

Achieving Physician-Hospital Alignment Through Outsourcing

An examination of the independent practice hospitalist model

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Background

A group of the nation's leading hospitalists has emerged to actively engage in issues that significantly impact the future of hospital medicine, particularly as it applies to the independent practice model. Formed as an action-oriented think tank, The Phoenix Group's mission is to provide a forum for leaders in hospital medicine to meet and address the most serious challenges facing independent practice hospitalists in the U.S. today. The Phoenix Group members collectively represent more than 4,000 hospitalists, which according to Society of Hospital Medicine (SHM) statistics, comprise more than one-third of

hospitalists practicing in some form of an independent practice setting.

The authors of this white paper convened March 25-26, 2010 in Chicago, IL. The meeting's focus was the trend toward physician employment by hospitals and the unintended consequences for physician-hospital alignment. Therefore, the focus of this white paper is upon the Phoenix Group's examination of this topic.

Hospital employed physicians: déjà vu all over again?

Physicians and hospital administrators are as susceptible as anyone else to ignoring

the lessons of history. It was only fifteen years ago, in the mid-to-late 1990s, that hospitals emerged from the painful and expensive exercise of divesting themselves of physician groups ostensibly acquired for the purpose of seeking better alignment between physicians and hospitals.

The physician employment trend appears to be in no way particular to hospitalists. Given the breadth of the trend, it would be difficult to conclude that hospitals view the employment of hospitalists as a distinct strategic initiative, per se. Rather, it appears as if hospitalists are experiencing the collateral effect of a widespread campaign to employ physicians in every medical specialty, in an effort to create better physician alignment.

Viewed in the aggregate, the hospital industry has yet to recover from the aftermath of a severe financial downturn and the consequential impact on the financial integrity and creditworthiness of many facilities. If and when a rebound occurs, it could be years in development. This makes the movement toward employing physicians a curious strategy for hospitals to pursue. Under these circumstances, adding employment overhead for the purpose of building new core competencies in physician practice management across multiple medical specialties is a strategy with considerable risk, a “doubling-down” on a long-held hope that employing physicians will somehow achieve a degree of alignment unattainable in any other way.

Cross-currents to the employment trend are already at work. Many hospitals that rode the early wave of hospitalist employment are already turning to an outsourcing solution to right their faltering hospital medicine programs. Phoenix Group members report that they are now experiencing a noticeable upturn in interest from hospitals seeking outsourced solutions to employed hospitalist practices. Indeed, employed practice turnarounds are rapidly becoming a mainstay for outsourced hospitalist groups, a trend Phoenix Group members believe will continue to grow.

Achieving the alignment imperative through outsourcing

There can be little question that hospitals are committed to better alignment with physicians in all medical specialties. This commitment is what we might call the “alignment imperative.” It is a commitment which must be shared and vigorously supported by all hospitalists, regardless of the nature of the legal or contractual relationship between the hospital and the hospitalist group.

For the hospitalist specialty, physician-hospital alignment is a system of meaningful engagement between physicians and hospital administration to further the hospital’s multiple objectives. Many outsourced hospitalist groups across the country have proven themselves to be highly adept at creating successful relationships generating the desired outcomes and performance sought by the hospital.

It should be noted that the extraordinary success of hospital medicine over the past fifteen years is just as pronounced among outsourced private practitioners as it is with our comrades under hospital employment. Both employed and outsourced models have grown in roughly equal measure over the fifteen-year life of the hospitalist specialty.

A commitment to aligning with hospitals’ objectives should be a core value for all hospitalists, regardless of the employment model. Employed physicians are neither more, nor less, capable of meeting alignment standards than hospitalists who are independently employed. More important than the employment model itself are the incentives created by the financial structure and function of the hospitalist program. This must be based on a clear understanding of the program goals by all the stakeholders and the infrastructure to execute upon those goals.

Alignment-friendly features of the independent hospitalist group

The best of the outsourced hospitalist programs share certain features in common that can be recognized as an inherent advantage to this business model:

- a. *Focus.* In an independent setting, hospital medicine and the pursuit of performance is the group's sole and exclusive focus. Hospital administrators are buffeted by demands far removed from inpatient care, whereas hospitalist organizations are free to concentrate on attainment of program goals 100% of the time.
- b. *Expertise.* At least as important as alignment in achieving a highly performing hospitalist program is the expertise required to implement and manage these critical programs. This expertise cannot be replicated simply by employing the physician component of the program, for it is a complex combination of knowledge and skills accumulated with years of collective experience regarding best practices, training and mentoring, leadership, and communication.
- c. *Dedicated Infrastructure.* Many outsourced hospitalist organizations have invested in the development and deployment of a significant infrastructure built entirely and exclusively to support the specific needs of hospital medicine. From recruiting to training to clinical communications, and in numerous other ways, the accumulation of techniques and the creation of solutions to challenges associated with hospitalist management have evolved into best-practice programs at many of the leading outsourced practices.
- d. *Leadership.* While outsourced practices cannot claim to have a corner on the market for hospitalist leaders, it may be fairly said that many

of these programs have created a distinct advantage in developing leadership skills that will be required of hospitalist physician leaders of the future. This has been accomplished through the formation of their own hospitalist leadership programs primarily for this purpose.

- e. *Flexibility.* Response to new circumstances and changing situations happens faster and easier within an outsourced practice. Managing and resolving conflict, for example, is more easily attained without the encumbrance of a large institution. Also, the ability of a practice group to clinically integrate with sub-acute care facilities in the community, while availing itself of a wide range of referral sources, is an advantage derived from the nimbleness, adaptability, and independence of a group not employed by the hospital.

To be sure, not all outsourced hospitalist practices are built alike. Important differences exist between methods and approaches of outsourced practices as to the best way to engage with the hospital. Hospitals can, and should, compare hospitalist groups to find the one that will create an optimal fit with its individual clinical, operational, and financial goals.

Conclusion

At its heart, alignment constitutes the very essence of hospital medicine. This is true irrespective of what organization's name is on the hospitalist's paycheck. However, it is the ability to *execute* on the alignment imperative that creates the performance that hospitals desire from their hospital medicine program.

It is important for hospitals to recognize that different medical specialties may require different employment models. The employment of hospitalists—still in many ways a new specialty with unique features—

will not in itself create alignment and performance. From our vantage point it is the ability to develop creative structures to align all of the many stakeholders in the health care delivery system which enables outsourced groups to develop highly successful hospitalist practices.

Influenced by the sudden proliferation of “health care reform consultants” and “advisors,” many hospitals may be tempted to consider employing their own hospitalists in an attempt to create better alignment. To assume, however, that alignment and performance always follows employment is not only naïve but is not borne out by past experience. Today, many hospitals are finding that this is particularly true when it comes to hospital medicine. The rush to

employment is a natural and understandable first response to the very real pressures and challenges faced by hospitals today, but they need not face these challenges alone. Outsourced practice groups focused on hospital medicine are ready, willing, and fully capable of partnering with hospitals in a spirit of true collaboration and mutual benefit.

The wiser course for hospitals is to seek true, lasting, and mutually beneficial partnerships with outsourced hospitalist practices that are fully committed to the alignment imperative, without the attendant costs and risks of failure associated with managing an employed hospitalist group.

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