



## New Conversations for Physician Engagement

*Five design principles to upgrade your governance model.*

The importance of alignment between hospitals and physicians has been a heightened strategic imperative for boards for more than a decade. In order to drive superior quality and financial performance, the 21st century so far has seen hospitals deploy a wide range of tactics for enhancing their relationships with physicians. This mosaic of tactics and arrangements, however, requires new governance philosophies and processes.

A brief summary of some of these tactics includes the following:

- Structural arrangements such as joint ventures around diagnostic and surgical centers, physician-hospital organizations, operations councils to enhance service lines, management services organizations, CEO physician cabinets, alternatives to the traditional organized medical staff, virtual integration with independent practice associations, the establishment of administrator-physician management pairings to lead service lines or the implementation of tandem service line management structures, and the creation of medical foundations.
- Pay-for-service arrangements such as stipends for emergency

department call, the creation of a growing number of medical directorships for specialized units (e.g., the intensive care unit) and targeted initiatives (e.g., quality directors, informatics directors, innovation officers) and the expansion of stipends for medical staff leaders.

- Expanded use of contracting approaches such as exclusive clinical services arrangements (e.g., radiology, pain management, anesthesiology), contracts for specific physician services (e.g., hospitalists, laborists, surgicalists, intensivists) and for specific diagnostic services (e.g., the interpretation of EKGs), leased practices and a surge in the direct employment of physicians.

While hospitals have plunged headlong into the implementation of various alignment strategies, few have given thought to the process for oversight and governance of their multiple initiatives. We receive weekly inquiries from CEOs and board leaders who ask how they should—after having built or inherited a mixed, patchwork quilt of physician alignment strategies—design and operate a new governance model for their disparate and confusing array of physician deals, ventures and arrangements. And to have a successful physician alignment initiative, CEOs

and their boards ask what their governance philosophy, strategy, structures, systems and style should be.

Consider the following five design principles to upgrade or establish a new physician alignment governance model.

### 1. Adopt a Physician Alignment Philosophy

The board should establish, publish and frequently discuss a formal statement of philosophy about the organization's physician alignment structure, the purpose of which is to deliver high-quality, cost-effective patient care that follows tax-exempt guidelines. Such a philosophy should serve as a foundation for a comprehensive strategic approach to physician relationships and state what it would look like if the organization were to maximize its relationships with doctors. Examples might include attainment of the hospital's patient care and financial missions, superb quality of care, great teamwork, high patient and staff satisfaction, good compliance with regulations, increasing cost efficiency, or tangible pride in the relationship the hospital holds with its medical community. A physician alignment philosophy also might identify where competition

between doctors and the hospital represents a serious conflict of interest.

**2. Perform an Audit of Physician Alignment Arrangements**

It is critical to document and monitor the scope and nature of the deals worked out with physicians

in order to properly govern and support them. This is particularly important when different parts of the organization are authorized to pursue physician alignment initiatives; when some arrangements are based on unwritten verbal understandings; when multiple legal commitments are made; and when

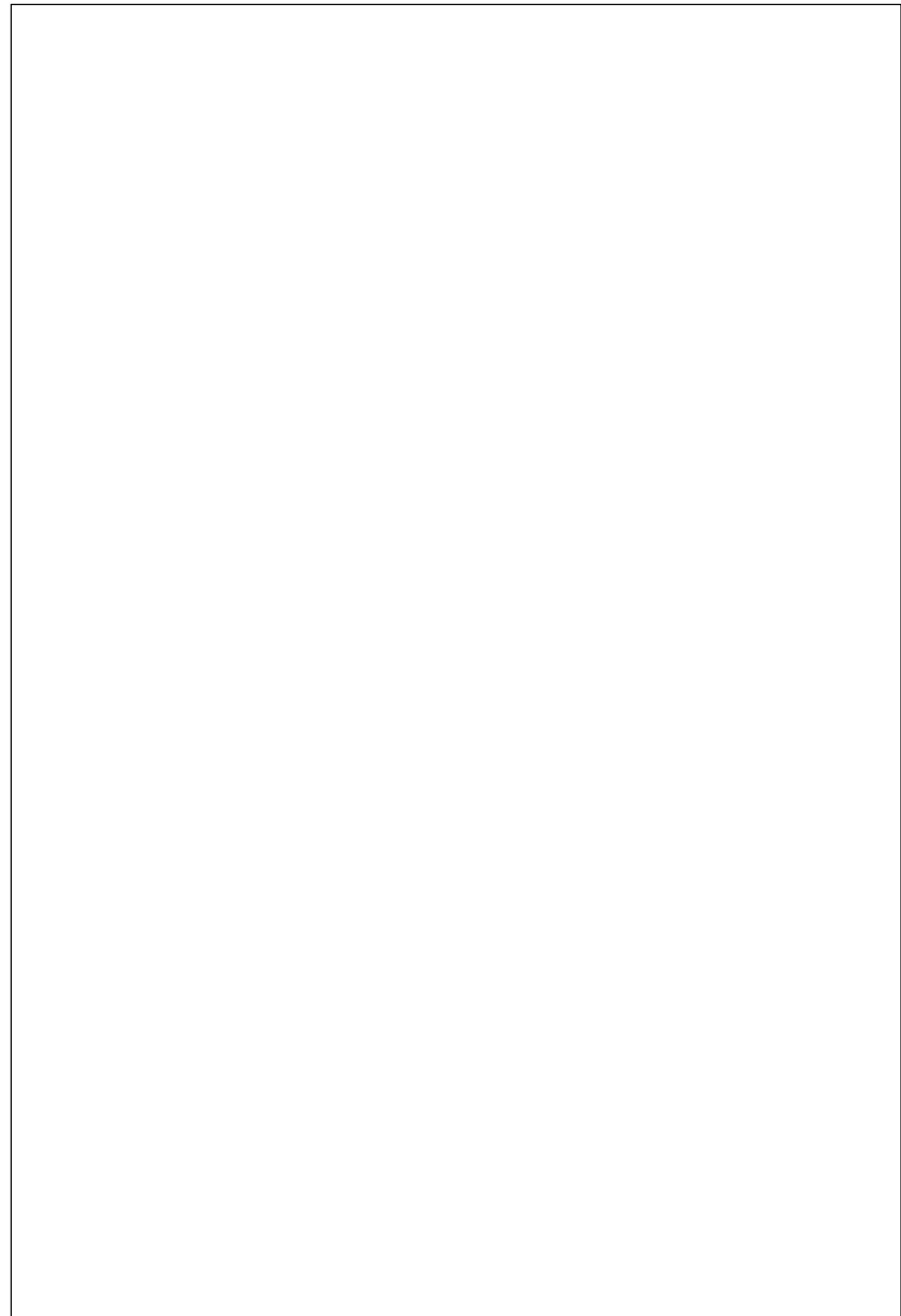
the Internal Revenue Service and Centers for Medicare & Medicaid Services auditors investigate a particular initiative's appropriateness. Establishment of an internal database and periodic assessments should make clear the expense being incurred to sustain various alignment approaches and who in the organization has ownership of a particular arrangement.

**3. Create Physician Arrangement Compliance Standards**

For each arrangement, the hospital should have clear, strategic objectives whose fulfillment is regularly assessed. Measurement of performance against these objectives provides the metrics for evaluating their efficiency in promoting the philosophy discussed in principle No. 1. Many hospital-alignment tactics will be transition steps to tide the organization over while more permanent arrangements are developed. For example, many hospitals are unwinding joint ventures or ED stipends as a significant percentage of their medical staff moves into employment positions with the institution. If a current arrangement is no longer meeting its objectives, it may be time to jettison it in favor of more-effective or durable tactics.

**4. Engage Physicians Meaningfully**

For various alignment tactics to succeed, physicians must be committed to their success and engaged in their management. Great physician engagement, however, requires enhanced physician leadership. Most hospitals don't hesitate to deploy scores of managers to oversee their hundreds of employees. These



same institutions may have hundreds of doctors on their medical staff but rely on only a few relatively untrained, elected medical staff officers to ensure physicians meet the hospital's needs. Even when organizations have added numerous medical directorships to help oversee new alignment arrangements, these new physician managers often have underdeveloped leadership and governance skills. A hospital's commitment to establishing effective physician leadership can be evidenced through the development of a leadership training academy, the employment of a chief medical officer or the creation of roles for paid and experienced clinical service chiefs who have clear position descriptions, performance

expectations, support staff and annual performance appraisal processes to support their chances for success.

Hospitals also should tap into their physicians' unique expertise and use new forums to facilitate physician participation in governing and managing the clinical enterprise. These include: technology assessment and capital planning councils; supply chain management boards; operating councils to engage key physician stakeholders in enhancing the vitality of specific service lines; physician business advisory boards and market planning committees; physician executive committees for employed physicians; reorganized and streamlined medical staff organizations;

CEO advisory councils; increased physician representation in strategic and financial planning activities; and greater physician representation on the parent fiduciary board and its subcommittees.

Organizations should periodically assess their physicians' engagement and satisfaction with their hospital interactions and modify engagement tactics accordingly. Never hesitate to rethink, renew and refine your physician alignment strategies.

#### **5. Make Oversight of Alignment Arrangements Transparent**

Most organizations do not track the evolution of their various alignment approaches to promote critical ongoing assessment of their

value. Important questions to consider for any institution formulating a structured physician arrangement governance model are the following: What tools could facilitate this effort in our age of digital information? What kind of dashboards could concisely summarize the spectrum of alignment tactics and their success in engaging physicians productively? All levels of senior management must be well informed regarding the status of alignment efforts, but what key physician personnel should be part of the oversight effort?

As tactics to fully engage the talent and motivation of physicians continue to multiply, successful hospitals must regularly explore how they will govern their diverse physician arrangements

and relationships. The principles reviewed above are one place to start. ▲

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