Thinking like a physician

Five ways for health care executives to engage physicians in value transformation

New reimbursement models intensify the pressures on health systems to do more with less. Functioning in the tightening fee-for-service environment—while simultaneously navigating the transition to value-based care—has been likened to running treacherous rapids with each foot in a different canoe.[1] But wherever a system is on the volume-to-value spectrum, mastering the fundamental calculus of value is key to survival.

It's been estimated that physicians drive up to 80 percent of clinical costs,[2] so success in either scenario requires unprecedented alignment between health systems and their physicians. Physicians didn't go to medical school to study "value." Executives must understand, and take steps to meet physicians' goals for professional, personal and financial well-being so that all parties can find common ground—and common interests—in achieving their health system's vision of value-based care.

$$\text{Value} = \frac{\text{“Health outcomes”}}{\text{Cost of delivering care}}$$

“Achieving high value for patients must become the overarching goal of health care delivery, with value defined as the health outcomes achieved per dollar spent.”[3]

Reimbursement: the root of new strategies for collaboration

Components of physician alignment solutions

Bundled payment

Coordinated care and aligned incentives among caregivers based on cost, quality and episodic efficiency

Gainsharing

Focused program to engage active physician support and leadership on optimal utilization of high-cost, high-use supplies and other direct costs

Employment

Integration and alignment of physicians into a health system

Professional services agreement

Contractual alignment between physicians and a health system

Co-management and service line agreement

Contractual alignment that engages physicians to provide certain services for the betterment of a service line

Joint ventures

Equity partnerships between hospitals and physicians in certain services

Strategic planning Service line-specific planning to provide a road map for future success

In the 1990s, the industry expected a mass movement to risk-based contracts and capitated income that didn't materialize. Many health systems purchased physician practices, reasoning that this structure would foster a "… partnering attitude. This was not true; something different resulted. [Because] hospitals failed to partner with physicians in many ways, both financially and in decision-making … the attempt at integration and alignment in the '90s essentially failed."[4]

Today, physician employment is making a comeback in the challenging health care landscape. It's joined by other, new alignment options. Health systems now have a larger, more sophisticated menu of provider alignment solutions. Gainsharing, professional service agreements, co-management and other relationship structures are all available now, alongside physician employment, to incentivize physician engagement. One size doesn't fit all. What works best is to tailor options and incentives to specific market demands, health system goals and prospective partners' appetites.

New market forces and regulatory scenarios create new alignment strategies. Health systems now have a greater variety of solutions that can be tailored to meet their needs.

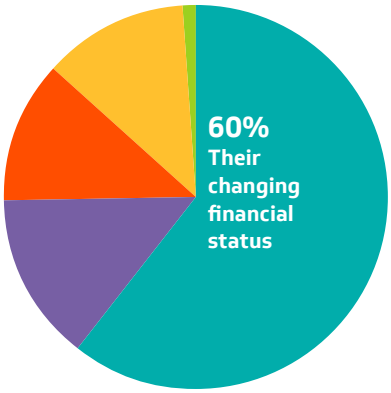
Common ground: framing the alignment discussion

Virtually all current and evolving alignment strategies reflect the reality that reimbursement is marching inexorably from rewarding volume to rewarding value. It's a new world in which clinical quality and patient outcomes determine reimbursement for all parties. Well-managed clinical processes and quality results—which drive reimbursement for physicians and health systems alike—are the new prerequisites of provider alignment.

All parties are in the same boat, and executives in high-performing health systems know how to leverage this. They frame the alignment discussion in ways that frankly acknowledge the necessity of physician participation in clinical and cost management and the benefits of physician support for these efforts. These executives embrace the need to "think like a physician" and approach it from the physicians' perspective.

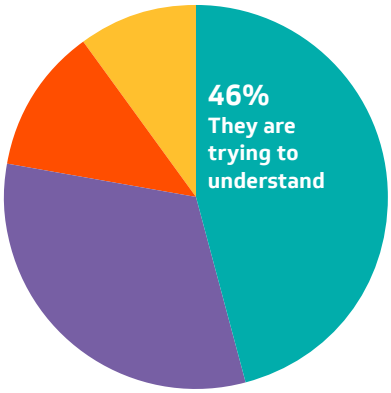
Surprisingly, such executives may be in the minority. According to the 2014 HealthLeaders Media Industry Survey, relatively few executives (just 23 percent) think that enhanced support for physicians should be a benefit of alignment. In contrast, 68 percent expect alignment to improve clinical and financial performance, while 56 percent believe it will produce greater physician buy-in to care redesign.[5] But is it realistic to expect greater physician buy-in and improved performance without offering better physician support? Clearly, the time has come to approach alignment with heightened expectations of how it will benefit one of the key stakeholders: physicians (Figure 1).

Figure 1. Health care executives' perspectives of physician alignment



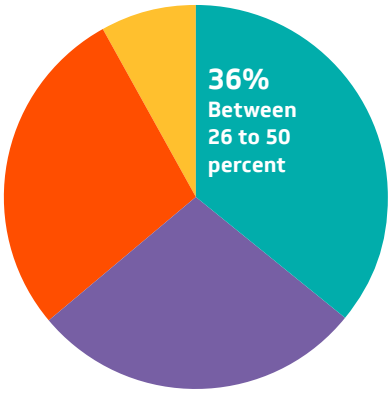
What are physicians most concerned about today?

60%	Their changing financial status
14%	Lack of influence on health care system strategy
12%	Their changing role
12%	Frustration of information technology
1%	Clinical metric fatigue
0%	Dramatic increase in what they must know clinically
0%	Excitement of new discoveries and possibilities



How do your physicians feel about accepting/sharing risk?

46%	They are trying to understand
32%	They have no interest in having risk
12%	They are ready to embrace
11%	They are already embracing this opportunity



What percentage of your physicians are you economically aligned with?

36%	Between 26 to 50 percent
28%	Less than 10 percent
28%	More than 50 percent
9%	Between 10 to 25 percent

Source: Reference 1.

Engagement: what physicians want from health care executives

Industry experts who work directly with clinicians to facilitate physician-directed change management processes find that physicians are more likely to engage with executive teams who do the following:

1. Articulate a vision for transformation that is compelling, coherent and consistent.

Physicians who understand the health system's strategy and direction, and their role in it, are more likely to get behind it. Executives must make the case for transforming the delivery system to a focus on value. Frank, transparent and evidence-based discussion is needed to build consensus and gain trust. No topic is off-limits: scope, governance model, timeline for implementation, resource commitments, stakeholder obligations and success metrics. When executives support the vision with data—such as the impacts of reimbursement trends and solid market analytics at a granular level—they build credibility and trust. Just as important, they create common ground for collaboration.

Physicians respond well to a value proposition that has clear benefits for them and their patients. They are generally open to alignment opportunities that incentivize certain behaviors, when it can be shown that those behaviors will positively affect their patients and advance the physicians' professional, personal and financial goals.

For example, a large not-for-profit health system in the Southwest had the opportunity to become an affiliate in a prestigious, branded national cardiovascular network. Participation centered on developing 12 commercial bundled episodes of care. By conducting data-based analyses of risk and reward for the bundled episodes, the health system engaged physicians in evaluating the opportunity on common, data-based ground. The result was rapid agreement from all physicians involved in the episodes and full medical staff approval within 90 days. The enterprise has been successfully launched, creating a strong foundation for further collaboration in additional bundles as the market dictates.

Even (or especially) in the face of a success such as this, the importance of consistency in leadership can't be overstated. Physicians are well aware that the CEO turnover rate exceeds 18 percent per year.[7] They know they can wait out the current leadership and the "strategy du jour." It's important that all administrative, financial and clinical leaders—and the board—demonstrate visible and genuine commitment to seeing the vision through in the longer term.

2. Align executive and physician leaders on key initiatives.

As reimbursement shifts from volume to value, there's a shared incentive for providers to improve cost and quality results. Physicians stand to benefit from measurably improving their own cost and clinical outcomes under the Physician Quality Reporting System and the Value Modifier incentive/penalty. This is a tremendous to frame quality and cost improvement initiatives as a positive for physicians and their patients, as opposed to yet another administrative or regulatory mandate that saps physicians' limited time.

Hospitals are notorious for having abundant data but no actionable information. A key to success is timely, credible, easy-to-access performance data that supports objective exploration of clinically unnecessary variations in care that add no value. Physicians especially look for data feedback on their performance relative to their peers. Most want clearly defined goals they can measure themselves against. Relevant, credible "single source of truth" data helps strike a balance between traditional physician autonomy and adoption of evidence-based care.

One example common to most health systems is managing the cost of physician preference items (PPI). Frequent trips to this cost-reduction area have wearied almost everyone. Certainly, physicians are turned off when discussions of a device or pharmaceutical focus solely on cost (the health system's concern) rather than on clinical efficacy (the physician's concern). They also feel like the executive leaders aren't stepping up to difficult decisions or developing the necessary infrastructure (such as realistic vendor-access policies).

Industry experts find a direct correlation between how a health system approaches PPI cost management and the savings achieved. A process that leverages five primary drivers has been found to achieve greater results. The higher the number of levers used, the greater the success. When all five drivers are present and leveraged, the process can exceed savings potential by up to 21 percent. As drivers are diminished, so is success (Table 1).[8]

Table 1. Leadership + analytics = success in cost management

Cost management drivers for physician preference items

1. Executive engaged in entire process
2. Physicians engaged in the process
3. Physicians incentivized to participate (not necessarily financial)
4. Full set of clinical, financial and cost data shared with stakeholders
5. Hospital's willingness to remove noncompliant vendors and/or make tough decisions

Other contribution factors: adherence to an aggressive timeline, communication with physicians throughout the process, history of project implementation, culture.

Number of drivers implemented	Savings potential achieved
5	121%
4	91%
3	85%
< 3	59%

A physician- and data-driven process allows hospital executives to revisit PPI in ways that matter to clinicians.

When all five drivers are present and leveraged, PPI cost savings can exceed projected potential by as much as 21 percent.[8]

Source: Reference 8.

Discussions are evidence-based and focus on patient severity, clinical outcomes, peer comparisons and other factors of interest to physicians throughout the episode of care.

Credible, well-packaged data enable objective discussions and save time for everyone involved in the process. One industry supply chain executive emphasized the role of a robust data set in guiding physician leaders in their decision-making:

"We get down to product level, outcomes data, data on comparative from a peer-to-peer position, which has helped us work with our physicians to say, 'What is best for the patient? What's best from an outcome standpoint and is the product that you're using comparable?'...You give the physicians good data and you can drive change."[9]

3. Understand and respond to physicians' "pain points."

Executives sometimes underestimate the importance of operational efficiencies to physicians. As a result, physicians feel that executives just aren't listening to their concerns and frustrations.

For example, a busy orthopedic surgeon who can't get his cases through the operating room efficiently is unlikely to be interested in attending a meeting about the cost of total knee replacements in response to the new Comprehensive Care for Joint Replacement initiative from the Centers for Medicare & Medicaid Services. Likewise, slow lab turn-around times due to clogged cath lab schedules frustrate physicians because they are inefficient and they compromise patient care.

Operational efficiency directly benefits physicians because it protects their time. Listening to physicians' legitimate pain points, and responding to them, can reap great rewards. Everyone—patients, physicians, hospital staff—wins when legitimate concerns are addressed and corrected in a way that is practical and sustainable in the long term.

4. Involve physicians in designing governance structures.

Value-based reimbursement models increasingly look to link the cost of new patient care technologies to quality, efficiency and outcomes. Doctors are essential to improving care processes, managing cost and increasing efficiency. So why wait to involve them? Trust, alignment and engagement are possible when physicians are co-opted from the get-go.

"Physicians have a professional obligation to make decisions that they believe are in the best interests of their patients; accordingly, physicians should have an active role in organizational decisions that will affect their ability to provide care."[10]

For example, Vanderbilt University Medical Center sought a governance structure that includes physicians in leadership of cost and quality improvement initiatives. To structure peer oversight of PPI purchase and use, physicians proposed the Medical Economic Outcome Committee as a "clinician-driven process that standardizes and utilizes evidence-based, clinically sound, financially responsible methodologies for introduction or consolidation of new supplies, devices and technology within the medical center to provide the highest quality of patient care."[11]

Two workgroups (surgical subspecialties and cardiology/radiology) each include 10 physicians and six senior administrators. Clinically, they rely on meaningful analytics that underpin a transparent, evidence-based process to facilitate evaluation and adoption of optimal technologies for patient care. Financially, the committee leverages data to evaluate the cost-effectiveness and financial impact of new PPI. A stated goal is "empowering clinicians to standardize procedures, identifying reimbursement for new healthcare technologies before their introduction, improving the institution's capital budget, and utilizing benchmark data to compare financial outcomes."[11]

The committee's results are twofold. Financially, Vanderbilt lowered PPI costs by 11 to 26 percent depending on the product category, an annual savings of almost $9 million for the first two years of implementation. From the organization's perspective, the committee set the stage for further collaborative decision-making regarding clinical utilization and peer-to-peer benchmarking.[11] Establishing productive forums such as the Medical Economic Outcome Committee, in which data-based discussion and ongoing evaluation of clinically unsupported variations in care and cost take place, will serve every organization well in any reimbursement model.

5. Help physicians develop the skills to take on leadership roles.

A big part of incorporating physician leaders into the organization's governance is helping them succeed in areas where they may have few skills. Physicians know medicine but may not understand market dynamics or the implications of episode- of-care reimbursement. They may need some help to feel confident and function at their highest and best level.

"[As a physician] you are not born with leadership skills any more than you are born with cardiac surgery skills; you have to develop them."[12]

To address this, health systems use a variety of approaches to physician leadership development. These range from bringing "Health Care 101" education presentations to physicians on relevant topics (e.g., the Affordable Care Act, local market analyses, bundled payments, the Physician Quality Reporting System and the Value Modifier) to more sophisticated efforts such as formalized leadership training "academies." The point is to facilitate knowledge and skills development and enable physician leadership in change management, strategic thinking, quality improvement and financial management.

One key to putting a foot on this path is to identify a range of current and potential leaders for development. The path of least resistance for executives is often to keep going back to the same handful of physicians who have been supportive and easy to work with. This leads to burnout and can even undermine the credibility of the "collaborative" physician among his peers. A better approach is to nurture a range of physicians—across generations, specialties and personalities—with well-designed incentives for participation.

Conclusion

No current trend points away from a move to value-based care reimbursement. Health systems and, increasingly, physicians have skin in the game under this scenario. Virtually every value-based model requires low cost and high quality, which can only be achieved with physician support.

As health care executives consider alignment strategies that will help drive success, they will do well to examine their approaches in light of the physicians' perspective. After all, everyone's in the same boat.

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Biographies

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Martin Lucenti is an emergency medicine physician who practiced at Northwestern Memorial Hospital, where he served as clinical operations director before becoming vice chair of clinical operations. His unique background couples medicine and operational engineering. Lucenti holds a bachelor of science degree in systems engineering and computer science from the University of Virginia. He completed the Medical Scholars Program at the University of Illinois, where he earned his MD from the university's College of Medicine and a PhD in industrial engineering from the College of Engineering. He completed his emergency medicine residency at Harvard Medical School, where he served as chief resident. Lucenti has served in the National Guard since graduating from college. He has been deployed three times to Iraq and has also been deployed to Afghanistan. Lucenti continues to serve in the Vermont Army National Guard, for which he is currently the acting state surgeon.

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