

Physician Employment in Integrated Systems – Core Elements for Success

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Current market forces are changing the relationships between physicians, hospitals, health plans, and other healthcare providers. Many physicians are opting for employment in an integrated healthcare delivery system, and numerous hospital systems have experienced a growth in their physician employment or foundation entities. Here are some of the factors driving this trend:

From the Physician's Perspective

The increasing downward pressure on physician incomes with increasing requirements (e.g., quality reporting, electronic health records) is causing many physicians to seek the benefits of employment, particularly to:

- Increase economic security
- Reduce the practice management burden, thereby allowing the physicians to spend more time on their patients
- Plan for succession of their practices
- Work part-time
- Gain access to capital for new technology, such as EHR and other infrastructure support
- Acquire contracting expertise
- Escape the burden of ownership

From the Hospital Perspective

Many current and anticipated market forces are driving the need for hospitals to employ physicians, including to:

- Secure their physician network as physicians retire and to protect against physician shortages by offering an "employment package" with benefits, part-time options, and fixed call coverage that will attract new medical school graduates seeking employment and quality of life
- Prepare for changes in payment mechanisms (e.g., bundled payments, accountable care/shared savings)

Aligned Physician Compensation

Physician compensation must be aligned with the goals for the practice and should be performance-based with incentives. The compensation methodology should foster physician engagement in the success of the practice as well as the goals of the integrated delivery system.

Patient-centric, Quality Care

Care should be focused on the needs of the patient and should meet or exceed quality metrics. The care model should maximize the practice's ability to provide high quality, efficient, and effective care. Fostering effective clinical integration not only among physicians employed within the health system, but also with community physicians will be increasingly important.

- Engage physicians in quality, safety, and cost reduction initiatives
- Solidify emergency department call coverage

Creating a Viable Physician Model

Hospitals will not be successful if they overlay hospital structure, management, and operations on the physician practice. Skills, resources, and metrics are different from a hospital, and a successful employed physician enterprise requires a different approach and set of skills. Critical attributes for employing physicians are illustrated below.



Effective Governance/Culture

Effective governance requires strong physician leadership and a structure that promotes physician involvement and participation in decision-making. There must be a focus on creating a defined culture with a common vision.

Strong Operations

Management must be skilled and experienced in medical group operations. A viable cost structure is required in which volume and revenue assumptions are reality-based. Processes should be designed to maximize physician efficiency. Standardization should facilitate effective performance.

Accountability

There needs to be clear performance measures and transparent performance reporting. Feedback needs to be timely and actionable. Lines of authority and responsibility should be clearly defined.

Successful employed physician models require an effective partnership between the hospital and its employed physicians. It is important to create win-win situations that maximize the contributions of both physicians and the hospital.