The Academy conducts research on key strategic areas of most interest to the largest health systems. High priority topics in 2015 are innovation, consumer and patient engagement, evolving payment models, enterprise risk, and health policy. As a key element of facilitating the integration of innovations into care delivery, engaging patients and their families, and taking on more risk, The Academy viewed physician alignment as an ideal topic for research. Through conducting 26 interviews with executives at the largest health systems, The Academy examined how health systems are developing and implementing physician alignment strategies to prepare for the transition from volume to value-based delivery of care.

Key Findings

- Over the course of 2015, executives expect to increase their number of employed physicians by 9% (from 1,100 to 1,200).
- Top challenges for physician alignment include: improving physician leadership, changing culture, building the physician network, and aligning compensation with population health goals.
- Most (86%) physician compensation plans include an average of 18% of compensation allocated to value-based measures.

Profile of Participating Health Systems

Representative of the various regions of the U.S.

Average Net Patient Revenue

$4 BILLION

Own or operate 380 hospitals with 71,166 beds

54% 65% 35%

Have a Provider-Owned Health Plan Single-State Systems Multi-State Systems

Network Development: Expanding and Integrating Pluralistic Medical Staff

As health systems move towards greater care coordination and managing the health of patient populations, they are increasingly focusing on moving care to outpatient settings and growing their provider network, particularly for primary care. Consistent with this trend, the largest health systems anticipate increasing their numbers of employed physicians from a median of 1,100 in 2014 to 1,200 by the end of 2015.

However, the costs to acquire physician practices (e.g., buying and maintaining the facility and equipment), shortage of primary care physicians, and leakage of patients to outside organizations are just a few of the challenges health systems are facing as they expand their network.

“We are more aggressively employing mid-levels than primary care physicians. Primary care is increasingly pushed toward the use of physician assistants and nurse practitioners.” (COO)
With health systems experiencing rapid growth and expanding geographically into other states, integrating pluralistic medical staff and creating consistency across the health system presents a major challenge.

“We’re working to become much more standardized in what we do. We don’t want to become cookie cutter, but we do want to go to things that are industry-accepted and protocols that make sense.” (CFO)

Paralleling the anticipated increase in employed physicians, health systems recognize the importance of having a medical group leader with both a medical background and business expertise. Nearly all health systems have a physician leader overseeing their medical group(s) with several health systems having both an administrative (e.g., Chief Administrative Officer) and a physician leader (e.g., Chief Medical Officer) that jointly lead the employed medical group.

“We have had trouble finding a physician with business skills. So, we started with this diad structure because physicians don’t like to report to non-physicians.” (CEO)

Moving to Value-Based Delivery of Care: Shifting Culture

“Our biggest challenge is building the culture and competence for the transition to value-based care. There is a battle going on for the hearts and minds of physicians.” (CMO)

As health systems continue to move towards value-based delivery of care, educating and engaging physicians, particularly those that are independent, remains challenging.

“Assisting physicians to move into a world where they are rewarded for keeping people healthier and returning people to health, rather than how much they treat patients. It’s easier with employed. We have more face time, and we can change the compensation model easier and more rapidly—not necessarily a greater willingness, just a difference in our degree of freedom when working with them.” (CSO)

One executive commented on how the rapid pace of change occurring in healthcare is causing additional strain on their relationship with employed physicians.

“We’re concerned about the general stress on physicians due to the rapidity of environmental change and transformation—the regulatory burden, stress, and burnout of our medical staff.” (CMO)

With health systems often having pluralistic medical staff, integrating physicians and creating consistency across the health system can be challenging.

“it can be challenging navigating the mix between the independent and employed physicians so that there is a fluid care continuum for our patients.” (CFO)

“There are three buckets of physicians. The younger physicians who are in tune to change and able to leverage technology—embracing it—they’re the future. The older group is just trying to make it to the finish line, and they don’t want to participate in anything that changes how they have been practicing for the last 30 years. The group in between—they’re going to be around for a while before they can retire but they are angry about having to change. They are going to resist it. Finding people who can lead physician alignment—that’s really tough.” (COO)
A strong medical group leader, paired with an effective leadership structure, is crucial for aligning diverse medical staff around the health system’s strategy.

Health systems with academic centers, in particular, are working towards greater organizational alignment.

“We have challenges with aligning academic, research, and patient care missions—the balance of the business side versus the academic side of healthcare.” (CNO)

**Physician Compensation Models: Rewarding Physicians Based on Performance**

With the gradual transition to a shared-risk environment, health systems are beginning to develop and move towards pay-for-performance models, particularly for their employed physicians and those that participate in their CIN or ACO.

“We are in a transition phase—working on an alternative model for specialty physicians and then primary care. By 2016, we hope to have an alternative model with value-based metrics.” (CMO)

The majority of health systems (86%) have some percentage (average: 18%) of physicians’ compensation dependent on value-based metrics (e.g., HCAHPS, Press Ganey surveys). One health system executive noted this compensation model, based on performance, only applies to service line leadership and some division heads.

“We have score cards that have 4 quadrants: quality, patient experience (e.g., HCAHPS), efficiency (e.g., clinic wait time), and work culture (e.g., safety attitude questionnaire). We believe our physicians do have impact on commitment of the staff. Our employed physicians have incentives to be aligned with all four quadrants.” (CMO)

“It is important to get the right leadership structure, so that each physician connects to the local practice site, to their like specialists in the system, to administrative leaders, and up through the health system. How the individual attaches depends on their legacy, culture, and practice size and type, and we need to keep the best custom attributes while defining one practice group.” (COO)

**H2C Commentary**

At Hammond Hanlon Camp LLC (H2C) we believe that physician alignment continues to be one of the most critical components of health system strategy as the industry responds to the rise of consumerism and the increasing reallocation of risk among its participants. This installment of the Academy-H2C Strategic Survey illustrates how the complexity of designing and deploying physician alignment strategies is multiplied by the variation in physician practices across the healthcare continuum.

Building consensus for clinical best practices and changing behavior to incent the adoption of standards — standards that in many ways will define a health system’s brand — can be painstaking processes requiring the investment of considerable time and resources. In addition to physician compensation systems, incorporating physician leaders into the management and governance of the health systems where they practice has demonstrated its effectiveness in unifying members of the medical staff in the support of common health system goals.

The Q3 Academy-H2C Strategic Survey demonstrates that the Academy’s health system members are moving rapidly to develop or acquire the capabilities necessary to align with physicians in a variety of settings under a number of risk and payment models.
Methodology

In July 2015, The Academy conducted the fourth round of its quarterly strategic survey among 26 senior health system executives, including: CEOs, COOs, CFOs, CMOs, CNOs, and CSOs. The survey for the interview consisted of: (1) a tracking section that provides insight into trends around primary strategic areas; (2) a special topic area that allows for an in-depth look into a timely, developing issue.

The tracking section of the survey is comprised of questions related to strategic priorities, consolidation, quality and costs, consumer engagement, market share, and the evolving payment model. Innovation, consumer engagement, ambulatory and real estate strategies were topics of previous surveys.

The Health Management Academy, “The Academy”

The Academy is a leading research and analysis company serving the largest 100 health systems that own or operate 1,800 hospitals. The Academy provides services to the C-suite, including research, analytics, health policy, consumer research, fellowship programs, and collaboratives.

Hammond Hanlon Camp LLC, “H2C”

Hammond Hanlon Camp LLC (“H2C”) is an independent strategic advisory and investment banking firm committed to providing superior advice as a trusted advisor to healthcare organizations throughout the United States. The company traces its heritage back almost 30 years through its predecessor organizations, including Shattuck Hammond Partners.