Physician Relationships: Strategies for the Future – A Trustee Point of View

Robert V. Reece
Estes Park Institute Conference
Naples, FL
December 4, 2007

Overview

Premises
- Perspective on Physician Marketplace Trends
- Opportunities – Realignment of Physician Relationship Strategy
- Developing a Physician Relationship Strategy
- Summary

Premises
- Market forces in play that will dramatically change healthcare
- A Hospital is more than Physicians, but it can’t be better than its Medical Staff
- Historic compact between Physicians and Hospitals is broken
- New Physician Relationship Strategy / Model essential
- Physician Relationship Strategy must fit Hospital Strategy
- No silver bullets – it will be a journey
- Board Leadership essential:
  - Ask the Right Questions
  - Keep the Organization focused
Key Questions

- Do we have the right mix of physicians to support our short-term and long-term strategies?
- Do we have the right Physician Relationship Strategy for the future?
- Do we have the right balance between short and long-term priorities?
- Do we have the right structures and processes for working with physicians to address short and long-term strategic priorities?
  - Who speaks for physicians?
  - What’s the Board’s role in working with physicians?

Perspective on Physician Marketplace Trends

Presenting Issues – Hospital Point of View

- Physicians competing for every profitable niche
- No loyalty - $ drives everything
- Specialty turf wars
- Lukewarm support for key Hospital initiatives
- Block growth, e.g., closed Medical Staff
- Different expectations / needs – late career vs. early career physicians
- Conflict of interest in meetings
- Communications – no one reads / comes to meetings
- Medical Staff structures and processes not working – leaders can’t lead
Presenting Issues: Physicians’ Point of View

- Common complaints include:
  - Physician collegiality rapidly disappearing
  - Hospitals bureaucratic / inefficient – costs time and money
  - Hospitals don’t really understand Physician needs and don’t really care
  - Hospitals waste resources on Programs / Services that detract from Physician / Patient needs
  - Hospitals intruding on the private practice of Medicine
  - Physicians not appropriately involved in decision making
  - Poor communications from Management
  - Next generation (Physicians) needs / wants out of line
- Specific problems vary dramatically by Specialty
- Problems can vary dramatically by individual Physician

Physician Marketplace Trends

- Growing shortages – demand chasing supply:
  - Pipeline
  - Lifestyle
  - Subspecialization
- Patient expectations of physicians changing and growing
- Mid career / late career physician lifestyle deteriorating:
  - Economics — Prices ↓, expenses ↑
  - Prestige
- Physician utilization of and needs from Hospitals changing:
  - Hospital not the “Hub” of physician world any more
  - Primary Care increasingly office-based
  - Many Proceduralists gravitating out of Hospital

MD Reliance / Need for Hospital Involvement
Physician Marketplace Trends

- Physician to Physician relationships / expectations changing:
  - PCPs of Specialists and Hospital-Based Specialists
  - Specialists of each other — Boundaries blurring
  - Generations ramped by Specialists and Subspecialists
- Hospital needs / demands from Physicians going up — standardization of practice compromises traditional independence:
  - Quality / Patient Safety
  - Productivity / Throughput
  - Customer Service (patients and employees)
- Hospital compensation to Physicians growing:
  - Departmental leadership
  - Service Line leadership
  - ED call
- Hospital employment of Physicians growing:
  - PCPs
  - Specialists
  - Hospitalists / Intensivists

Implications – Physician Marketplace Trends

- Next generation of Physicians want a new Model:
  - Income
  - Lifestyle
- Solo, Small Private Practice Groups in jeopardy
- Future for Private Practice requires large(r) groups – leverage essential:
  - Physician extenders
  - Access to ancillary revenue
- Mid to late career Physicians frustrated and furious
- Hospitals caught in the middle – something needs to change
- Traditional Medical Staff structures and processes unable to tackle new challenges

Opportunities – Realignment Of Physician Relationship Strategy
Overview

- Holy Grail: finding the right model for integrating strategic and economic interests:
  - Physician with Physician
  - Hospital with Physician
- Challenge: utilizing the appropriate processes to engage your physicians to come up with the right strategies / tactics
- No silver bullets

Key Physician Relationship Variables

<table>
<thead>
<tr>
<th>Structure of Private Practice market:</th>
<th>Hospital Operating Condition:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solos and Small Groups</td>
<td>Full vs. 1/2 empty</td>
</tr>
<tr>
<td>Mid to Large Groups</td>
<td>Physical Plant / Technology</td>
</tr>
<tr>
<td>Mega Single-Specialty Groups</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>Mega Multi-Specialty Groups</td>
<td>Culture – Experience curve with new Hospital / Physician initiatives:</td>
</tr>
<tr>
<td></td>
<td>Employed PCPs / Specialists</td>
</tr>
<tr>
<td></td>
<td>Hospitalists / Intensivists</td>
</tr>
<tr>
<td></td>
<td>Joint Ventures</td>
</tr>
<tr>
<td>Geography – Physician Utilization / Privileges at competing Hospitals:</td>
<td></td>
</tr>
<tr>
<td>None / Low</td>
<td>Culture – Commitment to Independent Medical Staff</td>
</tr>
<tr>
<td>Low / Moderate</td>
<td>Trust / Confidence in Management</td>
</tr>
<tr>
<td>Moderate / High</td>
<td></td>
</tr>
<tr>
<td>Medical Staff characteristics:</td>
<td></td>
</tr>
<tr>
<td>Age mix</td>
<td></td>
</tr>
<tr>
<td>Average / Good / Great</td>
<td></td>
</tr>
<tr>
<td>Conservative / Entrepreneurial</td>
<td></td>
</tr>
</tbody>
</table>

Current Tactics in Play (Portfolio Model)

- Private Practice support
- Leadership compensation
- Physician Relations Plan
- Hospitalists
- Intensivists
- ED coverage payment
- PHO redux
- MSO redux
- Employment
- OWAs (Other Weird Arrangements)
  - Gainsharing
  - Participating Bonds
  - Hybrid Participating Bonds
  - Joint Ventures
  - Ancillary Leases
  - Buy / Lease Back Deals
  - Service Line Management
Hospital / Physician Integration Evolution

Physician Relationship Strategy Components

Physician Manpower Plan
Traditional Medical Staff Model Outmoded

<table>
<thead>
<tr>
<th>YESTERDAY</th>
<th>CURRENT</th>
<th>FUTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three-legged Stool</td>
<td>Three-legged Stool Retooled</td>
<td>[Diagram]</td>
</tr>
</tbody>
</table>

Physician Involvement with Hospital Decision Making Audit

<table>
<thead>
<tr>
<th>Issues</th>
<th>Input Process</th>
<th>Involvement with Decision Making</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Firms</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource Allocation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Lines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physician Relations Plan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Developing a Physician Relationship Strategy
Premises

- Difficult to do under best of circumstances – build consensus for change
- Must be done in context of Hospital Strategy
- Process critical – must engage next generation as well as mid to late career Physicians
- Get the diagnosis right before debating treatment plan
- Traditional structures and processes not appropriate for the task
- Ad Hoc Task Force(s) chartered by the Board – critical to get the right answers and to provide political cover for Management

Process Overview

**PHASE ONE: Get the Diagnosis Right**
- Develop understanding of physician needs / wants by specialty:
  - Use group vs. solo interviews
- Assess needs / wants in context of Hospital Strategy
- Assess needs / wants in context of current Physician (Portfolio) Strategy
- Prioritize issues to be addressed

**PHASE TWO: Identify Potential Treatment Plan(s)**
- Designate Board chartered Ad Hoc Task Force(s) to address issues

**PHASE THREE: Develop Physician Relationship Strategy and Execute**

Chartered Group for Strategy

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Physician Advisory Group</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician needs and wants</td>
<td>Clinical Strategy</td>
<td></td>
</tr>
<tr>
<td>Hospital strategic needs</td>
<td>Inpatient / Outpatient Growth</td>
<td></td>
</tr>
<tr>
<td>Community needs</td>
<td>Centers of Excellence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recruitment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Facilities / Technology</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Linkages / Affiliations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality Improvements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Physician Relationship Strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Practice Support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment Strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shared Revenue / Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Input to Decision Making</td>
<td></td>
</tr>
</tbody>
</table>
Summary

- Market forces in play that will dramatically change healthcare
- A Hospital is more than Physicians, but it can’t be better than its Medical Staff
- Historic compact between Physicians and Hospitals is broken
- New Physician Relationship Strategy / Model essential
- Physician Relationship Strategy must fit Hospital Strategy
- No silver bullets – it will be a journey
- Board Leadership essential:
  - Ask the Right Questions
  - Keep the Organization focused