Strategic Business Units are expected to perform efficiently and contribute to a system’s overall financial performance. Failure to recognize the physician enterprise as a Strategic Business Unit and to understand and address lagging physician enterprise performance is no longer an option for most health systems. Facing mounting losses from ever-larger employed medical groups, diminished value of downstream revenues and an unforgiving economic environment, health systems can no longer sustain under-performing medical groups. Organizations must move past complacency and reticence in accepting losses as inevitable or the ‘cost of doing business’ and begin to view their physician enterprise as a critical Strategic Business Unit and major contributor to overall health system financial performance.

Many health systems are literally overwhelmed by the financial weight and operating loss impact of their physician enterprises.

**NATIONALLY, OPERATING LOSSES PER PHYSICIAN HAVE INCREASED TO 17.5% OF Physician Enterprise Net Revenue**

For integrated health systems, the median investment per employed physician INCREASED 15 PERCENT LAST YEAR TO MORE THAN $240K PER PHYSICIAN


**THIS MAGNITUDE OF FINANCIAL STRESS IS UNSUSTAINABLE; HEALTH SYSTEMS SIMPLY CANNOT ACHIEVE THE BOTTOM-LINE IMPROVEMENT THEY SO DESPERATELY NEED WITHOUT TRANSFORMING PHYSICIAN ENTERPRISE PERFORMANCE.**
CASE STUDY

A northeastern health system with $1.5 billion in revenue and 500 employed physicians faced physician enterprise operating losses of $20M, on top of nearly $90M 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 was nearly 50 percent of the net patient revenue generated by the physician enterprise, projected to grow to more than 60 percent. With this level of financial support, there is little available for capital projects or investment in system growth. A comprehensive assessment revealed improvement opportunity in medical group performance of $25 million or 25 percent of the total opportunity identified for this health system; this was greater than the Revenue Cycle opportunity and significantly dwarfed the identified Supply Chain opportunity.

FIGURE 1
Case Study: Growing Interinstitutional Support for Physician Enterprise

FIGURE 2
Case Study: Physician Enterprise Performance Improvement as Percent of Total Improvement Opportunity
Pushing Your Physician Enterprise to High-Performance

Achieving sustainable financial performance requires physician enterprises to be managed and operated as independent business units, with clearly defined financial expectations and leadership who report directly to health system executives and are accountable for meeting operating standards, margin targets and performance metrics. This is a huge shift for most organizations – one that requires higher levels of alignment and collaboration between physicians and their administrative partners; redefined governance structures; leadership roles with clearly defined and understood performance goals; and 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 framework below describes the key dimensions and characteristics of high-performing physician enterprises.

**FIGURE 3**

**Key Dimensions of a High Performing Physician Enterprise**

<table>
<thead>
<tr>
<th>Alignment and Leadership</th>
<th>Financial Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vision, Goals and Requirements</td>
<td>• Staffing Expense</td>
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<tr>
<td>• Performance Management</td>
<td>• Provider Compensation/Incentive Models</td>
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<tr>
<td>• Leadership and Management Structures</td>
<td>• Revenue Cycle</td>
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<tr>
<td>• Provider and Staff Engagement</td>
<td>• Pharmacy and Supplies</td>
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<td>• Operating Oversight</td>
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</table>

<table>
<thead>
<tr>
<th>Care Models</th>
<th>Operational Performance</th>
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</thead>
<tbody>
<tr>
<td>• Clinical Practice Standards</td>
<td>• Patient Experience</td>
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<tr>
<td>• Care Team Structure</td>
<td>• Roles, Workflows and Use of Technology</td>
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<tr>
<td>• Expanded Care Offerings</td>
<td>• Patient Access</td>
</tr>
<tr>
<td>• Referral Management</td>
<td>• Provider/Ancillary Utilization</td>
</tr>
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</table>
**PATIENT AT THE CENTER**

At the core of the high-performing physician enterprise is the patient - all processes, communications, support structures, and care models are designed around the patient’s needs and preferences. A “customer service orientation” permeates the organization and there is an underlying appreciation for how patient experience and community perception impact volume and reputation, including referrals, and help to build a loyal patient base. Providers are able to focus on patient care delivery, supported by optimized technology and robust, meaningful data that enables them to make data-driven decisions and monitor ongoing performance.

**ALIGNMENT AND LEADERSHIP**

There is strong alignment across the health system and physician enterprise, and an organizational culture that reflects a trusting and collaborative working relationship. Governance and management structure support shared decision-making and accountability, with well-defined leadership roles with clear accountabilities and expectations for performance. There is recognized value in developing strong physician leaders.

**FINANCIAL MANAGEMENT**

Financial results reflect how well operations are managed, how efficiently and effectively resources within the care model are deployed, and how effectively leadership accountability is established and adhered to within the organization. Budgets and financial reports are successfully deployed management tools that support operations and achieving target results. Revenue cycle processes are measured against performance expectations and optimized for efficiency, focusing on front end accuracy to minimize back end intervention. Physician compensation and incentive structures are consistently deployed, create alignment with desired behaviors, strategic priorities and performance expectations, and support an engaged provider community.
Care models are structured to meet expectations of an evolving consumer-oriented and value-based environment. Workflows and care team roles have been consistently defined to enable greater efficiency and ability to share resources across the clinic enterprise. This also includes deploying APPs appropriately within the care team, defining clinical practice standards that create consistency in complex care management, and a truly integrated approach to care delivery across primary care and specialties. Referral management robustly and effectively optimizes the experience of referring providers and their patients and drives the clinical integration necessary to keep patients within the system.

Getting Started

As you consider the characteristics of a high performing physician enterprise outlined above, think about your own physicians, medical groups and clinically integrated networks (CINs) and how they perform along these key dimensions. The self-assessment on the following page is a useful place to start. Comparing your organization to the leading practice scale provided can help improve understanding of your current performance and potential improvement opportunities.
LEADING PRACTICES:

1. Our culture deliberately places the patient and their family at the center of all our operating decisions and daily workflows. Examples include: provider schedules make it easy for patients to receive care when, where and how they prefer; we provide single registration across the enterprise; patients are consistently greeted warmly and with timely communication updates; patients’ time is respected.

2. Our providers are aligned with health system vision and goals. Operational and performance goals are established through a collaborative process that includes physician enterprise clinicians and executives, and health system leadership. Performance is actively monitored and measured, and our providers feel accountable for achieving performance goals.

3. We have a physician-led, professionally managed organization with clearly defined leadership roles and a well-functioning leadership model (e.g., dyad or triad leadership partnering). Management positions have clearly defined and broadly understood competency, experience and education requirements.

4. We have a fully integrated approach to complex and chronic disease management that effectively coordinates between primary and specialty care on behalf of our patients. Clinical practice standards are uniformly defined including outcome metrics and robust performance management. Clinical support roles (e.g., social work, behavioral health, APPs) are well defined and optimized across specialties.

5. When we receive referrals from outside physicians, we have efficient processes in place to ensure their patients receive timely and appropriate care. 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 distinguish us in the market.

6. Our physician enterprise helps 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). No matter which interaction is chosen, the patient has a welcoming, hassle-free, expedient experience; fully understands what to expect and what to bring to the appointment; and has a single point of contact into the system.

7. All care team members work to top of license, and daily tasks are distributed appropriately across the team, allowing providers to focus on clinical decision-making and high-value patient interactions. Communication among team members and with patients is clear, complete and eliminates unnecessary repetition.

8. Revenue management is optimized and leverages effective contracting that recognizes specialty differentiation. The registration, financial clearance, eligibility, coding, billing and collection processes are all hardwired and effectively managed across the organization.

9. Our provider compensation and incentive models are consistently deployed and create alignment with desired behaviors, strategic priorities and performance expectations, and support an engaged provider community.

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

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