

Physician Integration Strategies

As integrated systems gain a firmer foothold in the healthcare landscape, healthcare experts increasingly focus attention on the strategies that contribute to their success. At the 1997 American College of Healthcare Executives Congress on Healthcare Management, held in Chicago, F. Kenneth Ackerman, Jr., vice president at McManis Associates, Inc., Washington, DC, presented current successful approaches to building and integrating medical group practices.

THE MARKETPLACE

Today's healthcare market, according to Ackerman, is in a transitional phase, but market pressures are leading to more integrated financing and delivery systems. As HMOs have become insurers, premiums have dropped, but so, too, have payments. Providers, facing deep discounting and lost contracts, are turning to integration as a way to survive. And as networks become systems and systems become tighter, physician influence becomes physician management. At this time in the history of the healthcare industry, Ackerman pointed out, we can reinvent healthcare—emphasize high performance, capital investment, growth, diversification, and integration—and continue to grow, or downsize and hunker down in our established niches.

HIGH-PERFORMANCE ORGANIZATIONS

What are the characteristics of a high-performance organization? Ackerman pointed to five:

- *The organization has clarity and focus.* It understands its purpose and is committed to its key core values. It nurtures select core competencies and has clear expectations.
- *The organization is robust.* It derives strength from continuous reinvention, strategic differentiation, innovation, and sustained growth.
- *The organization is leadership driven.* Leaders have appropriate skills and expertise and make effective decisions. Implementation is decentralized; employees are motivated.



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- *The organization demonstrates operational excellence.* It operates efficiently and delivers a high-quality product. Continuous measurement, learning, and improvement contribute to its smooth operations, as does ongoing employee development.

- *The organization enjoys renown.* Others hold it in high regard and emulate its practices. It rates high customer satisfaction and is a preferred employer. Its stakeholders are loyal and it maintains access to capital.

According to Ackerman, leading integrated healthcare organizations across the country—Aurora Health System, the Cleveland Clinic, Columbus Children's Hospital, and the Mayo Clinic among them—focus on performance strategies.

ENHANCED VALUE TO CUSTOMERS

Ackerman outlined several reasons why physician integration will increase. In today's market the uncertainties of medical practice are steadily increasing because of escalating costs, decreasing patient loyalty and patient changes, increasing loss of autonomy, and growing competition. But integration can be difficult, since physicians and hospital executives traditionally have very different viewpoints. Physicians tend to be specialists who resist control and rules and who are accustomed to making independent decisions, serving the patient, and representing themselves. Hospital executives, on the other hand, tend to be multidisciplinary general managers who are accustomed to establishing rules, controlling others, making decisions by consensus, serving many interests, and representing the organization. Nevertheless, Ackerman said, a high percentage of physician groups expect to be part of integrated systems within the next five years.

Successful integrated systems share several characteristics. First, Ackerman stressed, "physicians play a key leadership role." Physicians are organized, and the organizational structure of a system promotes coordination among the providers. In

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HEALTH POLICY

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care leaders would first need to know how incentives would work, what information would be needed for their use, and what adverse effects might appear as a result of using them. As Ellwood points out in his letter to the president, "We cannot have the best health care organizations going broke because they are good at helping the sickest patients." □

NOTES

1. Steven Findlay, "Trend in Managed Care Is Flexibility," *USAToday*, April 16, 1997, p. 1.
2. Findlay.
3. Mark R. Chassin, "Assessing Strategies for Quality Improvement," *Health Affairs*, May-June 1997, pp. 151-161.
4. "Eye on Patients: A Report from the American Hospital Association and the Picker Institute," World Wide Web (<http://www.amphi.com/eyeonpatients>).
5. "Commission Charged with Developing Consumer Bill of Rights," *Medicine & Health*, March 31, 1997, p. 2.
6. Paul M. Ellwood, "An Open Letter to the President on Quality," *Health Affairs*, May-June 1997, pp. 268-270. The letter was delivered to Chris Jennings, the White House health policy adviser.
7. Chassin.
8. Judith H. Hibbard and Jacquelyn J. Jewett, "What Type of Quality Information Do Consumers Want in a Health Care Report Card?" *Medical Care Research and Review*, vol. 53, 1996, pp. 28-47; Jacquelyn J. Jewett and Judith H. Hibbard, "Comprehension of Quality Care Indicators: Differences Among Privately Insured, Publicly Insured, and Uninsured," *Health Care Financing Review*, Fall 1996, pp. 75-94; and Judith H. Hibbard, Shoshanna Sofaer, and Jacquelyn J. Jewett, "Condition-Specific Performance Information: Assessing Salience, Comprehension, and Approaches for Communicating Quality," *Health Care Financing Review*, Fall 1996, pp. 95-109.
9. Judith H. Hibbard and Jacquelyn J. Jewett, "Will Quality Report Cards Help Consumers?" *Health Affairs*, May-June 1997, pp. 218-228.
10. Elizabeth A. McGlynn, "Six Challenges in Measuring the Quality of Health Care," *Health Affairs*, May-June 1997, pp. 7-21.

ANALYSIS

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addition, in successful systems, primary care physicians are economically integrated, the practice sites provide good geographic coverage, the system is an appropriate size, clinical and management information systems align, and the system offers single-signature authority.

Successful physician integration requires effective strategic and business planning, including a shared vision, a strategic plan that addresses specific goals and initiatives, and a business plan based on solid market research, development initiatives, operating parameters, management requirements, and a financial plan. "You must begin with the end in mind," emphasized Ackerman. "Seventy-five percent to 80 percent of all mergers come apart in five years because they did not have a shared vision and they did not have a good, sound strategic plan that addressed their goals and initiatives."

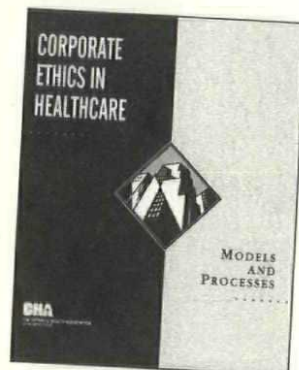
The rewards of such hard work and careful planning include improved quality of care, operating efficiency, accessibility, and patient satisfaction; reduced unit costs; and stronger customer relations. The bottom line: enhanced value to customers.

MODELS OF INTEGRATION

As examples of leading integrated systems, Ackerman cited Intermountain Health Care, serving Utah's urban corridor and multistate rural regions; Aurora Health System, Wisconsin's leading not-for-profit healthcare system; Carle Clinic Association and Carle Foundation, a system serving central Illinois; and Geisinger Health Care System, serving central and northeastern Pennsylvania. Ackerman outlined success factors common to all:

- A clear, common vision focused on system initiatives
 - Strong physician relationships and investment of resources to establish collaborative relationships
 - Significant physician participation in leadership and management
 - A focus on physician/administrator teams
 - An investment in infrastructure to make integrated practice an attractive option
- Ann Stockho

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