Hospital-Physician Alignment: A True Definition

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If you Google the term, “hospital-physician alignment”, you will find the new health care buzzword is generating a wide-range of results from firms and technologies that will magically produce such alignment to panels and industry papers on the topic. However, what you will not find is a clear definition. Dictionary.com defines alignment as “a state of agreement or cooperation among persons, groups, nations, etc., with a common cause or viewpoint.” Health care buyers and our government expect hospital systems and physicians can cooperate to achieve this alignment to create a common cause of a better, cheaper, more effective health care system. This sounds really good from a patient perspective. However, hospital-physician alignment is much deeper and more complex than the standard definition.

The common driver for hospital-physician alignment is divergent in nature and the common allocation of value or consideration of each party’s contribution is not transparent. In fact, this alignment strategy is so complex that many firms and health care providers remain in the conceptual phase of defining what hospital-physician alignment means. Through our work with physicians and hospitals on designing and implementing alignment solutions, we can shed some light on how your organization can begin to create its own definition of hospital-physician alignment.

Symbiosis

Successful alignment initiatives are more accurately described as symbiosis. Dictionary.com defines symbiosis as “any interdependent or mutually beneficial relationship between two persons, groups.” In other words, hospitals and physicians must work together to provide an agreeable solution to our health care system.

Symbiosis is a better term to describe the relationship between hospitals and physicians as neither group can accomplish alignment independently and there is a direct correlation between the success and failure of the physician or hospital. Additionally, the pressure from health care purchasers and the administration creates the demand for this symbiotic relationship. Both hospitals and physicians have the opportunity to win or lose in this historic health care change. Potential for reimbursement penalties from the administration’s proposed health care plan create a huge incentive to build symbiotic or hospital-physician alignment models. With these proposed changes, the failure to build an effective hospital-physician alignment strategy will be financially disastrous for both parties for many years.

The Mission Shapes the Definition

The overarching concept of an effective hospital-physician alignment strategy is grounded in the mission. Through our experience in meeting with hospital executives and physicians around the country, we have established a list of items that are not as much of an influence in the foundation of the mission as one might think:

- Keep hospital beds full
- Get a guaranteed salary
- Work less
- Make up for physician group loss in the hospital
- Create more ancillary development in the marketplace
- Affiliate with strategic physicians or hospital facility
- Capture an arbitrage between hospital and the physician managed care contracts
- Sell the practice and monetize the practice goodwill
These items are influential in establishing a foundation of an effective hospital-physician alignment strategy:

- **Investing in the local market health care delivery system**
- **Increasing the depth and breadth of health care services and points of care entry**
- **Measuring and increasing the quality of total health care delivery in a financially-responsible manner**

For a hospital-physician alignment strategy to work, all parties must agree on the mission and that the mission is bigger than either individual part. To be successful, this adoption of a mission must also be actionable.

**A Checklist for an Effective Hospital-Physician Alignment Strategy**

Here is a simple checklist of tactics and strategies on how to get started in the process:

1. **Adopt a mission to support an effective hospital-physician alignment strategy**
   The foundational principals previously listed shape the mission and all parties must agree on those principals.

2. **Build a foundation of trust**
   A relationship based on trust is the result of consistency, transparency and the belief that the patient’s interest is above the provider. The overall success of the collective health care delivery system must take priority over individual hospital/physician needs. There must be no hidden agenda and full transparency with both parties.

3. **Take an inventory of your current physician relationships**
   - Employed physicians and groups
   - Contracted physician groups
   - Academic physician groups
   - Affiliated or staff physician groups

   This inventory will include the total number of physicians, medical assistants, specialties, tenure of the relationships, term of the agreements, tenure of the providers, review of the legal agreements, office locations etc.

4. **Take an inventory of physician services needs**
   Listening to your physician organization and evaluating physician needs will go a long way in establishing a mission and integration plan that works for everyone involved.

   What do the physicians need to operate their business on a daily basis? What technology, applications and infrastructure do they have in place to support accounting, payroll, benefits, banking, practice management applications, etc.? What clinical systems do they utilize, need or require?

5. **Execute a financial and process assessment for each practice**
   A practice will be defined as a physician office location whereby patients are checked in for ambulatory services. If the physician is hospital-based, then assessment data will be dependent upon the practice management system and explanation of benefits (EOB) data pull.
The financial portion of the assessment should reconcile EOBs, practice management system transaction activity and highlight financial process gaps such as credit balance policy, over the counter payment reconciliation, payment plans etc. The process assessment will include a review and inventory the registration, charge posting, payment posting, customer service policies (or lack thereof) as well as staffing volumes, needs and responsibilities. A key element of the process assessment will be the continual segregation of job functions into measureable and effective components. The two assessments will serve as the benchmark for the practice going forward.

6. Form a physician-service organization exclusively focused on physician practice business services and management
This physician organization needs to be a visible and dedicated commitment to the physician group that is transparent and consistent. Hospital executives that convert to physician organization executives need to recognize the scope and scale of physician office challenges.

This conversion from a hospital focus to a physician focus is not easy; not only due to the difference in the operating parameters of a hospital versus a physician office, but also because of the inherent lack of trust from the historical failure of hospital-physician structures. Without overcoming this lack of trust, this relationship or alignment will not meet the mission or joint expectations.

7. Recognize the opportunity for practice development and continuation
Practice alignment will generally take two forms: a) practice acquisition and physician employment models or b) practice service models. Differing from historical attempts at practice acquisition models, practice goodwill is minimal and the practice value becomes embedded in the compensation structure versus purchase price. With the fading loss of practice goodwill, the hospital-physician relationship structure is not a means to sell the practice but an investment to continue to grow the practice.

Physicians who do not understand the business continuation strategy in the negotiations of these relationships should be abandoned during the purchase process. Similarly, practice service models need to be constructed to recognize the development, future needs and solutions for the medical practice within its physical walls. The physician relationship is about the future of the practice relationship and not about the past value.

8. Construct a system-wide plan
Health care must incorporate a system initiative designed around the patient. Hospital physician alignment has to be based on a trusting relationship that incorporates common systems, analytics and benchmarks.
9. **Build a hospital-physician financial plan**
A successful hospital-physician alignment will include financial commitment from both hospitals and physicians. Historically, the financial plan has been a zero-sum game; not a winning combination for both parties. Without a solid commitment and plan, this unfortunate scenario will repeat itself. However, with a solid plan and commitment, there does not have to be pain; there can be success. There is no rule saying there will be money lost as a result of alignment. There is no doubt that a hospital-physician strategy is a financial commitment or that there are already existing financial commitments within both organizations making alignment a difficult decision. However, the cost of failing on this model might end up to be ten times more than the cost of not trying.

10. **Execute the hospital-physician plan with speed and transparency**
Hospitals traditionally have bureaucratic organizations that do not apply to the physician model. The hospital organization generally operates on a different scale and response time than a physician organization causing issues in communication. However, there are numerous benefits the physician organization can gain from a robust hospital organization and with alignment, both parties benefit.

Communication is critical throughout the entire process. Clear, concise information must swiftly be disseminated with full transparency and no surprises. Unfortunately, time works against you today as you implement these processes to meet the requirements of pending legislation. If you decide not to implement alignment now, it’s possible you will not have time to do so before this legislation takes hold.

**Summary**

With the pending changes impacting our health care system, the alignment of hospitals and physicians into local-market health care systems is the critical step to succeed if not to survive. The decision to enter into formalized arrangements with physicians and hospitals should be a deliberate one with serious planning, assessment and financial analysis. Alignment is a high-stakes poker game whereby the cost of poor strategy, structure or performance will have a long and devastating impact to all parties. Hospital-physician alignment is about the business of medicine in the future as goodwill is fading in value. Market share penetration, cost control, quality and building a health care system of many points of entry are the key considerations in a hospital-physician strategy. By investing in a sound business foundation of services and realizing the true definition of what alignment means today, the health care system can start to meet and exceed its market driven health care objectives.
John R. Thomas  
President and Chief Executive Officer

John Thomas has been with MedSynergies since its inception in 1996, when he began as senior vice president and managing director of development. While at MedSynergies, Mr. Thomas has held positions such as senior vice president and chief financial officer, and has been a member of the board of directors since 1999.

Prior to joining MedSynergies, Mr. Thomas was the vice president of the newly formed HealthCare Finance Group for Bank One. He was also the assistant vice president for Texas Commerce Bank, where he focused on hospitals and emerging healthcare markets.

Mr. Thomas is a national speaker on topics such as revenue cycle management, billing and collections processes, capitalization, and turnarounds.

Mr. Thomas received his Master of Business Administration, with honors, from the University of Texas Graduate School of Business. While at the University of Texas, he focused on finance and management and was selected as the Sword Scholar and received the Dean’s Academic Award. Mr. Thomas received his Bachelor of Arts from the University of Arkansas.

About MedSynergies, Inc.

MedSynergies is a privately held provider of revenue cycle and practice management solutions, consulting services, business process analysis and software integration, including solutions tailored to the GE/IDX Groupcast and GE Centricity billing environments that improve the daily operations of health care organizations and enable hospital-physician alignment in high-growth Integrated Delivery Networks (IDNs). Dedicated to enhancing the strategic, financial and operating environment of clinics, hospitalists, specialty medical groups, health care billing organizations and ambulatory surgical centers, MedSynergies evaluates and implements enhanced processes and information systems that increase the overall quality of the physician practice, central billing office and IDN environment through improved billing and collections, reduced costs and operational advisory services. Founded in 1996 and based in Irving, Texas, MedSynergies currently serves more than 3,500 providers across the United States. For more information, please visit www.medsynergies.com.