company and relationship vehicles is critical to success.

### **Threshold Questions ...**

Physician alignment, support, and/or integration strategies during the 80's were designed to create contracting leverage. More recently, clinical and business integration efforts were aimed at performance improvement and gain sharing. Previously "safe" integration arrangements such as IPAs established in the 80's and 90's are now being challenged by stepped up federal or state anti-trust enforcement. Given the difficulty of designing, paying for and executing these strategies, hospital and physician leaders should be aligned on:

1. The expected outcome to be achieved.
2. The clinical portfolio that will get you there.
3. The number and types of physicians and other practitioners required to support the desired portfolio.
4. The physician partnering relationships required to recruit and retain the needed physician base.
5. How you align your physicians with your approach.
6. The capital and human resources required to establish and maintain these structures and relationships.
7. Whether the proposed approaches meet legal and regulatory tests.
8. The fall back strategy.

### **Like To Explore These Ideas Further?**

Call us at 201 656 1004 or send an email to [ehindin@hhadvisors.com](mailto:ehindin@hhadvisors.com) and we'll schedule a time to talk at your convenience. And we invite you to visit our [website](#) for additional [resources](#) and [case studies](#) that may be of interest. We welcome your comments and suggestions about this publication, our point of view or topics you would like to see explored.



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