

DEVELOPING PROVIDER RESOURCE STRATEGIES

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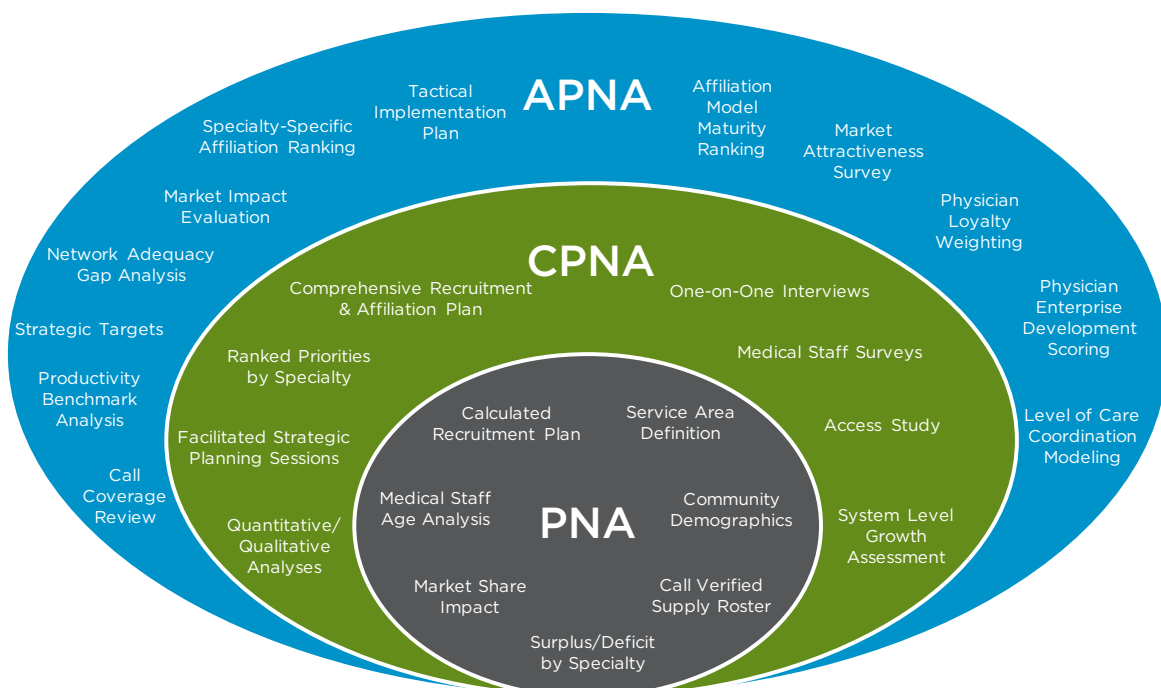
THE IMPORTANCE OF A PROVIDER NEEDS ASSESSMENT (PNA)

Well-aligned physician-hospital affiliations continue to rank as one of the most important success factors for health systems and physician organizations alike. As professional fee reimbursement continues to be pressured, some physicians have migrated to health system employment to seek a “safe” alternative to private practice, while others are pursuing alternative models to capture revenue streams, often competing directly with hospitals.

Because of these and other changing market dynamics, a thoughtful and proactive physician resource strategy is of utmost importance. A key component of any physician-hospital strategy is a strong understanding of physician resource needs for service areas, along with a process to achieve strategic and programmatic goals. More sophisticated plans identify prioritized subspecialty needs based upon a range of quantitative and qualitative factors, as well as recommendations for supportive affiliation models with defined characteristics.

As illustrated below, several physician resource strategy options exist, ranging from straightforward physician community needs assessments based on a strategic or Stark Law-compliant service area, to broader strategic physician network plans with a physician integration/alignment focus. For example:

- System-specific provider needs and priorities to support service line/program strategies through a Comprehensive Provider Needs Assessment (CPNA).
- Advanced Provider Needs Assessment (APNA) offering recommendations on specialty-specific affiliation models and geographic targets to support care delivery and payer strategies, with each assessment building upon the next to include a customized approach based on specific needs.



QUANTIFYING PROVIDER SURPLUS/DEFICIT WITHIN DESIGNATED SERVICE AREAS

Based on our experience, the following key questions should be addressed in every quantitative PNA:

- What are your Stark-compliant and strategic service areas?
- What are the patient population demographics that inform your PNA needs?
- What are the current and projected demand for providers over the next five years?
- What are the current and projected supply of providers in the market over the next five years?
- What are the resulting specialty-specific surplus/deficit findings?
- For identified deficits, what would be the system recruitment requirement to maintain market share?

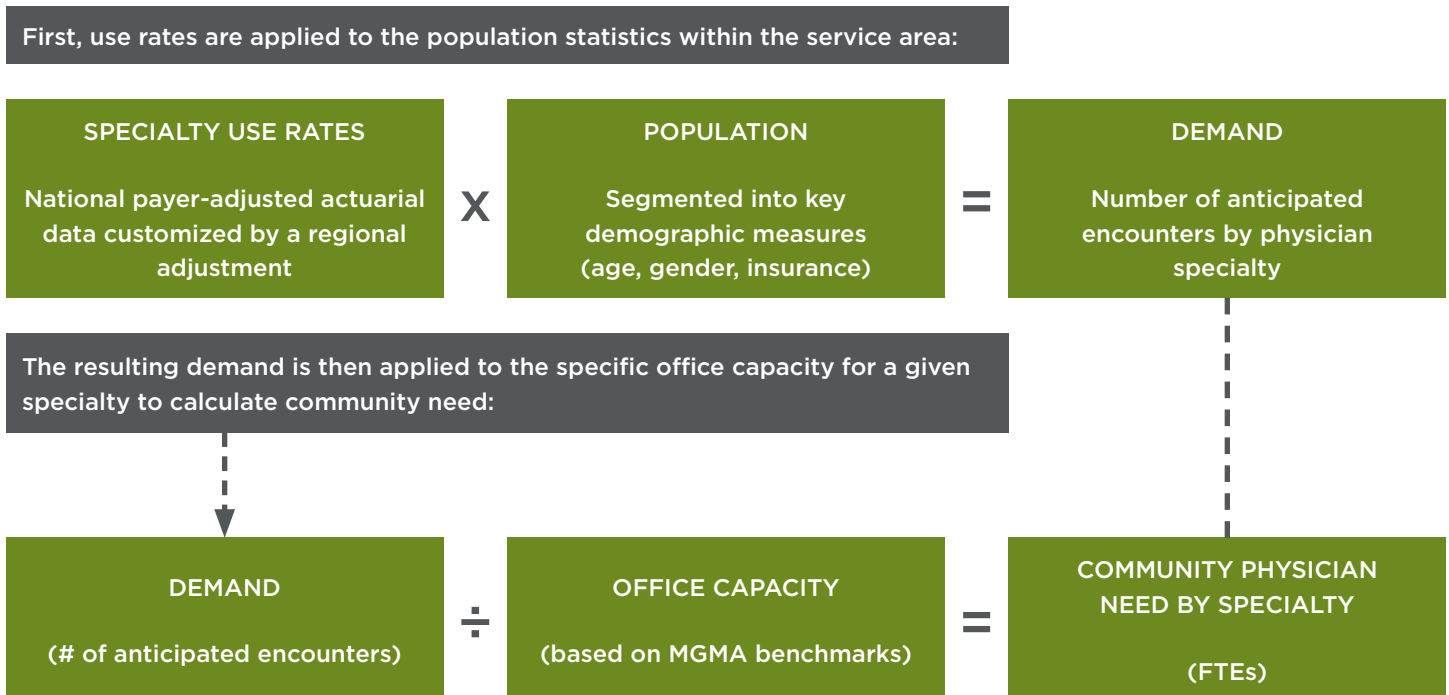
PHYSICIAN DEMAND MODEL OVERVIEW

Navigant partnered with a leading actuarial firm to develop a proprietary, state-of-the-art model, allowing for projection of physician demand across more than 30 specialties. This demand model is further customized to the local demographic, payer, and healthcare utilization statistics of the market. Specialty utilization rates are applied to the market specific population demographics, resulting in the total number of anticipated encounters by physician specialty. Office capacity benchmarking is applied to the anticipated encounters, resulting in the defined number of full-time equivalent (FTE) physicians needed to satisfy the population.

For primary care, we further consider advanced practice providers' effects on satisfying market demand. In recognition of healthcare reform, assumptions can be adjusted around the transition of formerly uninsured populations to insured status, as well as the migration of certain populations to more tightly managed models of care. The actuarial component of the proprietary model is consistently updated to ensure demand projections reflect the most current thinking on future physician utilization patterns and trends.

In addition, methodologies were developed to predict demand for a wide variety of specialties, including hospital-based specialists, pediatric subspecialists, and other subspecialties typically found at academic medical centers. When applied in the context of your market, the model can more accurately project market-specific physician demand than other commonly used benchmarks and methodologies (e.g., published physician-to-population ratios).

Navigant's Physician Demand Methodology



AN OVERVIEW OF QUANTIFYING THE PERTINENT PHYSICIAN SUPPLY

This proprietary demand model delivers a realistic representation of physician requirements for each market. Demand is then matched with a call-verified physician supply list weighted to determine the FTE. To build physician rosters, we use a combination of subscription lists, medical staff rosters, health plan provider lists, claims data, medical practice websites, and academic institution listings to capture a list of all the physicians practicing in the market. Each record is call-verified to ensure accuracy.

An assignment of FTE is then made based on client input and market research. Recent studies have been done about the aging of the physician workforce; however, new assumptions must be made about retirement ages and practice patterns considering economic changes, life-balance trends, and dual-physician families. The calculated clinical FTE is weighted by gender, age, specialty, statistical probability of productivity, and the number of office locations.

RESULTING QUANTITATIVE COMMUNITY NEED BY SPECIALTY

Recruiting new physicians is only part of the solution. Equal attention must be given to the existing medical staff for both retention and succession planning. Quantifying community need aids in establishing recruitment and retention plans in the context of geography to serve and address related issues such as defining the practice location, service line development, and affiliation arrangements. Given shortages in many physician specialties, various types of entities are often in competition for high-growth medical and surgical specialties. As such, organizations will need to consistently invest in relationship improvements and recognize other environmental issues to retain physicians and market share.

This service area community supply is compared to the defined number of physicians, resulting in a net surplus/deficit by specialty. Essential is an understanding of the local medical staff's practice time horizon, as well as the hospitals' proactive approach to assist physicians (to the legal extent possible) with succession planning, practice transitions, and employment expectations. Based upon the level of net needs identified and other client- and market-specific factors, the documented findings capture anticipated attrition based upon five-year projections, further enhancing the quantified needs and specialty "gaps."

CONDUCTING A COMPREHENSIVE PROVIDER NEEDS ASSESSMENT

A quantitative PNA delivers a calculated need for providers that satisfies both Internal Revenue Service and Office of the Inspector General justifications for hospital-sponsored recruitment activities. It also guides hospitals in developing their recruitment plans. While this is an important feature of this work, PNAs can also be used to guide a broader physician strategy, including supporting/disputing the increase or decrease in the medical staff in select specialties, supporting service line planning, and guiding major investments such as primary care network development, physician employment, or ambulatory expansion. As the next step, the CPNA identifies system-specific provider needs and priorities to support service line/program strategies. The CPNA builds upon the basic assessments and seeks to further address the following key questions:

- Which subspecialties with quantitative deficits are of highest qualitative importance to support our healthcare delivery needs?
- Which subspecialties have other quality, and/or access challenges - with or without quantitative deficits?
- How does your current or anticipated succession planning impact your qualitative need?
- What is your current level of "physician market share" for employed or exclusively contracted providers?
- What are your ranked priorities for specialty-specific physician recruitment and/or affiliation?
- What are your five-year physician recruitment/affiliation targets?

This approach to a comprehensive assessment includes both quantitative and qualitative elements, customized to the specific needs of each organization. This two-pronged approach ensures that a physician resource plan is not only rational and defensible based on quantitative need, but also supportive of core health system payer, service line, and integrated practice development strategies.

UTILIZING INTERVIEWS/SURVEYS/ DEMOGRAPHIC DATA

Through one-on-one interviews with medical staff members, integrated practice, service line, and other system/affiliate hospital leadership team members, input is gained on unmet healthcare needs and service growth opportunities in the community. With Navigant’s survey tools, all physicians on the medical staff can identify unmet quantitative and qualitative needs, including access issues and other opportunities in the community.

From a qualitative perspective, these interviews, medical staff surveys, access studies, and the additional analysis of demographic data are important to gain insight into specific physician, organizational, and market dynamics that may have implications on physician need, regardless of quantitative results (such as refusal to participate on emergency department call schedule, etc.)

IDENTIFYING AND RANKING PRIORITIES FOR PHYSICIAN RECRUITMENT AND AFFILIATION

The CPNA results in a plan that combines the strategic service line prioritization, specialty specific data, and interview/survey results to drive the recruitment priorities for the next three years. Data and information is integrated to prioritize facility- and system-related physician recruitment and affiliation strategies.

Navigant facilitates a highly interactive discussion with hospital-appointed steering committee members through a series of work sessions throughout the engagement. The resulting resource plan is prioritized and subsequently sanctioned by the hospital. Inherent in this commitment is the defined attributes of recruitment, employment, and affiliation alternatives.

THE STRATEGIC IMPORTANCE OF AN ADVANCED PROVIDER NEEDS ASSESSMENT

While the identification of more tailored specialty-specific needs and priorities through CPNAs include significant enhancements beyond the quantitative PNAs, there are a range of additional recommendations needed to more fully develop and execute on a more effective physician enterprise level. The APNA addresses specialty-specific affiliation models and geographic targets to support your healthcare delivery and payer strategies. The APNA further refines and tailors the system and affiliate-specific recommendations through more advanced due diligence and options development to address the following key questions:

- How mature are your current physician affiliation models to address expanded recruitment and/or affiliation needs?
- Which of the specialty-specific provider needs will be best met through employment or recruitment assistance?
- Which of the qualitative needs, regardless of deficit, will be best met through other nonemployed affiliation models?
- Where are you most attractive markets for provider placement that will enhance access and market share?
- How mature is your “Physician Enterprise” approach to manage your provider recruitment and affiliation strategies?

FOCUSING ON PHYSICIAN ALIGNMENT

The APNA enhances the CPNA’s qualitative and quantitative combined priorities. The next step is identifying the specific approaches by which the system will address specialty-specific affiliation models, while fulfilling both community and organizational needs – and to create the desired degree of alignment with the medical staff. Recruitment of additional/new providers to address key “needs” may or may not be the preferred answer due to the nature of the “gap” and the availability of alternative physician relationships or models available to the system. The APNA assesses potential recommended organization structures and tactics to meet the subspecialty needs of the system on an enterprise level, including selection of one or more physician affiliation tactics from the sample continuum below .



ASSESSING THE CONTINUUM OF AFFILIATION RELATIONSHIP

Navigant believes that providers today should optimize their physician relationships through a variety of alignment tactics. There is also a growing recognition of need to improve accountability and strategic alignment of unaligned physicians. A scorecard assessment is used to qualitatively identify the hospital's integration to-date, measured on the continuum of affiliation models. Recognizing that alignment between the hospital and physicians will vary based on care delivery, our goal is to utilize these models to enhance patient and physician satisfaction and improve each element of the value equation - quality, outcomes, cost, and access.

ADDRESSING NETWORK ADEQUACY/ MARKET ATTRACTIVENESS

Navigant's network adequacy study projects the number of physicians by specialty needed for an identified market and patient population to determine sufficiency of affiliated physicians, as well as whether their coverage geographically addresses the standard time and distance requirements to serve the population. Market attractiveness weights and maps by color targeted value criteria and physician supply density. This defines recommended physician placement and potential new opportunities for alignment.

DEVELOPING STRATEGIC ALIGNMENT AND TACTICS

The final element of an APNA plan is the execution. To be successful, the physician alignment plans require the buy-in and participation from the physician community. We have significant expertise in addressing all aspects of physician-hospital relationships, including culture and alignment issues, group structure, practice acquisition and management, clinical integration, and navigating the internal processes that drive change throughout an organization. The final piece of the APNA engagement is to help the organization develop the alignment strategy and define the tactical execution.

WHY NAVIGANT?

Experienced Team

Navigant's healthcare professionals include individuals with experience as health system, health plan, and physician group CEOs and CFOs, as well as physicians, nurses, pharmacists, and other clinical professionals. We combine the expertise of these seasoned professionals with our commitment to work with our clients to deliver successful solutions. We are strongly committed to serving as trusted advisors to our clients on these important issues.

Extensive Client Base

Navigant's client base includes hospitals and health systems, academic medical centers, community hospitals, faculty practice plans, and physician groups across the U.S. Over the past three years, Navigant has worked with over 150 individual organizations on a wide variety of customized physician resource planning projects, tailored to meet individual market conditions and clients' strategic goals.

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About Navigant

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