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Feature Article:

Effective Hospital and Medical Staff Relationship Strategies Post-PPACA

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Overview

There are a number of reasons why physician-hospital relationships have been more adversarial than collegial over the past decade. A significant contributor to tension between hospital administrators and independent physicians has been the increase in direct competition between the two groups as a result of competitive service offerings, like office-based procedures and imaging. On the other hand, hospital administrators' tendency to focus on "managing" the doctor rather than "maximizing" the potential of one of the most influential resources in any healthcare organizations' value chain has bred contempt amongst many hospitals' medical staff members. It is your role as a consultant to help physicians and hospital administrators identify the value each group can bring to the care delivery process.

An increased emphasis on accessible, high-quality care and a shift toward value-based reimbursement, as mandated in the Affordable Care Act, have necessitated the formation of symbiotic physician-hospital relationships. Hospitals and physicians must work together effectively or they will both struggle financially. For example, the advent of the accountable care organization and the implementation of bundled payment methodologies will require physicians and hospitals to collectively manage chronic disease and optimize the treatment of acute illness and injury.

In this evolving healthcare landscape, many consultants will be asked to identify ways for physicians and hospitals to collaborate more effectively in order to expand access, decrease cost, improve quality and increase patient satisfaction. Although this may appear to be an innocuous task, the differing historical cultures of physicians and hospital administrators are likely to make this role more perilous than one would expect.

Physician Characteristics

- Entrepreneurial →
- Individualistic →
- Dictatorial →
- Autonomous →
- Rapid processors →
- Instinctual →
- Tunnel vision →
- Clinically biased →

Administrator Characteristics

- Reactive
- Team oriented
- Bureaucratic
- Consensus builders
- Iterative processors
- Analytical
- Big picture
- Financially biased

What is in it for me?

At the heart of every negotiation, and most relationships, is the delicate balance of give and take. An experienced

facilitator will be able to use diplomacy to navigate these conversations. Administrators and physicians need to be forthright in their communications surrounding productivity, salary, incentives, quality performance, timeliness, security, autonomy, growth and customer service expectations. This is more difficult, and can take longer, if a pre-existing environment of distrust is present. A clear understanding of what motivates both the hospital administration and physicians is required. Once the drivers are uncovered, solutions can be developed that allow everyone to reach amicable solutions.

The consultant's role in establishing meaningful physician-hospital alignment

Many arrangements exist to meet the varying needs of different physician populations (employed, independent, consulting, intensivists and teaching). Some of the more popular arrangements include: physician employment, physician leadership opportunities, clinical co-management, shared savings programs, physician-hospital joint ventures and clinical integration.

Engaging an experienced group facilitator, external advisor or project champion is often beneficial when developing alternatives that suit both hospital administrators and physicians. A third party adviser should play a crucial role in assembling a cross-section of business and clinical leaders that will balance the differing opinions and result in a fusion of ideas. This adviser should help the two parties outline clear goals, set shared expectations and accountabilities, support each throughout the process and mediate conflicts that arise. When the patient is put at the forefront of every discussion, decisions will be made that dissolve the differences of opinion. Advisers who can frame the most contentious conversations around the common goal of improving patient care will be the most successful at establishing productive physician-hospital cultures and will develop long-term sustainable relationships with their clients.

How will the patient be positively impacted?

A cohesive physician-hospital culture benefits the patient in many ways including greater access, increased coordination and higher value. For example, hospital administrators who support the adoption, implementation and meaningful use of EHRs by their independent physicians will help the overall system to provide better patient care by increasing physicians' access to their patients' complete medical history, standardizing care protocols and preventing clinical errors. As a result, patients and employers will pay less for higher quality care. It will be the role of the consultant to direct physician and administrative decisions toward the enhancement of patient care, minimizing the degree of self-interest in the discussions.

Results of Positive Physician and Medical Staff Relationships

Developing and implementing physician-hospital alignment strategies will positively impact the caliber of care, ease of use and corporate culture of your clients' healthcare organizations. Aligning incentives and coordinating care will result in a more efficient healthcare system that takes the needs and wants of each constituent into consideration. Ultimately, this will be reflected in the financial performance of your clients' healthcare organization and will position you as a valuable contributor to their long-term success.

Spotlight on Innovation:

Healthcare Insurance Exchange in Oklahoma

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Why Is This Article Important? An ACHE Healthcare Consultant's Perspective:

"One aspect of the Patient Protection and Affordable Care Act of 2010 is to create a new kind of consumer-directed, health insurance business serving primarily individuals and small businesses and to serve as an alternative to national health insurance. Thus, a new area for consulting has been created by the federal government. An ACHE member and consultant shares the benefits and challenges of working within this new consulting niche."

—David Woodrum, FACHE, President, Woodrum Inc., Chicago

The Affordable Care Act has been ushering in major reform throughout the U.S. health insurance industry. On January 31, 2012, the Oklahoma Health Insurance Consumer Operated and Oriented Plan (OHICOOP) incorporated as a non-profit to develop a new kind of health insurance business serving primarily individuals and small businesses in Oklahoma in line with Section 1322 that created health insurance CO-OPs that are consumer-directed entities.

The OHICOOP Board of Directors has been working closely with federal and state regulators, grass-roots consumer groups, and the Centers for Medicare and Medicaid Services (CMS) and its Center for Consumer Information and Insurance Oversight (CCIIO) to obtain repayable low interest loans—not grants—in order to fund this new insurance company. Once approved by CCIIO, the OHICOOP will become operational and apply for licensure from the Oklahoma Insurance Commission to operate a statewide private non-profit, risk-based health insurance company.

A critical factor for operators of CO-OPs involves the requirement to participate in a health insurance exchange (HIE) sponsored and run by: (1) the state solely, (2) a joint effort between the state and federal government, and (3) a federally-facilitated HIE. The intent of this alternative to national health insurance coverage was to foster real competition among insurers through private-sector non-profit CO-OPs offering qualified health plans (QHP) with high quality coverage like that of a typical employer plan. For Oklahomans, the timeframe for being able to set up a state-operated HIE has run out. It is no secret that the political climate in Oklahoma is very resistive to any programs associated with the PPACA.

The *state of readiness* for implementing an HIE in each of the 50 states and Washington D.C. was assessed by CCIIO in mid-November 2012. CCIIO will be applying the guidelines of the final *Blueprint for Approval of Affordable State-based and State Partnership Insurance Exchanges* published by CMS on August 14, 2012, to make its determination. So where can the OHICOOP and other insurers market their competitive QHPs to interested consumers who want to shop for health insurance plans and take advantage of the “tax credit allowance” starting January 1, 2014? In the case of Oklahoma’s residents and the other states that do not plan to initiate their own exchanges, they will likely be shopping for a federally facilitated exchange.

Our CO-OP team is working diligently on planning and development with specialized consultants and health insurance advisors to prepare for participation in a federally-facilitated exchange by exploring the following key elements:

1. Understand unique demographics/characteristics/needs of targeted populations in various regions
2. Contact state and CCIIO exchange representatives to establish a positive working relationship as soon as possible
3. Subscribe to the federal information repository maintained by CCIIO—the CALT portal
4. Determine the targeted cohorts likely to shop on the exchange initially and over the long run
5. Develop specific QHPs that will be attractive to shoppers on the Exchange (we estimate that plan premiums should be offered at price points of 20 to 30 percent below regular market rates)
6. Establish relationships with individuals and groups that could benefit from CO-OP products
7. Work with CCIIO representatives early on and learn how to meet the requirements for becoming an active insurer on the exchange

Establishing a risk-based commercial health insurance plan from scratch that can effectively compete with established market insurance giants is a formidable feat. Our team has been analyzing the population characteristics of the state. We divided the population into five service regions. Oklahoma has approximately 700,000 individuals who are uninsured. This significant target market represents 80 percent of our health insurance plan membership. It is also less attractive to the large insurers operating in Oklahoma.

Another important group that will likely be shopping for health insurance plans on the HIE serving Oklahomans are employees of smaller businesses. This target market represents 20 percent of our membership and comprises businesses with under 50 employees that presently purchase health insurance or are self-insured using third party administrators (TPAs) who plan to encourage employees to move to the HIE with some sort of incentive payment.

Although all of the components for offering QHPs are not yet finalized, we know that the HIE will require insurers to offer options in the gold and silver plan designs referred to as “the metals.” Our executive director and board members have prepared preliminary plan designs for these metals that the CO-OP will offer to shoppers on the HIE. We anticipate that the cost of these QHPs will have to be at least 20 percent lower than the off-exchange rates. This can be a problem for CO-OPs that start out leasing services and provider networks at a premium cost (instead of bringing these services and network development in-house).

The short time for ramping up operations in less than 12 months will not allow for in-house operations and be ready to enroll members October 1, 2013. Once the OHICOOP is operational for a couple years, we anticipate that premium-income will allow us to bring certain services and network maintenance business functions in-house and reduce costs compared to leasing provider networks and contracting with TPA for back-office services (see 45 CFR 155.105, *Establishment of Exchanges and Qualified Health Plans; Exchange Standards for Employers*, 77 Fed.

One of the major challenges that all CO-OPs face is marketing to the targeted cohorts and capturing business in the more rural and sparsely populated areas of Oklahoma. The ACA prohibits CO-OPs from using the federal loan funds to pay for traditional marketing expenses. The OHICOOP is forging a plan that is based on outreach education and collaboration with groups that serve uninsured individuals and small businesses. In essence, our approach is to use the grass-roots network and relationships with Chambers of Commerce and other coalitions of small businesses that are struggling with escalating healthcare costs. The ACA does encourage CO-OPs to raise private funds for marketing purposes but this is especially difficult in a tight economy.

The concept of a non-profit, consumer-operated and -oriented health plan makes sense on paper; however, operationalizing the program is proving to be complex and risky. The OHICOOP has garnered broad support from various business and government entities that realize that the traditional fee-for-service, private for-profit and mutual insurance companies have not satisfactorily addressed the special needs of individuals and small businesses.

The promise of consumer-driven, private non-profit health insurers may foster competition throughout the insurance and provider community and ultimately bend the cost curve and promote affordable healthcare for all. An excellent discussion on this topic was recently published by PriceWaterhouseCooper, "Health Insurance Exchanges: Long on options, short on time," PWC Health Research Institute, October 2012, <http://pwc.com/hr1>.

The OHICOOP board of directors and executive team recognize the value that specialized healthcare consultants and advisors can play in our long-term success and ability to address the special health needs of Oklahomans—particularly in the short timeframe we have to establish the company's milestones. We are committed to dramatically improving access to quality and affordable health insurance throughout Oklahoma for years into the future.

Additional Footnote: At the "eleventh-hour" negotiations in Congress on December 31st, the "Fiscal Cliff" legislation and specifically Section 644 of the American Taxpayer Relief Act, eliminated previously appropriated funding for future CO-OPs that have not already signed a loan agreement with the Department of Health and Human Services. [The 24 health insurance CO-OPs](#) that have already signed loan agreements totaling nearly \$2 billion will not be affected by the legislation and will continue to move forward in developing high-quality and low-cost health insurance plans in their respective states. OHICOOP is re-evaluating its options.

Professional Pointers:

Strategies for Sustaining Your Consulting Edge in an Era of Reform

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Becoming a leading edge consultant requires a constant renewal of skills and knowledge. Yesterday is history, today is reality and tomorrow is the vision of the future. The behavior and actions are essential to the constant upward mobility through thought, word and actions. Opportunities for leadership skill improvement are endless to assist consultants to be the leaders of the future.

Here are some tips to stay out in front:

- **What is the vision of the company's services?** Communicating the vision to the consulting team is crucial for a team effort. The team must trust the direction to deliver quality services to the clients.
- **Who in the organization loves to read?** Reading and interpreting the reform legislation may turn that new knowledge and understanding into services the clients need? A person who "loves" to read the federal register may be ahead of the regulators for the clients—it has been done. Hire that skill.
- **Is the company making a difference?** What new information can be offered to the client for the project? Delivering results beyond expectations will add to the consulting service value. Do more than expected.
- **Challenge the status-quo.** In the new era of healthcare, the historic patterns of practice must change. Leading out-of-date clients to new performance levels while introducing new systems for bottom line

results may require skills of tact and diplomacy. Are the consultant's skills updated to tactfully engage clients and explain where they need to have an attitude change?

- **Breaking a new path that others have not considered.** Clients may be adverse to risk. Trying new and sometimes risky solutions requires planning, a lot of homework, and expected results along with the risk assessment. The rewards can be extraordinary. A missionary zeal is required to maintain the persistence under the fire of "disbelievers."
- **Avoid the drift into a rut or knowledge plateau.** If the belief is that things will get better without taking action, survey the competition to identify which companies are thriving. Determine what they are doing new and different. The future is created by positive, focused, implemented action.
- **Consultant leaders do not rest on their laurels.** They are striving for that next higher bar to sail over. It is often lonely in the top management positions, with few mentors or colleagues to talk to. Develop an outlet in a person who can provide solid advice and true compassion in the ability to exceed the level of mediocrity.
- **Consulting careers are often like riding a bike.** Stopping will cause a fall or putting a foot down to stay steady. It is essential to keep peddling. When there is a stumble, get back up, jump on and peddle to catch up again. Leaders who take risks may scale the top of the mountain where the only place to go is down. Good leaders do not look back other than to remember the lessons learned. Failure is not fatal and successful failures often lead to greater rewards.
- **Evaluation by clients with feedback can establish how the services are perceived.** Is the company good or really great? Being great can set the services apart from the large group of good or mediocre companies. Do not be satisfied being great. Take the next step to the level of being extraordinary. The rarified level of extraordinary may be just what is needed for business success.

ACHE Resources:

Below are ACHE resources such as events, study courses, websites and books to help you excel in your career.

2013 ACHE Congress on Healthcare Leadership

At Congress, **March 11–14 at the Hilton Chicago/Palmer House Hilton**, gain the knowledge and insight you need to lead in healthcare's changing environment. Discover key approaches to providing greater access to care, increasing quality and affordability, integrating technologies, enhancing workforce strategies and more.

By accessing ache.org/Congress, you can:

- Register for Congress and the [Special Interest Area Networking Breakfast for Healthcare Consultants](#)
- Research hotel and travel information
- Learn about Pre-Congress boot camps and seminars
- Check out the all-star lineup of major speakers
- Browse events and seminars using the digital brochure

Health Reform Resources

Exclusively for ACHE members, the ACHE Health Reform Resources page is intended to provide the knowledge and insight necessary to lead your organization through the challenges that come with any major reform initiative —[ACHE Health Reform Resources](#).

Book

Inside the Physician Mind: Finding Common Ground with Doctors^{*}

Joseph S. Bujak, MD, FACP

Softbound, 127 pages, 2008

Order code: WWW1-2114

Price: \$75.00

Dr. Joseph Bujak provides an insider's perspective on the beliefs and behaviors of physicians. His insight will prompt you to question your assumptions and break through the barriers that may be keeping you from forming productive relationships with the physicians in your organization. He also provides suggestions for using your new understanding to influence physician behavior and promote enduring partnerships.

^{*}Available for the Kindle at Amazon.com

Hot Topic Question – For LinkedIn:

How are you helping your clients develop and implement physician-hospital alignment strategies to improve physician-hospital relationships? What are the greatest challenges being faced?

Networking:

- [ACHE Healthcare Consultants Forum on LinkedIn](#)
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