**OVERVIEW**

Operating a successful physician group in a post-reform world is more challenging than it’s ever been. Growing numbers of medical groups are moving toward affiliations with, or acquisitions by, hospitals and health systems. Groups are also increasingly in need of building operations capacity to take on risk through their payer contracts. Executives are evaluating performance improvement opportunities in a post-reform environment while facing a number of challenging market pressures. Below are four of the most pressing issues, according to Timothy Ogonoski and Victor Arnold, managing directors with Huron Healthcare’s Physician Solutions.

1) **Dealing with operating costs that are rising more rapidly than revenues.**

   “There are four main levers to pull to lower operating costs in physician practices: operations efficiency, capacity management, financial stability, and clinical effectiveness,” says Ogonoski. (See graphic.) “While these may seem like basic blocking and tackling capabilities, we are finding major opportunities – between 10-20% improvement – by helping medical groups standardize and streamline in these areas. One of our clients identified $30 million in additional professional fee revenue primarily through optimizing their scheduling and referral processes.

   “To operate from a position of strength, physician practices need to take a fresh look at the fundamentals. Efficient practice design reduces staffing needs and enables medical practices to reduce overhead. This drives down operating costs and increases patient throughput while maintaining or increasing physician satisfaction, clinical outcomes and patient safety,” says Ogonoski.

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2) **Ensuring appropriate physician compensation and productive capacity in an environment of declining reimbursement.**

   “The vast majority of physicians are already working incredibly hard. We don’t need them to work harder,” says Arnold. “We need to take away barriers that eat into productivity. How does the referral process work? How many staff members do you have and are they positioned properly in the administrative and clinical functions to support appropriate service times? How long are wait times for patients to be seen? Are patients with chronic problems seen at the right intervals, and for the right reasons? Getting these operational ducks in a row means physicians can be more productive and can achieve solid clinical outcomes through optimized clinical work flow that supports an appropriately-sized panel of patients.”
“No one likes to talk about physician compensation,” says Ogonoski. “But the fact is, a sustainable partnership between hospitals and physicians has to work for both sides. We also need to move away from tying so much of physician compensation to productivity, and move towards a more balanced approach that incentivizes physician participation in key hospital or group initiatives. While physician citizenship is still underrepresented in clinical compensation, it will be increasingly important to establish incentives that reward clinical quality and delivery of cost effective care in a collaborative clinical model.”

3) Preparing for business models that place a premium on quality and outcomes and place a greater share of financial risk on the practice.

“Part of taking on more risk is getting a better understanding of the patient experience throughout the entire continuum of care,” says Arnold. “What happened before they were admitted to the hospital, what happened while they were an inpatient, and what happens after they’re discharged? Better communication channels including appropriate patient registries and analytics, enabled by technology, will be key in making this a reality. Effective and efficient approaches to patient care transitions, monitoring patients with complex chronic disease, and establishing clear quality metrics and accountability will be vital.”

4) Properly aligning the group with the overall health system to enable movement from volume to value.

“Physicians are going to be a huge part of health systems’ ability to transition from volume to value. Without direct involvement from physicians, nobody’s going to get very far,” says Ogonoski. “Despite some movement toward value-based purchasing, on the whole, payment structures are still incentivizing a volume mindset. Hospitals and health systems should start implementing new metrics that incent both higher quality and productivity in a more balanced way. One of the most important questions physicians and integrated delivery system leaders need to ask themselves is, what are the goals I have for our practice and does my current complement of physicians and support systems enable me to reach those goals?”

Responding To Challenges
Most medical groups have yet to put in place all of the fundamentals needed to create peak performance. According to the Huron Healthcare Performance Improvement Database, physician practices have the opportunity to improve performance from 10-20% by becoming more operationally efficient and effective. Reducing expenses and gaining operating capital will help medical groups fund the changes they will need to make to thrive under reform, as well as improve the affordability and quality of the care they deliver.

BOTTOM LINE
To make significant progress in addressing medical group challenges, physicians and hospitals need to:

- Remove barriers to physician productivity and capture a 10-20% performance improvement opportunity by establishing and optimizing the fundamentals of a high performing physician group: operations efficiency, capacity management, financial stability, and clinical effectiveness.
- Gain access to more data on patients’ experience of care to be prepared to take on risk for outcomes, which will be expected under value-based payment methodologies.
- Complete a fresh evaluation of physician compensation, trading some productivity incentives for a more balanced approach that rewards good physician “citizenship” – including quality and engagement performance metrics – as well as productivity. This will help lay the groundwork for the volume to value shift.

CONTACT
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Huron Healthcare partners with clients to provide comprehensive performance improvement solutions that improve quality, increase revenue, reduce expenses, and increase physician, patient, and employee satisfaction across the healthcare enterprise. Clients include national and regional integrated healthcare systems, leading academic medical centers, community hospitals and physician practices.

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