

**ACHIEVING HOSPITAL-PHYSICIAN ALIGNMENT THROUGH CLINICAL INTEGRATION**

**PART I - THE CASE FOR ALIGNMENT & INTEGRATION**

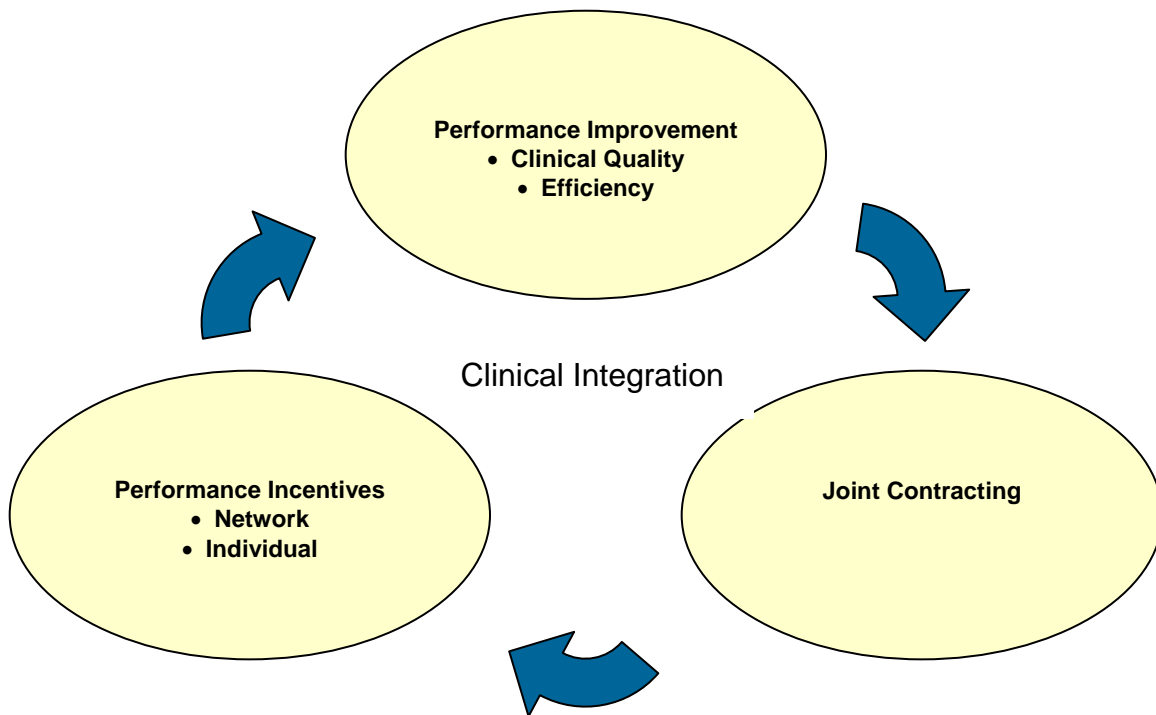
*This is the first in a series of articles on achieving hospital-physician alignment through clinical integration.*

Never has the need for alignment between hospitals and physicians been so great. In recent years, the decline of risk contracting and the demise of messenger model negotiation strategies have rocked the IPA and PHO network world. Many have been dismantled. The loss of these important vehicles for aligning around shared objectives and strategies has left many hospitals and physicians adrift.

Hospitals and physicians are inexorably interdependent, with closely related needs. As described in the chart below, hospitals need loyal, committed medical staff, aligned with the hospital’s priorities, and engaged in the program development, clinical quality and process improvement efforts that can only be successful when approached as partnerships. Physicians need high quality and efficient clinical environments and sufficient leverage in payor and professional liability coverage negotiations to ensure sustainable practice economics. Without alignment, neither can achieve the market or mission success both need.

<b>Hospital – Physician Alignment</b>	
<b>What Hospitals Need from Physicians...</b>	<b>What Physicians Need from Hospitals...</b>
<ul style="list-style-type: none"> <li>• Deliver high quality, differentiated “referral center” care                             <ul style="list-style-type: none"> <li>➔ Consistent high quality standard</li> <li>➔ Embrace new technology</li> <li>➔ Participate in outcomes monitoring</li> </ul> </li> <li>• Provide competitive access to patients                             <ul style="list-style-type: none"> <li>➔ Adequate capacity, coverage</li> <li>➔ Contracts with all key payers</li> </ul> </li> <li>• Manage utilization (e.g., LOS)</li> <li>• Operate effective, financially healthy practices                             <ul style="list-style-type: none"> <li>➔ Strong referral relationships</li> <li>➔ Good financial management</li> </ul> </li> <li>• Be good business partners                             <ul style="list-style-type: none"> <li>➔ Refer patients within the system</li> <li>➔ Minimize competition with hospital</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Provide high quality, differentiated “referral center” services                             <ul style="list-style-type: none"> <li>➔ Consistent high quality clinical services (esp. nursing, ancillaries)</li> <li>➔ Invest capital in new technologies</li> </ul> </li> <li>• Provide competitive access to patients                             <ul style="list-style-type: none"> <li>➔ Facility, staff capacity</li> <li>➔ Contracts with all key payers</li> </ul> </li> <li>• Provide an efficient place to practice medicine (e.g., intensivists, hospitalists, residency programs)</li> <li>• Operate a financially healthy delivery system                             <ul style="list-style-type: none"> <li>➔ Streamlined, productive processes</li> <li>➔ Sufficiently profitable to fund capital</li> </ul> </li> <li>• Be a good business partner                             <ul style="list-style-type: none"> <li>➔ Minimize competition with physicians</li> <li>➔ Provide opportunities to share gains</li> </ul> </li> </ul>

The challenge is – how to replace the risk-based networks of the 1990s with a more lasting and fundamental integration that broadly aligns hospital and physician interests. A new type of network, built on clinical integration provides the answer. Clinically integrated provider networks link hospitals and physicians together with the objective of improving patient safety, clinical quality, clinical process and outcomes. Through shared information systems, clinical protocols, and clinical quality management processes, independent providers work together to create an integrated system of care. As an added benefit, careful design and implementation of a clinically integrated provider network can enable the network to engage in joint managed care contracting. Regulatory guidelines provide comfort that networks based on clinical integration or a combination of clinical and economic integration can engage in joint contracting if such arrangements are necessary for and ancillary to achieving the efficiency and quality goals of the system.



Through a clinically integrated provider network, participating providers align around shared objectives and systems, and in doing so improved competitiveness and create the opportunity for stronger financial performance.

*Next: Part II - The Benefits of Clinical Integration*

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