

ACHIEVING HOSPITAL-PHYSICIAN ALIGNMENT THROUGH CLINICAL INTEGRATION

PART II – THE BENEFITS OF CLINICAL INTEGRATION

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

Does your medical staff see their interests as being aligned with the hospital?

Are your physicians sufficiently engaged with your clinical quality improvement initiatives?

Do the economics of medical practice in your market facilitate physician recruiting and retention?

Are physicians competing with your hospital through involvement in specialty hospital initiatives or office-based ancillary services?

Through the 1990’s, shared economic risk, and its associated shared infrastructure (medical management, contracting, etc.) brought physicians and hospitals together in formal, integrated networks (IPAs and PHOs). With the demise of shared risk and joint contracting, the economic viability of networks of affiliated but independent providers has declined as well. The result is that hospitals and physicians have lost one their primary vehicles for developing and maintaining strategic alignment, and both physicians and hospitals are feeling the consequences – loss of market differentiation and leverage, difficulty in establishing traction in clinical quality improvement, and growing pressure on the economics of medical practice.

While insufficient economic integration has lead to the dismantling of many provider networks, there is another way to “skin-the-cat” – clinical integration. Federal Trade Commission (FTC) guidelines provide for both clinical and economic integration as the basis for joint contracting among independent providers. At least one FTC Advisory opinion found that clinical integration by itself provided sufficient pro-competitive consumer benefits to offset the anti-competitive impact of joint contracting.¹

Broad-reaching clinical integration, focusing on the improvement of patient safety, quality, and clinical process, can offer the added benefit of market differentiation – measurable improvements in

Clinical Integration Benefits	
Patients	<ul style="list-style-type: none"> ➔ Motivated physicians and hospitals ➔ Transparent measures and performance ➔ Improved clinical quality and patient safety
Employers	<ul style="list-style-type: none"> ➔ Ability to incorporate own performance measures ➔ Containment of health care cost inflation
Health Plans	<ul style="list-style-type: none"> ➔ Higher member satisfaction ➔ Performance-based provider reimbursement ➔ Production of objective data
Physicians	<ul style="list-style-type: none"> ➔ Joint contracting with health system ➔ Care management efficiencies ➔ Opportunity to earn incentive compensation ➔ Higher quality care provided
Hospitals	<ul style="list-style-type: none"> ➔ Joint contracting with physicians ➔ Common objectives among independent physicians ➔ Lower clinical cost; higher quality ➔ Market share growth or maintenance

¹ FTC Advisory Letter February 19, 2002 (MedSouth)

quality and/or reductions in cost. With the right relationships with payors, everyone in the market benefits – providers, consumers, health plans and employers. Through pursuit of mutual benefit, hospitals and physicians establish a stake in one another’s future. While maintaining economic independence, providers align around shared clinical and economic objectives.

Assuring patients that their medical care will be safe and efficacious is a priority for physicians, hospitals, managed care organizations, employers, the government and consumers. New tools and technology make this an achievable goal. Clinicians have developed and agreed upon evidence-based guidelines for many of the common conditions and for prevention. Claims data can be mined to identify people who have a high probability of experiencing a serious illness. Technology makes it possible share medical information rapidly and to avoid costly duplication of tests and services. Disease management programs are now available for the major chronic conditions such as diabetes, heart disease, hypertension, asthma and high risk prenatal care and deliveries.

To improve the performance of our health care system requires clinical integration and teamwork. Mayo Clinic and other leading group practices have clinical integration embedded as a bedrock part of their culture. Independent physicians or hospital-physician networks can deliver clinically integrated care to their patients but it requires commitment, mutual agreement to comply with evidence based guidelines and infrastructure to assure compliance. This new role can be a natural evolution of pre-existing networks or an opportunity to establish a new one. Networks that can demonstrate sufficient improved clinical quality and patient safety or the potential of sufficient improvement are able to jointly contract with managed care organizations.

Next: Part III – Standards of Integration

* * * * *

BDC Advisors, LLC is a strategic consulting firm that develops market-transforming solutions in partnership with our industry-leading healthcare provider and payer clients. Our disciplined approach to problem solving in concert with our national perspective enables BDC Advisors, LLC to rapidly develop and implement robust, realistic solutions that address our clients’ challenges.

For more information, contact Bill Eggbeer (beggbeer@bdcadvisors.com) or Mike Goran, MD (mgoran@bdcadvisors.com) or visit our website www.bdcadvisors.com.