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HSG | Moving Your Employed Provider Network Out of Operational Chaos

INDIANA
RURAL
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ASSOCIATION

Leadership Track
June 18, 2019 11:25 AM

Today's Presentation

TRAVIS ANSEL
MBA

PARTNER

Email: TAnsel@HSGadvisors.com
Office: (502) 814-1182
Cell: (502) 994-0073

10+ Years in Management Consulting for Health Systems and Employed Physician Networks

Expertise in:
- Employed Physician Network Growth
- Physician Network Strategy
- Market Development Strategy
- Operational and Financial Performance
- Management Infrastructure

M DAVIS CREECH
MBA, MHA, MHSA

DIRECTOR

Email: DCreech@HSGadvisors.com
Office: (502) 814-1183
Cell: (502) 550-6911

20+ Years in Physician Practice Management & Consulting

Expertise in:
- Operational and Financial Performance
- Management Infrastructure and Administrative Leadership
- Revenue Cycle
- Physician Leadership Development

Full bios located at the end of this presentation

Learning Objective 1 - Identify when it's time to build the appropriate management infrastructure for your employed provider network in order to get out of "firefighting mode."

Learning Objective 2 - Identify core causes of employed provider network operational and financial challenges and how to address them.

Learning Objective 3 - Engage employed providers in a structured way to create a shared vision and culture.

About HSG

Headquarters: Louisville, KY
Formed: 1999
**Client Base:** 95% Non-Profit Hospitals & Health Systems
Focus: Healthcare-Only; Hospital and Physician Network Strategy and Execution

HSG builds high performing physician networks so health systems can address complex changes with confidence.
From boosting market power and financial strength to preparing for value-based care, we can help you define your strategy, implement that strategy, and manage your physician network short or long-term. We guarantee results and deliver the greatest value as a trusted member of your team.

	HSG CORE AREAS WITH EMPLOYED PHYSICIAN NETWORKS
Rightsize Network Structure	Organizational Structure and Management Infrastructure
	Physician Governance & Leadership, Including Advisory Council & Subcommittee Structure
Build Vision for Success	Shared Vision and Culture Development
	Strategy & Manpower Development
Optimize Network Performance	Operational & Financial Performance
	Revenue Capture & Referral Retention
	Compensation Structure & Evolution of Incentives
	Fair Market Value & Compliance
	Clinical Evolution & Coordination of Care

HSG's Focus on Employed Networks
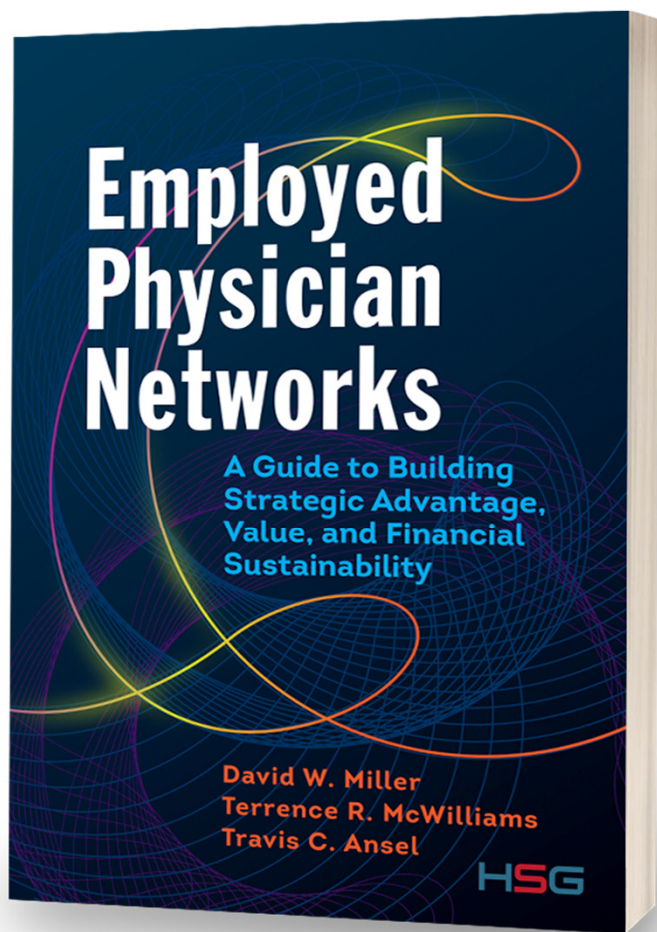
Employed Physician Networks: A Guide to Building Strategic Advantage, Value, & Financial Sustainability represents HSG's perspective on how employed physician networks evolve over time; specifically focused on networks whose size has outstripped their capability to manage.

Core Concept:

As an Employed Physician Network evolves towards maturity in terms of its growth and size, **the network must have a systematic plan** that is focused on evolving its management team's capabilities, infrastructure, governance, provider engagement and leadership to address the network's current and future needs.

HSG works with health systems to assess current performance and build **Performance Improvement Plans** to guide future performance.

Employed Physician Networks is published through the American College of Healthcare Executives (ACHE) and Health Administration Press (HAP). Available now!

Supplementary Materials
HSG Whitepapers

HSG | PHYSICIAN NETWORK
GROWTH PHASES

ACCELERATING THE PERFORMANCE
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HSG | PHYSICIAN NETWORK
CREATING FINANCIAL SUSTAINABILITY

IDENTIFYING DRIVERS OF POOR
FINANCIAL PERFORMANCE

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Available in hardcopy in front of room

Understanding Operational Chaos

Understanding Operational Chaos

Employed Provider Networks grow and evolve on a reasonably predictable growth curve. Economic and/or competitive factors drive employment growth in a market. Growth in employment outstrips the health system's capabilities to manage it, creating operational (and financial) chaos. Things go downhill...
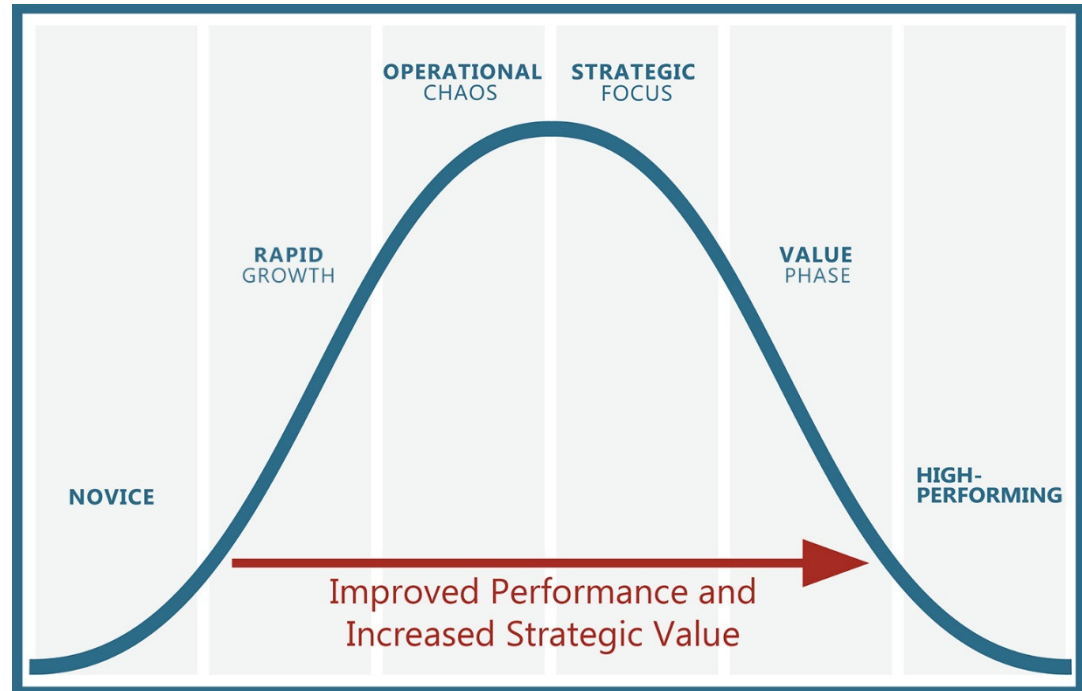

HSG Physician Network Growth Phases

Operational Chaos – Common Factors

- Rapid growth in employed providers drives **rapid growth in employed subsidies**
- Management and Board develop **sense that finances are not sustainable**, but not seeing a path out of where we are
- **A lack of investment in management infrastructure** – leaving limited management team members wearing too many hats and practice leadership operating on their own
- **Providers retaining "autonomy"** in a negative way, leading to wide variation in practice operations
- **Coding variation**, particularly undercoding, reducing revenue and provider credit for work performed
- **Revenue cycle not formalized**; grouped with hospital revenue cycle, leading to substandard outcomes
- Patients and referrals not being managed, leading to a **lack of Network Integrity**
- A **"collection of Compensation Models,** as opposed to a consistent compensation methodology which creates aligned incentives and promotes ease of understand and administration
- **Lack of provider engagement/leadership** - no formal roles or roles not being utilized properly
- **Lack of defined vision/culture for the group**, creating a sense that the group has nothing to build on
- **Ambulatory EMR conversion and utilization wreaking havoc**; not enough resources to support
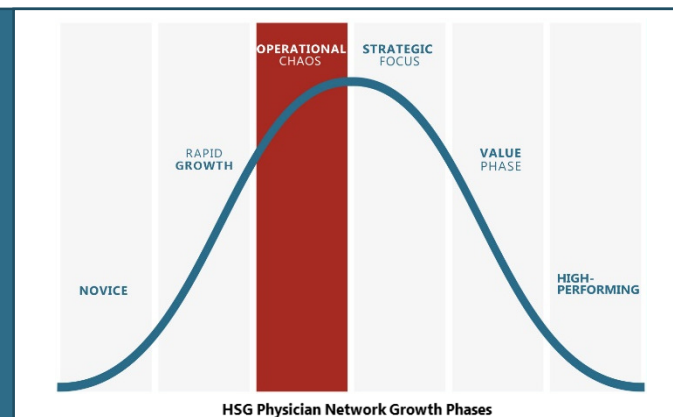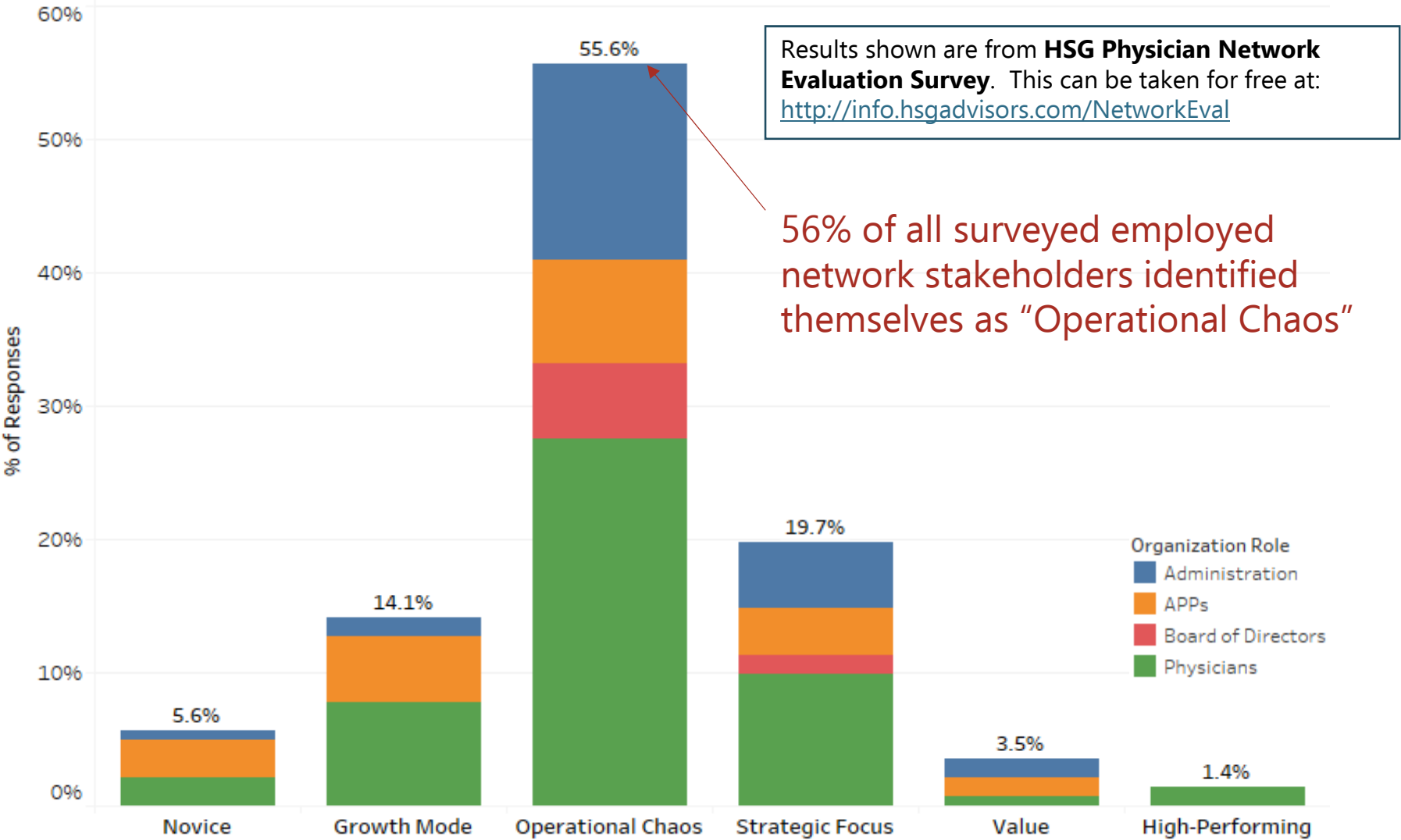
Takeaway: This is where you should expect to be, but we have to have a plan to get out. No silver bullets, just more hard work.

HSG Physician Network Growth Phases

Getting Out of Operations Chaos

Six Management Team Concerns With Addressing Operational Chaos

1. We Don't <u>Understand</u> Our Issues

2. We Don't Have The <u>Management Capabilities</u> To Address Our Issues

3. We Don't Have the <u>Management Bandwidth</u> to Address Our Issues

4. We Haven't <u>Laid the Appropriate Groundwork With The Providers</u> To Address Our Issues

5. We Aren't <u>Willing</u> to Address Our Issues

6. We Don't Have <u>Realistic Targets or Expectations</u> About What Success Looks Like

If You're In Operational Chaos, You Aren't Alone

Results shown are from **HSG Physician Network Evaluation Survey**. This can be taken for free at: http://info.hsgadvisors.com/NetworkEval

56% of all surveyed employed network stakeholders identified themselves as "Operational Chaos"

% of Responses

Organization Role
- Administration
- APPs
- Board of Directors
- Physicians

Novice — 5.6%
Growth Mode — 14.1%
Operational Chaos — 55.6%
Strategic Focus — 19.7%
Value — 3.5%
High-Performing — 1.4%

Getting Out of Operational Chaos

Getting Out of Operational Chaos

The first step to addressing Operational Chaos is to define a plan for Financial Sustainability of the network.

1. What's our path to Financial Sustainability?

2. How do we develop Employed Network Management competencies that will allow us to achieve Financial Sustainability?

3. How do we get providers engaged in the success of the network?
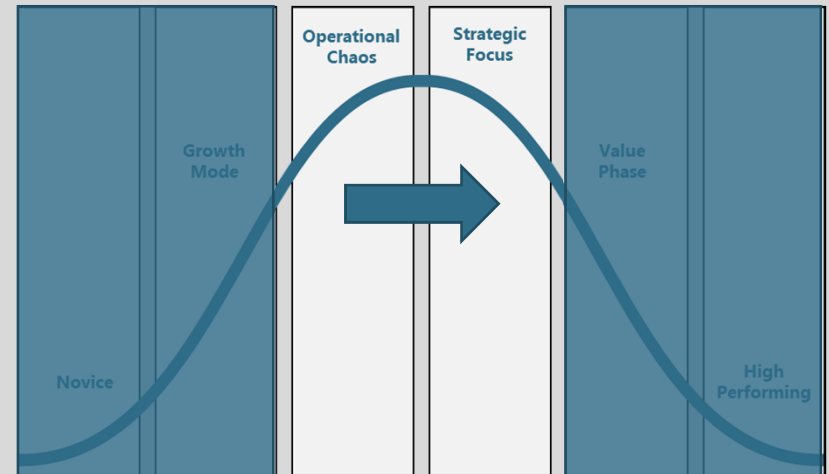
HSG Physician Network Growth Phases

Case Study
Evaluating Financial Improvement Opportunities

Client Overview (RHS)
- Independent, Regional Hospital
- Approximately 100 providers
- FY Losses on employed network: $23.5M

After years of having an employed network between 30-40 providers, RHS had experienced several years of rapid growth in its network, building from 40 to 100 in about a four-year period.

Management for the network quickly became overwhelmed with the scope and scale of responsibilities thrust upon the network.

Losses quickly escalated, bringing extra health system leadership and board attention to the network's operations and finances.

Last Fiscal Year Performance

Total Revenue	$31.8M
Total Expenses	$55.3M
Total wRVU	485,125

Client Goal:
Develop plan to cut subsidies by 50%

Evaluating Financial Sustainability Opportunities

Last Fiscal Year Performance

Total Revenue	$31.8M
Total Expenses	$55.3M
Total wRVUs	485,125

Takeaway: To reach stated goals the client would likely need to increase collections by $14-16 per wRVU **AND** decrease expenses by $9-13 per wRVU – **is this realistic?**

Sensitivity Analysis of per wRVU Collections and Expenses Based on Last FY Data

wRVUs	Collections Per wRVU	Expenses Per wRVU	Subsidy Goal - 50% Reduction	
	$65.71	$89.98	($11.78 MM)	Group Collections Per wRVU = **$65.71**
	$67.71	$91.98	($11.78 MM)	
	$69.71	$93.98	($11.78 MM)	
	$71.71	$95.98	($11.78 MM)	
	$73.71	$97.98	($11.78 MM)	
	$75.71	$99.98	($11.78 MM)	
Group Total wRVUs = 485,124	$77.71	$101.98	($11.78 MM)	We anticipated the group's actual performance should be in this range
	$79.71	$103.98	($11.78 MM)	
	$81.71	$105.98	($11.78 MM)	
	$83.71	$107.98	($11.78 MM)	
	$85.71	$109.98	($11.78 MM)	
	$87.71	$111.98	($11.78 MM)	Group Expenses Per wRVU = **$114.16**
	$89.71	$113.98	($11.78 MM)	
	$91.71	$115.98	($11.78 MM)	

Defining a Path to Financial Sustainability

For networks looking to get to a sustainable subsidy per provider, there are multiple levers you can pull - ask your team the following questions:

Can we **collect more revenue** on our current volume?

Can we **reduce expenses** on our current volume?

Can we **produce more volume** without increasing fixed expense?

Should we **reduce our provider** complement?

Which Levers Do We Pull for Financial Sustainability?

Network Improvement Opportunities	Influencing Factors
Can we collect more revenue on our current volume?	• Managed Care Strategy and Rates • Fee Schedule • Payer Mix • Revenue Cycle Effectiveness
Can we reduce expenses on our current volume?	• Provider Total Compensation • Provider Mix (Physicians vs Advanced Practitioners) • Advanced Practice Professional Utilization • Staffing Levels & Utilization • Staffing Total Compensation • Administrative Overhead • Practice Overhead • Practice Consolidation
Can we produce more volume without increasing providers and staff?	• Retention of Patients / Improvement of Network Integrity • Coding & Documentation • Provider Schedules / Scheduling Templates • Remove Barriers to Patient Access • Remove Barriers to Efficient Practice Operations • Care Management • Top-of-License Provider Usage
Should we reduce our provider complement?	• Mismatch with Current/Future Health System Strategic Needs • Opportunities to Move Practice to Independence or Aligned 3rd Party (FQHC, etc.) • Realization that Practice/Provider Is Not Going to Meet Performance Standards

Defining a Path to Financial Sustainability

| Realistic View of Achievable Subsidy | **+** | Which Levers to Pull To Get There | **=** | A Path to Financial Sustainability |

Next Question: How do we actually execute our plan?

Operational Chaos Networks Have Two Gaps That Must Be Addressed:
- Network Management Infrastructure
- Provider Leadership and Engagement

Building Network Management Competencies

Management Infrastructure

- **Full-time Leadership**

  Dedicate experienced leadership to the network.

- **Appropriate Roles**

  Create defined roles and responsibilities for all levels of management of the network.

- **Appropriate Revenue Cycle Structure & Leadership**

  Revenue cycle starts with recruitment and credentialing and ends with accurate and timing reimbursement for services. All across that spectrum, it is imperative to have dedicated resources to physician network revenue cycle. This means spending the time, resources and money on a dedicated team.

- **Practice-level Leadership**

  Optimally, each practice should have leadership within the walls of the practice to ensure the day to day operations are run smoothly.

- **Overall Communication**

  Meeting structure should allow for easy communication between operation, revenue cycle and IT....none of these can operate in a silo.

- **Management Data**

  Be honest with yourself about the capabilities of your IT department and dedicate resources to the network. Create executive and management level dashboards and share and communicate them across the network to both managers and providers.

Provider Engagement and Leadership

- **Creation of a "Real" Physician Advisory Committee (PAC)**

  Without provider engagement and buy-in, it will be difficult to institute change and bring professional management to the network. Let the subcommittees of the PAC help you drive the network.

- **Vision and Culture Development**

  Take the time to develop a Shared Vision for what mutual success looks like between providers and administration and create a culture around what it means to be a provider in the network.

- **Engagement of Providers Around that Shared Vision**

  Once the PAC has created a vision, institute subcommittees around quality, operations and finance, etc., to help maximize the number of providers involved in the PAC.

Wrap Up

Questions??

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For more information on today's topic, go to HSGadvisors.com

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TRAVIS ANSEL

MBA

PARTNER

Email: tansel@HSGadvisors.com
Office: (502) 814-1182
Cell: (502) 994-0073

HSG

9900 Corporate Campus Dr
STE 2000
Louisville, KY 40223
www.HSGadvisors.com

11 Years at HSG

Strengths
- Strategic Planning
- Physician Alignment Strategy
- Employed Physician Network Strategy
- Physician Network Performance

Client Accomplishments
- Physician strategy planning for 9-hospital system with $7.3b in revenue; has made significant progress in physician group profitability over a three-year engagement
- Population Health-focused enterprise-wise physician strategy for 6-hospital system with ~$3bn in revenue. Plan focused system on evolving manpower needs to support development of contracting strategy

PROFESSIONAL EXPERIENCE

Travis has worked with clients ranging in size from multi-hospital tertiary systems to critical access hospitals. Travis's practice focuses on helping health systems create structured plans for evolving their physician networks, allowing them leveraging relationships with providers to ensure the health system's strategic objectives are being achieved. He believes that health system management teams must evolve beyond solely tackling day-to-day decisions and develop a focused, long-term plan for physician network alignment, growth and capability development to be successful in the future.

EDUCATION

Travis holds an MBA from Vanderbilt University in Nashville, Tennessee and dual Bachelor's of Science Degrees in Finance and Business Management from the University of Tennessee at Knoxville.

M. DAVIS CREECH

MBA, MHA

DIRECTOR

Email: dcreech@hsgadvisors.com
Office: (502) 814-1183
Cell: (502) 550-6911

HSG

9900 Corporate Campus Dr
STE 2000
Louisville, KY 40223
www.HSGadvisors.com

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13 Years at HSG
23 Years in the Industry

Strengths
- Employed Physician Network Management
- Physician Network Assessment/Optimization
- Network Revenue Cycle Optimization
- Physician Alignment and Engagement
- Network Executive Recruitment/Contracting

Client Accomplishments
- Improved quarterly collections for client's employed physician network by $1.7 million dollars by putting someone onsite and enhancing revenue cycle procedures
- Successfully recruited and placed onsite contractor (interim) and permanent executive for several clients

PROFESSIONAL EXPERIENCE

Mr. Creech's career has revolved around the management of physician enterprises and employed physician networks. Early in his career, he was based in the physician/hospital development division of a large acute care facility in Louisville, Kentucky. It was there that he learned how to effectively manage large and small practices. As his career advanced, his responsibilities increased over all the employed and managed physicians in the network. Developing standardized policies and procedures in tandem with recognizing the need for clear roles and responsibilities to enhance management infrastructure has always been his standard goal.

EDUCATION

Mr. Creech holds Masters Degree in Business and Hospital Administration from Xavier University and a Bachelors Degree in Economics and Management from Centre College.