

RETHINKING SPECIALIST INTEGRATION STRATEGIES

To surmount the economic pressures of managed care, specialists are pursuing various initiatives designed to increase revenues and market share that may put them into competition with health-care systems. Systems contemplating collaboration with specialists to gain their loyalty may first consider employing a strategy involving physician gain sharing. It should be understood, however, that there are legal hurdles to be overcome in developing gain sharing, that there are different gain-sharing models to be used, and that there are limitations as well as benefits to such an initiative. These limitations require health-care systems to consider other, more durable specialist integration strategies. The balance of power between a health-care system and specialists will affect the success of whatever integration strategy is employed.

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In recent years, health-care systems have focused their physician integration efforts on primary care physicians. The anticipation of widespread global capitation created expectations of building a wide, high-quality primary care base that would capture revenue streams and maintain specialist loyalty. The promise of global capitation, however, has largely gone unrealized.

Without significant global capitation to engender their loyalty, and facing economic pressures, specialists are pursuing a proliferation of specialist initiatives, such as

“focused-factory” specialty hospitals, ambulatory care centers, specialty carve-out networks, and disease-management initiatives. Most specialist initiatives are designed to compete directly for a share of the most profitable health-care system facility and ancillary revenue sources. The Health Care Advisory Board estimates that 35 to 45 percent of a health-care system’s revenues and most of its profits are vulnerable to defecting specialists.^a

Health-care systems have responded to the rapid growth of specialist ventures over the past few years with a variety of strategies, ranging from peaceful coexistence or collaboration to competition. As a collaborative strategy, health-care systems are increasingly using physician gain-sharing models to secure the loyalty of specialist physicians. Because gain-sharing models have inherent limitations that may affect their durability, however, they should be considered only within the context of a broader specialist integration strategy.

GAIN-SHARING MODELS

Physician gain sharing involves the establishment of a bonus pool, which is funded by the health-care system and used to provide incremental compensation to participating physicians for achieving agreed-upon reductions in inpatient costs or improvements in the quality of inpatient care by following improved processes and standard protocols. Interest in physician gain-sharing models is growing because they create additional economic linkages between physicians and the health-care system, can

a. *Holding the Center: Recovering Specialty Care at America's Leading Health Systems*, Washington, DC: The Advisory Board Company, March 1998, p. 8.