On January 26, 2015, the U.S. Department of Health & Human Services stated its intent to distribute half of Medicare’s payments to providers through alternative models that include total-cost-of-care budgets by 2018. It marks the first time the department has set explicit goals for alternative payment models and value-based payments, and it represents a clear shift away from fee-for-service (FFS) toward a provider reimbursement system based on value and patient outcomes. Commercial payors are expectedly following suit. Days after the HHS pronouncement, six major health systems and four of the nation’s top health insurers announced the formation of a Health Care Transformation Task Force aimed at putting 75% of their business into value-based arrangements by 2020. The transition to a value-based environment is pushing forward, and it is time for all healthcare organizations to join the movement and begin designing strategies to become value-based enterprises.

The evolutionary changes brought on by the shift to value require revolutionary changes for healthcare providers. Building off of ECG’s value-based enterprise framework, this article focuses specifically on physician organizations and the best practices they must adopt to develop the foundational attributes necessary to lead the transition to value.
THE VALUE-BASED ENTERPRISE

An organization’s size, past success, or current position in the market will not shield it from the force of reform. Instead, changing reimbursement models and incentive structures will impact all healthcare providers, forcing healthcare organizations to closely and honestly examine their current ability to exist within a value-based environment. More importantly, reform is challenging hospitals and providers to redesign care delivery, as well as calling for executive and physician leadership to partner their unique skills to lead this evolution. To provide our clients with the vision and footing they need to make the volume-to-value transition, ECG created a framework for the successful value-based enterprise based on five foundational attributes. Thriving value-based enterprises will be optimally integrated (clinically and financially), scaled, rationalized, informed, and responsive. These attributes are universal and—with the proper strategies in place—attainable by most organizations and organization types. (For more information on the value-based enterprise, see ECG’s article: A Framework for the Thriving Value-Based Enterprise.)

PHYSICIAN ORGANIZATIONS: THE KEY BUILDING BLOCKS

An integrated system of care is composed of many moving parts across outpatient, inpatient, and post-acute settings. Physicians are the ties that bind each of these care settings and thus are the key building blocks of a value-based enterprise. But a single physician—no matter how dedicated—can have only a minimal impact on the quality/cost equation and is generally vulnerable to the most modest economic and technological disruptions. Therefore, many pioneering physicians formed integrated group practices that, like a mutual fund, minimize their business risk while enhancing access to multidisciplinary expertise. Today, as we move toward population health management, a higher degree of integration and accountability is required between patients, physicians, and hospitals. This in turn has driven organizational innovation, whereby physician and executive leadership seeks to break down barriers to promote clinical, financial, operational, technological, and cultural integration—typically built off of a fully aligned physician organization.

For more than 40 years, ECG has worked to enhance relationships between physicians and hospitals. In doing so, we have identified seven best practices for successful physician organizations—practices that are increasingly important in the transition to a value-based environment.
Best Practice #1: Articulate a Clear Vision

First and foremost, successful physician/hospital relationships need to be informed by a clearly articulated vision. This vision should outline immediate priorities and long-term goals and define the desired future state of the affiliation. However, once established, these priorities and goals cannot sit unattended. They must be consistently communicated and regularly revisited. In developing a vision, it is helpful to first identify shared organizational values and enduring principles that can serve as a foundation upon which future decisions are made. Principle statements may include:

- We will put the patient’s well-being first.
- We will improve the health of our community through evidence-based care practices.
- We will apply the evidence-based practices of today while seeking to create the best practices of tomorrow.
- We will promote and foster the health system brand.
- We will encourage the development of physician and executive leadership.

None of these statements speak directly to a specific organizational or alignment structure between hospitals and physicians, and several affiliation models (e.g., clinical integration, comanagement, employment) should be investigated to ensure the relationship serves the aligned vision.

Best Practice #2: Conceptualize the Strategy in a System Context

While the ideal hospital provides an efficient and safe environment for patient care, it is the physician who directs the care protocols, resources, and discharges. Thus, the physician strategy must be an integral component of a health system’s strategy. After all, patients pick their doctor, and the doctor picks the hospital. In a value-based enterprise, the physician organization is a strategic asset and driver of care coordination, growth, cost/utilization, and overall population health.

The strategy is best communicated through goals that identify specific results the physician organization wishes to achieve, such as:

- Growing Medicare Advantage enrollment by 20% by year-end 2015.
- Developing a Medicare-approved accountable care organization (ACO) by January 2016.
- Identifying three direct-to-employer contracts by 2017.
- Adding four patient access points by 2016 (e.g., urgent care, convenience clinics, patient-centered medical home locations).

Specific initiatives to meet these goals should be designed and implemented to complete the strategy. These initiatives need to be tactical and encompass time frames, detailed action steps, and accountabilities.
Best Practice #3: Lead to the Best Organizational Outcome

Leadership, beyond any other characteristic, is the most crucial component of organizational effectiveness. AMGA coined the phrase “physician-led and professionally managed” to describe an optimal medical group structure, and this sentiment has contributed to the growing realization that organizations need to maximize the unique talents possessed by both physician and executive leaders. Great physician and executive leaders are actively involved and exert influence in improving the healthcare enterprise. More importantly, they view their role as system partners who seek the best outcome for patients and the system, rather than their individual interests.

Great leadership also transcends management structures. ECG has closely studied the effectiveness of various leadership models, including:

- **Executive-Led** — Headed by the traditional MBA- or MHA-trained executive
- **Physician-Led** — Headed by a physician who transitions into administration
- **Nurse-Led** — Headed by a nurse executive who transitions into leadership
- **Dyad (Physician/Executive)** — Operates as a shoulder-to-shoulder partnership whereby the physician and executive have distinct responsibilities but shared accountability
- **Triad (Physician/Executive/Nurse)** — Operates similarly to the dyad, with the addition of a nurse executive

Our research and experience indicate that there is no one superior model. In fact, any of these models can be found in successful organizations, which suggests that it is not the model that dictates the success of the organization but rather the effectiveness of its leaders.

Those who prioritize system outcomes over individual interests tend to run the most effective organizations.
Best Practice #4: Foster an Entrepreneurial Spirit

Physician groups that promote and maintain the entrepreneurial spirit are better able to adapt and thrive in the midst of significant change. Instead of taking a wait-and-see approach, entrepreneurs seek opportunities for new services, proactively respond to changing delivery models, and pursue new reimbursement and efficiency opportunities. Because they are looking at the opportunities ahead of them, entrepreneurial organizations also tend to keep pace with disruptive innovations, such as telehealth and personal health technology (e.g., Fitbit), and understand how these innovations can be utilized in better managing the health of the population.

Never is the entrepreneurial spirit more important than in the transition from FFS to value-based revenue streams. Entrepreneurship embodies calculated risk-taking. By calculating the amount of risk they can shoulder or assume when contracting with payors, physician organizations play a key role in determining the pace of a health system's transformation (see Figure 1).
Best Practice #6: Define Performance Expectations

How do you know what success is if you don’t define expectations? This is a simple but, all too often, overlooked exercise in healthcare. Physician organizations need to clearly define clinical, financial, and operational performance expectations and routinely report on performance in a manner that informs future organizational decision making. Evolving beyond traditional practice performance characteristics, we see high-performing groups tracking:

• Process improvement initiatives: initiating open-access schedules and increasing panel size
• Quality initiatives: clinical quality parameters (e.g., preventive care and screenings, disease-specific treatment plans, surgical infection rates, readmissions)
• Advanced revenue cycle actions: coding and documentation accuracy
• Advanced patient and provider satisfaction, including care team satisfaction

Whether using a dashboard, scorecard, huddle board, or any number of measurement and reporting tools, it is critical that performance expectations be defined, actionable, measurable, sustainable, and well-integrated into the physician organization culture.

Best Practice #5: Seek to Integrate Clinically

“Clinical integration” is often used ambiguously, but its ultimate goal is to realize seamless, standardized, and coordinated care across providers and settings. Alignment across the care continuum is necessary because of the limitations that any one provider can bring to population health management. To achieve clinical integration, clinical data and relevant information must be exchanged among providers throughout a health system or across network partners. Additionally, uniform care practices and processes need to be well-understood and adhered to. Clinical integration efforts take time, as well as extensive physician involvement and leadership. This is particularly true when you consider the changes to care delivery, communication and collaboration, payment and incentives, and provider culture that are needed to be successful.

Again, physicians are the connective tissue of the care continuum and thus must be engaged in the development of the most preliminary steps toward clinical integration.

A physician organization is perfectly suited to drive what can be an arduous but extremely valuable process.
<table>
<thead>
<tr>
<th>Panel Management: 10% to 20%</th>
<th>Patient/Provider Experience: 5% to 10%</th>
<th>Production: 5% to 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality/Value Metrics: 15% to 25%</td>
<td>Quality/Value Metrics: 20% to 40%</td>
<td>Quality/Value Metrics: 25% to 35%</td>
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<tr>
<td>Production: 50% to 75%</td>
<td>Production: 50% to 75%</td>
<td>Salary or Shift-Based Pay: 60% to 75%</td>
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Remember that compensation is personal for everyone. Rightly or wrongly, how physicians are compensated is a reflection of how much or little they are valued by the organization. So sometimes, even when it’s not about the money, it’s about the money. When these conversations are facilitated properly and compensation plans are designed well, compensation planning and incentive design are powerful catalysts for rallying providers around shared goals for improving quality, productivity, and the overall patient experience.
ARE YOU READY FOR VALUE?

The momentum behind the shift to value is not going to ease. In fact, it will intensify. Thus, determining your organization’s readiness for value is not an optional exercise; it is a necessity for near- and long-term viability. Physicians touch every aspect of healthcare and thus are the building blocks of value. When physician and executive leaders work in concert to adopt and adhere to the best practices presented here, the notion of a value-based enterprise becomes a distinct and demonstrable reality.

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