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High-Performing Employed Physician Networks

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As health systems and hospitals seek to strengthen their market positions by adding new lines of business, exploring affiliation opportunities, and implementing other strategic initiatives, they frequently need to add physicians to their employed network to help accomplish these goals. Investments in care management and population health infrastructure also may require physician recruitment and practice acquisition.

The benefits of these acquisitions include a larger physician base to care for underserved populations; increased patient panel sizes, which can be profitable under certain capitation arrangements and lay the groundwork for future care delivery models; and downstream hospital revenue. However, increased physician employment also means increased concern over the magnitude of subsidies necessary to sustain the network.

CURRENT SUBSIDY LEVELS ARE UNSUSTAINABLE

CEOs and leadership teams generally accept that subsidies are required to operate their physician networks and achieve the strategic benefits they provide. However, many health systems have found that the level of subsidies required has increased to a point that is significantly higher than expected, which is causing them to increasingly question whether the strategic benefits fully offset the losses. Many physician networks will reach a point where subsidies will simply no longer be feasible for the health systems, particularly given financial pressures in the industry.

CHARACTERISTICS OF HIGH-PERFORMING PHYSICIAN ENTERPRISES

Subsidies and losses can be reduced by ensuring that the physician enterprise performs as efficiently and effectively as possible, using compensation models that provide appropriate and effective incentives, structured orientation programs for new physicians, and streamlined office operation. More specifically, approaches used by high-performing physician enterprises include the following.

- **Compensation models that reward physicians for their work and reduce pay for underproduction.** This is the most important step in minimizing losses. Tying a portion of compensation to quality-of-care indicators helps to further align the goals of the physician and the organization as both move toward a value-based system.
- **Effective orientation programs for new physicians.** Topics covered may include hands-on training in an electronic health record system, a review of the organization's coding and billing processes, and an introduction to physician leadership committees with whom the physician will work and communicate.
- **Streamlined office workflows.** As the traditional single-specialty office setting with few providers shifts to multispecialty settings with primary, specialty, and ancillary services, streamlined workflows are key to high-functioning practices. These workflows may take the form of advanced clinical practitioners working to the highest level of their licensure and nonclinical staff working to the highest level of their training/capabilities, cross-training staff to increase patient throughput, and providing training for the effective use of technology. An office manager should oversee office operations.
- **Sharing of performance data.** Clinical, operating, financial, and other performance data should be shared with employed physicians on a regular basis. Such data sharing enables physicians and the hospital/health system to review and monitor key indicators and collaborate on initiatives to improve individual and overall performance.

A structured approach to physician enterprise performance that includes these features offers an opportunity for long-term financial performance improvement of employed physician networks.

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