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Improving the Performance of Your Physician Network

Are your physician practices experiencing deteriorating performance due to the economic recession? Are the continued threats of reduced reimbursement rates keeping you up at night? Are you a health system or hospital that has recently embarked on employing physicians and is experiencing subsidies of over \$100,000 per doctor? If you answered yes to any of these questions, you are not alone. Both small and large employed physician networks are exhibiting less than optimal financial and operational performance, which makes it difficult to thrive in challenging environments. Some common characteristics of underperforming networks include:



Read Robert Hill and Craig Holm's newsletter "Reducing Subsidization of Employed Physicians"

- Compensation structures that fail to adequately reward operations and financial performance improvement
- Lack of meaningful performance information available to provider
- Inadequate practice and provider promotion and marketing
- Insufficient office hours
- Excessive (and in many cases redundant with corporate overhead allocations) practice staffing levels
- Inadequate billing and collection performance
- Excess space, inefficient use of facilities, or poor access

Performance Improvement: Phase by Phase

While external obstacles such as the economy and potential health care reform are impossible to eliminate, practice managers and physicians can undertake activities to better position practices for the road ahead. A thorough performance improvement process can be used to identify the strategic, financial, and organizational initiatives that have a high probability of improving clinical practices and still provide high-quality patient care.

Read Craig Holm, Kathy McCarthy, and Paul Brucker's article "Physician Employment: A Win for Providers and Physicians"

A four-phase process ensures that the performance improvement activities are thorough and identify long-term initiatives as well as quick fixes.

Phase I: Complete a Strategic and Operations Assessment

The first phase of the process is a thorough review of the current performance of the network and the objectives it is trying to achieve.

- **Audit** - Conduct an operations audit comparing performance to median- and high-performance benchmarks in categories such as revenue and expenses, productivity, staffing levels and mix, and target group size and mix
- **Interviews** - Interview physicians, management, and staff
- **Projections** - Review current financial projections and underlying assumptions
- **Operations Assessment** - Conduct an operations assessment that identifies operations and systems impediments to productivity
- **Strategic Objectives** - Clarify the practice's strategic objectives. Is the practice looking to grow, maintain, or decrease its current size? Would the practice like to develop a presence in new geographic locations?

Read Maria Finarelli and Nivi Pillai's article "Pay for Performance: Here to Stay"

Phase II: Develop Major Initiatives and Financial Projections

It is typically useful to begin this phase of the process by categorizing the revenue and expense categories that were reviewed in Phase I as *avoidable* or *unavoidable* due to fixed commitments or defined strategic value to the practice and the communities served. The graphic below shows examples of what would be considered avoidable versus unavoidable performance factors.



Source: Health Strategies & Solutions, Inc., 2009

Once the performance factors have been categorized, Phase II should commence. The major activities involved in this phase are:

- **High-return initiatives** - Based on the information gathered during Phase I, identify high-return initiatives that will address avoidable performance factors and improve the overall financial and operational performance of each physician practice; initiatives may include revised incentive compensation plans, practice distribution and composition revisions, changes to staffing mix and levels, elimination of redundant infrastructure, alternative medical practice delivery models (e.g., more extensive incorporation of extenders, rotation of specialists in practice sites, expansion into new business ventures such as occupational medicine, executive health, other medical practice changes), fee schedule/collection processes revisions, increased practice promotion, and practice divestiture

- **Practice scorecards** - Make decisions regarding practice divestitures by developing scorecards for each physician practice and evaluating them based on the information gathered in Phase I. the scorecard could, for example, be based on a scale of 1-5 and the decision criteria could be:
 - **<10 points = Divest**
 - **10-13 points=Probation**
 - **14+ points=Retain**

Example Physician Practice Scorecard

Category	Components	Score
Strategic Priority	Hospital and community need (specialty-specific) Precludes competitors Fit with hospital and health plan initiatives	5
Financial performance targets achieved		4
Other productivity measures achieved	RVUs NMR	3
Growth potential	Historic growth rate Physician entrepreneurial/practice building qualities	2
Fulfills coverage requirements		2
Alienation factor	Future competitive threat	2
Other	Quality indicators Group practice potential	1
Total Score		19
Decision		Retain

Source: Health Strategies & Solutions, Inc., 2009

- **Revised projections** - Develop revised financial and productivity projections based on targets that will result in a reduced subsidy per physician

Phase III: Organizational Structure Evaluation

After the major initiatives and financial projections have been developed the practice should conduct the following activities:

- **Organizational structure** - Review the current organizational structure and management positions and responsibilities
- **Comparison to targets** - Compare these organizational components to performance targets and practice objectives
- **Refinement of structure** - Determine, based on benchmark comparison and interviews, if refinements need to be made to the current organizational structure or leadership responsibilities in order to successfully implement the major initiatives

Phase IV: Implementation and Communication Plans

Once the first three phases of this process have been completed, the practice should have a very clear set of goals, initiatives, and targets for each physician. The focus of Phase IV is implementation. The best plans will never produce results if the action items and responsibilities are not well communicated. The following activities involve the development of implementation and communication plans for the

performance improvement process:

- **Work groups** - Initiate work groups, if necessary, to address specific operations improvements, divestitures, incentive compensation refinements, or medical practice delivery refinements that have been identified
- **Resource requirements** - Identify the resource requirements and action steps needed for each identified major initiative
- **Accountability** - Assign individual responsibility to each action step
- **Communication** - Develop a communication plan that will educate all relevant parties about the targets and initiatives established for the next few years

These four phases have been implemented at physician practices across the country and have resulted in immediate and lasting performance improvement. Columbia-St. Mary's Community Physicians in Milwaukee, with over 130 employed physicians, elected to increase practice promotion, instituted physician accountability, and improved patient access and billing/collections. In 18 months, the network reduced the overall practice subsidy from \$10 million to \$3.5 million. Health First's employed network of 120 physicians in Florida evaluated alternative organizational structures, developed a financial performance improvement plan, and created and applied divestiture criteria, resulting in financial performance improvement of \$6 million in a two-year period.

Steep and ongoing losses from networks of employed physicians no longer need to be considered standard operating procedure. A performance improvement process can identify the strategic, financial, and organizational initiatives that will improve the operational and financial performance of clinical practices without alienating physicians.

Suzanne Borgos is currently on maternity leave. For more information on performance improvement of physician networks, contact [Craig Holm](mailto:Craig.Holm@hss-inc.com) at 215-399-1899 or cholm@hss-inc.com



Suzanne Borgos



Craig Holm



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Philadelphia, Pennsylvania | Bonita Springs, Florida | Vienna, Virginia | Parker, Colorado | Ann Arbor, Michigan | San Francisco, California | Clifton Park, New York

8 Penn Center
1628 JFK Boulevard, Suite 200
Philadelphia, PA 19103
P (215) 636-3500
F (215) 636-0399
www.hss-inc.com

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