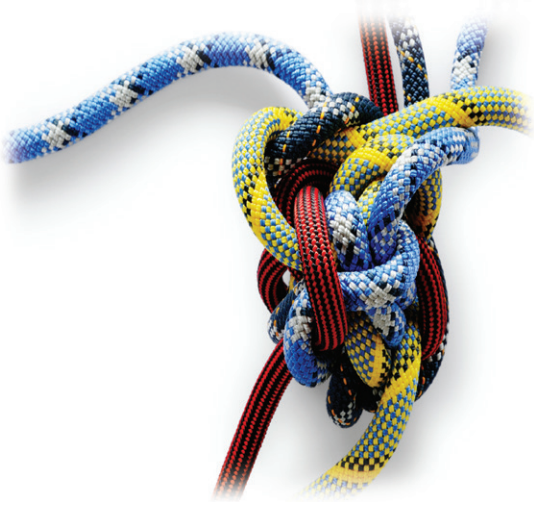
Everything changes: Successful integration of any type requires leadership, transparency



By James M. Palazzo, MBA

The current healthcare environment involves regulatory burdens, financial pressures and unanswered questions. We know that demand for physician services is increasing at a time when reimbursement is stagnant or declining[1], and that some physicians are moving away from private practices into increasingly complex employment arrangements, including co-management, hospital-employed and payer-employed business models. How effectively professionals manage operational changes during the transition from a volume- to value-based payment system will determine whether practices succeed or fail, according to industry experts, who advise adherence to a core set of principles in these areas:

- Leadership
- Professional staffing
- Clinical
- Financial management
- Planning
- Operations
- Development

The foundation of any successful organization is strong leadership, which involves people who work with councils and committees to create an overall vision for the practice, develop consensus among stakeholders and oversee implementation of the agreed-upon vision.

When a 50-physician cardiology practice in the Southwest was acquired by a large healthcare organization, practice executives identified leaders by giving middle managers projects to gauge how effectively they communicated, prepared for meetings, managed stress and built consensus. Those who performed well were chosen to serve on committees and councils.

In the future, effective administrative executives, clinical directors and department managers will not work in silos dominated by a small group's interests but in interconnected organizations that include hospitals, medical groups and health plans where decisions will be made differently. For example, while it might make sense for a practice to close a low-volume outreach clinic, there are different factors to consider in an integrated organization. For example, downstream revenue to the hospital from cardiac catheterizations, angioplasties and other procedures could mean that it makes sense to keep the clinic open for benefits that accrue to the larger organization.

Documented governance rules, such as a decision matrix (bylaws, protocols, operating agreements or employee agreements), might help various constituencies work through separate agendas and form a common culture and direction. The documents should explain how decisions are made and who has authority to make them. Strong governance rules create transparency so that stakeholders see who has authority over specific areas to prevent confusion about strategy and dispel confusion about the organization's direction. This type of matrix specifies who makes what decisions, who recommends changes and who implements recommendations with checks and balances. It will help stakeholders navigate a large organization with multiple decision-making bodies.

Covenants can also establish expectations among councils, boards of directors or committees to foster accountability and create alignment. These documented codes of conduct clarify expectations of individual physicians to organizations »

and vice versa. Is a physician allowed, for example, to leave the office early? Is it up to the organization to find a replacement when a physician can't cover a shift, or is it the physician's responsibility? Separate covenants should be developed to help physicians understand what is expected of them and what they can expect from the organization. Documented expectations improve the potential for individuals and organizations to move in one strategic direction.

As organizations become larger, culture clashes can arise across multiple specialties and hospital departments. The process of forming rules, developing a system of checks and balances — and simple discussions — helps create synergy and cohesion. As the environment changes and weaknesses in the structure are identified, governance models should evolve to address them.

Decision-makers are essentially change agents, and managers are charged with implementation. However, some stakeholders are often resistant to change. The use of EHRs and emerging care delivery and reimbursement models, such as accountable care organizations and global payments, can be challenging for physicians to accept, further complicating the change process.

KEY BUSINESS AREAS	DECISION MATRIX			SUMMARY
	SERVICE LINE	HOSPITAL/ HEALTH SYSTEM	MEDICAL GROUP	
STRATEGY				
Key Action 1	Develop/ Recommend	Approve	Review	
Key Action 2	Recommend	Approve	Implement	
FINANCE				
Key Action 1	Recommend	Approve	Implement	
Key Action 2	Develop/ Recommend	Approve	Review	
CLINICAL/QUALITY				
Key Action 1	Approve	Review	Oversight	
Key Action 2	Recommend	Approve	Implement	
OPERATIONS				
Key Action 1	Implement	Approve	Recommend	
Key Action 2	Approve	Review	Oversight	
PERSONNEL				
Key Action 1	Review	Review	Approve/ Implement	
Key Action 2	Implement	Approve	Recommend	

Most healthcare organizations have the same mission: providing quality healthcare to their communities. Vision, on the other hand — the grand, bold plan — sets an organization apart. Part of the planning process, therefore, involves developing scenarios of what might occur in the market that could adversely affect the health of the organization. For instance, what will it mean for the organization if two of its largest competitors merge? What will happen if the organization's largest payer cuts reimbursement by 20 percent or if a health plan acquires one of its competitors?

The team should identify the likelihood of each scenario through forecasting (including market, regulatory, government and trending data) and prepare the organization for these possibilities and to inoculate it from their potentially deleterious effects.

As members of a service industry, healthcare professionals rely on outcomes, quality and their ability to establish relationships among various constituencies — from external physicians and hospitals to payers and patients. Managing relationships with these various stakeholders has become a greater part of the performance equation because each stakeholder in the value-based payment model has the ability to affect revenue.

Part of managing these connections with constituents involves implementing feedback mechanisms for quickly identifying and understanding dissatisfaction and then crafting appropriate responses to mitigate any negative impact on the organization's overall performance.

In this increasingly competitive climate, it takes more than providing quality care to succeed; it takes providing high-quality care at the lowest cost, and that requires strong leaders, clear rules, substantial planning and efficient management. ■

Note:

1. Hing E, Burt CW. "Office-based medical practices: Methods and estimates from the National Ambulatory Medical Care Survey." *Advance Data from Vital and Health Statistics*, No 383. Hyattsville, MD: National Center for Health Statistics. 2007.