

How Does Your Physician Enterprise Measure Up?

Viewing Your Physician Enterprise
as a Critical Strategic Business Unit



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Strategic business units are expected to contribute to a system's overall performance, generate value critical to the organization's success, and drive market distinction. Failure to recognize the physician enterprise as a strategic business unit and vital component of the integrated clinical enterprise is increasingly untenable for most health systems. Intensifying financial pressure on health systems means that they can no longer sustain underperforming medical groups or accept losses as inevitable or "the cost of doing business."

It is time to acknowledge the physician enterprise as a critical strategic business unit and major contributor to the health system's strategic, operational, and financial performance — with resultant expectations for how the physician enterprise is organized, led, and managed.

The COVID-19 pandemic has exacerbated the financial weight and operating loss impact of many — if not most — physician enterprises. For integrated health systems, the median investment per employed physician increased by 24 percent in 2019, from \$225,000 to \$279,000.¹ In the wake of the public health crisis, physician practice revenue declined by an average of 55 percent.²

Many organizations are seeing operating expenses of the physician enterprise increase at higher rates than the net revenue of the full health system, indicating that losses are likely to continue growing without focused intervention. In addition, health systems are increasingly focused on addressing provider burnout and trauma, workforce challenges, and healthcare disparities in their communities. At the same time, they are facing increased competition and are developing strategies that rely heavily on partnership with the physician enterprise. **Health systems simply cannot achieve their strategic, mission-critical goals and much-needed bottom-line improvement without tapping into the full potential value of the physician enterprise — value that includes and goes well beyond direct patient revenue.**

Case Study

A Northeastern health system with \$1.5 billion in revenue and 500 employed physicians faced physician enterprise operating losses of \$20 million, on top of nearly \$90 million of institutional support to the physician enterprise. The level of institutional support for the physician enterprise was approaching 12-14 percent of health system net patient revenue and nearly 50 percent of physician enterprise net patient revenue. With this level of financial support, there was little available for capital projects or investment in system growth.

A comprehensive assessment revealed an opportunity to improve physician enterprise performance by \$25 million, or 25 percent of the total opportunity identified for this health system. This improvement opportunity was greater than the revenue cycle opportunity identified and significantly dwarfed the identified supply chain opportunity.

Figure 1: Growing Interinstitutional Support for Physician Enterprise

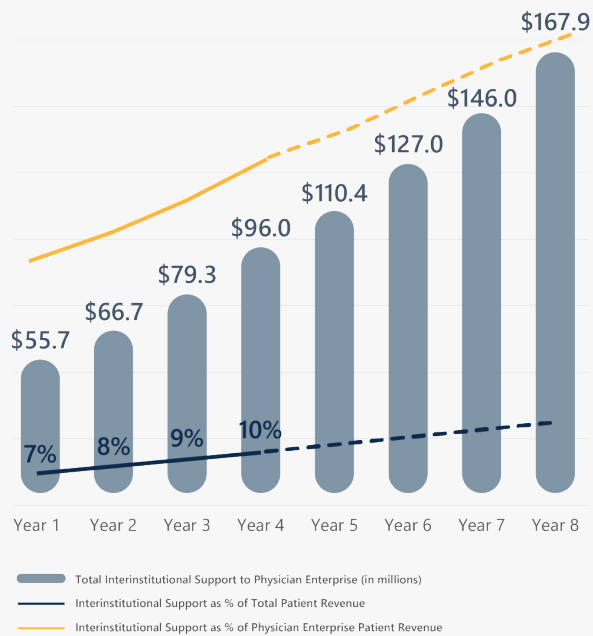
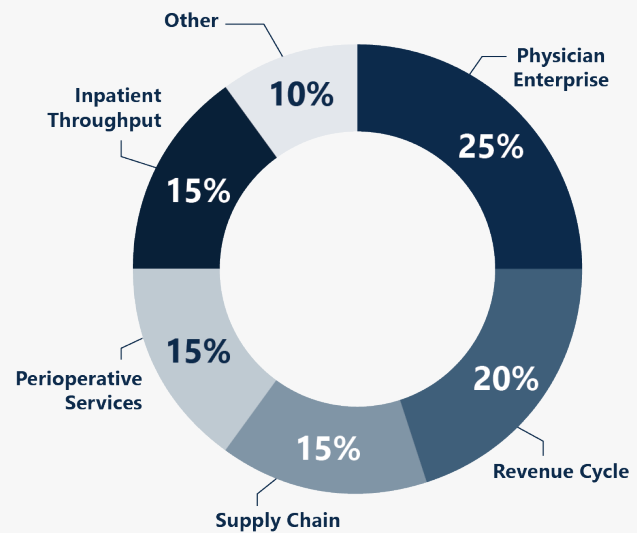


Figure 2: Physician Enterprise Performance Improvement as Percent of Total Health System Improvement Opportunity



Optimizing the Physician Enterprise

Achieving necessary and sustainable strategic, operational, and financial performance requires the physician enterprise to be managed and operated as a critical business unit, with clearly defined expectations and leadership who report directly to health system executives and are accountable for meeting strategic goals, operating standards, margin targets, and performance metrics. This is a huge shift for most organizations, requiring:

- Higher levels of alignment and collaboration between physicians and their administrative partners.
- Redefined governance structures.
- Leadership roles with clearly defined and understood performance goals.
- Physicians who are skilled at leading and actively engaged as accountable owner-operators.

While the impacts of an underperforming physician enterprise may be felt as financial (“we’re losing too much on our medical group”) or operational (“patients cannot get in to see our physicians”), there is a strong likelihood that multiple factors are contributing to these results. The following framework describes the key dimensions and characteristics of the optimized physician enterprise.

Figure 3: Key Dimensions of the Optimized Physician Enterprise



CONSUMER-FIRST ORIENTATION

At the core of the optimized physician enterprise is the consumer, defined as current patients and families, future patients, and referring providers. The organization reflects a “consumer-first orientation” in every decision and designs every communication, process, support structure, and care model with the patient in mind. Health systems that address consumer preferences and empower patients as active members of the care team see improvements in patient experience and loyalty, health system reputation, referrals, and new patient volume growth.



ALIGNMENT & LEADERSHIP

When the physician enterprise and health system are strongly aligned, both operationally and financially, shared expectations and accountabilities drive improved clinical, financial, and operational performance. **The organization actively develops strong physician leaders, contributing to a culture of trust, transparency, and shared success — which ultimately boosts performance, talent retention, and consumer satisfaction.**



FINANCIAL/OPERATIONAL MANAGEMENT

The optimized physician enterprise effectively manages operations and deploys resources to achieve target financial and operational results. By implementing consistent processes and standards across locations and specialties, the organization delivers a superior and reliable patient experience and optimizes revenue capture. By implementing consistent provider compensation and incentive structures, organizations create alignment with desired behaviors, strategic priorities, and performance expectations; they also support an engaged provider community.



STRATEGIC PLANNING & EXECUTION

The optimized physician enterprise has clear competitive advantages: a superior clinical reputation; consumer-centric access; a digitally forward consumer experience; and a well-honed approach to value-based care/population health. How do leaders build and nurture these strategic advantages? They succeed through deliberate visioning and planning; thoughtful provider network development; attention to the cultural, operational, and technical enablers of the core strategy; and intentional focus on target outcomes (e.g., market share growth, clinical distinction, and attraction and retention of excellent providers).



CARE DELIVERY MODELS & QUALITY

Through innovative care models that address evolving consumer expectations, the optimized physician enterprise succeeds in delivering superior care and experience. A team-based approach in which all care team members work to top of license and are supported by evidence-based practice standards and effective processes, tools, and systems facilitates provider focus on direct patient care and improves quality outcomes as well as patient and provider satisfaction.

ADVANCED I&T AND ANALYTICS

Providers can most effectively focus on patient care delivery when the organization supports them with optimized technology; embedded care pathways; and robust, meaningful data that enables them to make highly informed decisions and work efficiently — and this in turn leads to enhanced quality, patient experience, and cost effectiveness.

10 Questions to Consider

As you consider the characteristics of the optimized physician enterprise outlined above, you may think about your own physicians, medical groups, and clinically integrated networks. How are they performing along these key dimensions? Following are 10 key questions for health system and physician enterprise leaders to ask to gain greater understanding of current performance and potential improvement opportunities.

1. **Does our culture deliberately place the patient and their family at the center** of all our operating decisions and daily workflows, with consistent standards and patient experiences across all locations and modalities? Examples include:
 - Our provider schedules make it easy for patients to receive care when, where, and how they prefer.
 - We provide single registration across the enterprise.
 - We consistently greet patients warmly.
 - We proactively provide patients and families with timely and accurate information and communications in the format of their choice (e.g., phone, text, portal).
 - We respect patients' time.

2. **Are our providers aligned with the health system's vision and goals?** Examples include:
 - Our operational and performance goals are established through a collaborative process that includes physician enterprise clinicians and executives and health system leadership.
 - We actively monitor and measure performance.
 - Our providers feel accountable for achieving performance goals.

3. **Do we have a physician-led, professionally managed organization?** This includes:
 - We have clearly defined leadership roles and a well-functioning leadership model (e.g., dyad or triad leadership partnering).
 - Our management positions are clearly defined.
 - We have infrastructure and processes in place to support physician leadership development.
 - We have broadly understood competency, experience, and education requirements.

4. **Do we have a fully integrated approach to complex and chronic disease management?** This includes:
 - We effectively coordinate between primary and specialty care on behalf of our patients.
 - Our clinical practice standards are uniformly defined, including outcome metrics and robust performance management.
 - Our clinical support roles (e.g., social work, behavioral health, and advanced practice providers) are well-defined and optimized across specialties.

5. **When we receive referrals from outside physicians, do we have efficient processes in place to ensure their patients receive timely and appropriate care?** This includes:
 - We have effective communication tools that allow us to inform referring providers about the status of their patients and the care being received, and to receive feedback on referring provider experience.
 - Our access standards for new and existing patients are well-established, and they distinguish us in the market.

6. **Does our physician enterprise help patients navigate to the level/modality of care that best meets their needs** (e.g., provider office visit, urgent care, e-visit, email/portal communication)?
 - Our patients have a welcoming, hassle-free, expedient experience, no matter which interaction they choose.
 - Our patients fully understand what to expect and what to bring to the appointment.
 - Our patients have a single point of contact into the system.

7. **Are all care team members working to the top of their license?** This includes:
 - Daily tasks are distributed appropriately across the team, allowing providers to focus on clinical decision-making and high-value patient interactions.
 - Communication among our team members and with patients is clear and complete, eliminating unnecessary repetition.

8. **Is revenue management optimized?** This includes:
 - We leverage effective contracting to recognize specialty differentiation.
 - Registration, financial clearance, eligibility, coding, billing, and collection processes are all hardwired and effectively managed across the organization.

9. **Are our provider compensation and incentive models consistently deployed?** This includes:
 - The way we deploy our models creates alignment with desired behaviors, strategic priorities, and performance expectations.
 - The way we deploy our models supports an engaged provider community.

10. **Do we have actionable plans to deploy, leverage, and continually advance technology-enabled care delivery and digital solutions** such as virtual visits, telemedicine, etc.? This includes:
 - Our systems promote real-time management decision-making.
 - Our systems support data-driven performance improvement.

Getting Started

Answers to the above questions are a strong indicator of where leadership should focus attention to drive improved physician enterprise performance and value. As a major contributor to the health system's overall success (or failure), the physician enterprise can no longer be overlooked. Leadership should take a hard look at current expectations and performance: the physician enterprise should be generating value for the system across financial and multiple other dimensions that result in long-term system success and sustainability.

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SOURCES

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