Employed Physician Network Turnaround

*Sustainable Success: A Follow Up*

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Abstract: Many hospitals continue to bleed red ink via their employed physician networks (EPNs) because the “here and now” of their shrinking margins consume them. They focus on the losses that continually nibble at their profit and loss statements (P&Ls), and they fail to see and take the long view. Often, the C-suite is so engaged in the present and applying Band-Aids to the shrinking margins that they fail to consider the painful, yet lifesaving, surgery that needs to be performed. This action includes revamping the structural integrity of the EPN. As impending changes in payment methodologies are spawned, they essentially reward health systems for keeping patients out of the hospital and managing them in the ambulatory outpatient clinics.

With the proper design and implementation of a strategy, gentle tending to the EPN, the hospital and provider relationship can flourish.

Key Words: Employed Physician Network, Profit and Loss Statements, Hospital and Provider Relationship

INTRODUCTION

Coker Group has been engaged to repair and rebuild multiple hospital-owned medical practices (employed physician networks [EPN]). Thus, we thought it would be both instructive and essential to revisit a rebuild of a client that engaged us (and still engages us) in 2014 to assess, and then repair, their EPN.

While it is contemplated that health systems are still getting pilloried by a return of the 1990s (e.g., financially upside down with their physician acquisitions), I would respectfully note that the here and now is not necessarily the 1990s redux. It remains factual that those who don’t learn from history are bound to repeat it. As I’ve noted previously and history buffs can attest, Adolph Hitler failed to heed the lessons from Napoleon Bonaparte’s Grande Armée’s ill-fated 1812 summer excursion into Mother Russia. Napoleon’s ambitious outing turned into a route and unforgiving winter retreat after the warmth of summer conceded to the severity of an unforgiving Russian winter. Napoleon went on to lose hundreds of thousands of troops as he receded west, the Army was devastated, and the war lost. Likewise, Germany’s ill-fated foray into Russia in the summer of 1941 cost her hundreds of thousands of troops and sparked a retreat of the Wehrmacht that was, practically speaking, the beginning of the end on the eastern front. Additionally, that gamble marked the beginning of the end of World War II in Europe.

While EPNs are not necessarily in as dire a position, many have had their Napoleon moments with their EPNs. And yet many have realized success in adding, and integrating, providers (physicians and advanced practice professionals) into their coterie to deliver high-quality, lower-cost healthcare.
Others, however, have failed to heed the hard lessons learned from the physician employment ventures that pilloried them during the ‘90s. The fact is, though, even in seemingly dire circumstances, all is not lost. The marriage of hospital and provider, whether an employed model or a clinically integrated network (CIN), merely need be tended to with the attention worthy of the multi-million dollar relationship that it entails. Hospitals and providers can work together to not only solidify their combined mission but to grow their employed models as they migrate toward more integrated care delivery, management, and bundled payment methodologies. History must not necessarily repeat itself. In this article, we follow up on a turnaround engagement three years on and review whether or not that sentiment translates into reality.

Many hospitals continue to bleed red ink via their EPNs because the “here and now” of their shrinking margins consume them. They focus on the losses that continually nibble at their profit and loss statements (P&Ls), and they fail to see and take the long view.

Often, the C-suite is so engaged in the present and applying Band-Aids to its shrinking margins that it fails to consider the painful, yet lifesaving, surgery that it needs to perform. This action includes revamping the structural integrity of the EPN. As impending changes in payment methodologies are spawned, they essentially reward health systems for keeping patients out of the hospital and managing them in the ambulatory outpatient clinics.

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THE SAME IS NOT THE SAME

Coker Group’s clients in our Practice Management (PM) service line range from a 50-provider employed network to community hospitals with rural health certification for their employed model to a 2,000+ physician academic medical center (see Figure 1). It is safe to say that our operations services run the gamut.
In almost 30 years in this business, I’ve been asked more than once by a physician if I’d “done this before.” That wasn’t a slight to me but instead a legitimate question as to my experience with a group of the size, scope, and complexity of the client. After all, they had more than 1,000 physicians on staff. My answer to the physician was “yes”....and “no.” Yes, after many years in healthcare management, I have seen and experienced much in this space. (Truthfully, the longer you’re in this business, the more you see; nothing surprises me anymore.) And “yes,” in my portfolio of services, I had performed work similar to what the client expected to accomplish during the two-year engagement. But reviewing an EPN involves nuance and finesse, and one system is never the same as another. Each network, each situation is a function of its clinical staff: physicians and advanced practice professionals (APPs), location, geography, client/patient needs and demands, etc. So, the correct answer to the querying physician was also “no” because there is no other group exactly like any other group, regardless of specialty or size. The common threads usually end at the front door. While similar themes exist within EPNs, no system is the same as another, and they are too unique and too complex to be plain vanilla.

As healthcare management advisors and partners, it’s incumbent upon Coker to listen carefully to what our clients say. We must marry the subjective aspects of our work with the objective components to arrive at the right conclusion--the right fit for them and their individual needs.
**IT ALL begins BEFORE the BEGINNING**

No matter who or where you are, whether a healthcare system or corporation, there’s *always* room for improvement. A good look at the profit and losses of the organization begins to paint a picture, as in Figure 2. Sometimes shortcomings are evident to management and staff and require an outsider to validate what they know to be true. Other times, issues are not glaring; instead, they simmer under the surface, waiting to boil over and wreak havoc. More often than not, our analyses will point to issues that the system had not previously contemplated.

**Figure 2. Where are Your Client’s Margins?**

![Image of Titanic](https://via.placeholder.com/150)

Positive margins

Break Even?

Negative margins

Cruising Titanic - courtesy of *The Titanic: One Century Later* – WordPress.com
Sinking image from the movie *Titanic* - 1997
Sunk Titanic picture courtesy of Ralph White/CORBIS ©

Often, in the “building” process, many EPNs were bound for trouble. In some cases, problems were hard-wired into the system via acquisition. As EPNs grew, private practices were acquired and added “as-is” to the system. This acquisition strategy often translates into too many staff members, staff with questionable skill sets, and old tired processes and procedures that latch like a tic onto the system’s exposed flesh. The net result is that systems have an amalgamation of individual clinics functioning under the system’s umbrella usually deploying their unique processes.

Why? Historically, private medical practices have underinvested in staff, training, resources, and compliance. This endemic shortchanging arrives at the EPN during acquisition because folks in the executive office are reticent about pushing back on the issue of Dr. X bringing his favorite manager along in the deal regardless of the manager’s skills and abilities. Worse, many systems still don’t understand the practices they fold into their family; they simply lump them on, a patchwork quilt with seams that are gently fraying.
Expanding on that truism, all EPNs require some degree of help. On the continuum of assistance (see Figure 3), that may present as a minor tweaking of the revenue cycle, and on the other end of the continuum that assistance may be a total ground-up rebuild of an employed network. Clinically, some systems simply need a Level 3 office visit while some have cancer. This condition begs the question: Have hospitals addressed the malignancy before it has metastasized?

**Figure 3. Continuum of Assistance**

![continuum of assistance diagram]

**The Process – In General**

The EPN and its associated processes should be assessed and the review performed, from opening the front door to patient checkout. Then, changes should be deployed that allow the ecosystem to function optimally, and to allow for inputs and adjustments when it deviates (see Figure 4).

**Figure 4. Review Lifecycle**

![review lifecycle diagram]
An understanding of the baseline, the starting point, is essential to the process. First, understand where the EPN is. A sound and a deeply quantitative endeavor coupled with qualitative analyses lead toward the right answer, yet neither a purely subjective nor a completely objective approach will suffice in a vacuum. Each component, when amalgamated, weaves an undeniable story about the issues undergirding or eating away the construct of an EPN. Physician ambulatory clinics are not monoliths but are multi-variant, interrelated systems that mesh together working dynamically and push/pull like complex systems. They require nurturing and constant tending. It’s the old squeezing-the-balloon analogy: you grab the balloon in one place, the air filters to another. Likewise, no process within the EPN functions on its own. For instance, physician compensation plans are often minimally tied to some form of work relative value unit (wRVU) component. One hopes that a smidge of quality and efficiency measurements apply to ensure good global citizenship for providers and, now in the age of MACRA, scoring to impact Medicare reimbursements. When providers are incentivized to produce, an EPN typically sees higher patient volumes and more revenue throughout the enterprise. Conversely, providers on a fixed compensation plan do not necessarily see as much patient volume, are not nearly as productive as their peers, and incur costs to the system.

A VISIT TO THE PAST – THE CLIENT

Our engagement with the client in question began in 2014. The health system was in considerable financial disrepair. As with many health systems across the country, the Board and senior leadership of our client were concerned about the EPN’s finances. Subsidies to the network were unsustainable and growing, while bondholders grew increasingly troubled at the financial outlook. What initially began as a single-practice assessment blossomed into a full-blown, system-wide operational assessment of all of the employed clinics.

At the senior executive level, many health systems contemplate the macro, the broader picture, of EPN troubles. Practically speaking, the variable(s) for the trouble may blossom from one (or a few) simple processes that are not measured, managed, nor contemplated as critical to the functionality of the broader system. A thorough review must examine both the macro and micro aspects of the EPN blending subjective with objective components at a level of granularity that drives to the root of the trouble. What we often find is a collateral reason for systemic problems; that is, what senior leadership identifies as problematic may not be the issue at all.

THE HISTORY

In the first quarter of 2014, Coker Group’s Practice Management service line was called in to assess and implement change in an orthopedic practice that was part of a larger multi-specialty EPN in a mid-sized community hospital. The hospital, rightly and anecdotally so, sensed that economically and politically their employed orthopedic model was struggling. The providers essentially practiced under their own set of rules, akin to being an unaffiliated private practice.
Clinics were canceled on a whim; patients were moved; call was, well, avoided. Though we thought we were performing a physical on a component in the EPN, we were gearing up for review of a model actually in Stage 2.

Coker’s charge was to review the production of the orthopedic model performing an operational assessment that ranged from check-in to the care process to checkout. While PM considered the operational stability of the practice, Coker’s Financial Advisory (FAS) service line busied themselves analyzing the provider (physician and APP) contracts and contemplating possible strategic points for the hospital’s orthopedic service line including ideas such as outreach, alternative alignment models, and further employment of physicians. After completion of the assessment report and review by the CEO and Board, Coker was charged with implementing change to improve the practice.

In the midst of reviewing the orthopedic practice, we stepped into something a bit….deeper. Coker’s PM team was subsequently asked by senior leadership to review and assess the functionality of the entire operational structure of the EPN. It seemed that the EPN was losing approximately $400,000/year per provider.

Subsequent to or because of Coker’s engagement, the Vice President of the EPN resigned to take a VP role in an adjacent state. While Coker prides itself on working collaboratively with client senior leadership as partners, we were surprised by the sudden departure of the VP of the EPN. We would later understand the reasons for his departure. The vacuum spawned by this senior executive’s departure could have fomented disaster for the struggling system. Instead, the system asked Coker to place a seasoned interim Vice President on site to fill the void while they recruited a new VP for the EPN.

Our project had morphed from a simple assessment of one clinic to a system-wide review with an interim vice president in place and an executive search underway. Figure 5 illustrates the project timeline and the subsequent use of Coker resources.
We deployed a seasoned individual who not only filled in as the interim VP of Physician Services but who became our point person in the evaluation and assessment of the EPN. Having an interim executive on the ground was helpful but not essential to moving our assessment project forward.

**PROCESS – SUBJECTIVE**

The EPN consisted of multiple specialties housed in 21 clinic locations, both on and off campus. We commenced work by deploying a team to review each of the individual practice’s operational functions. Concurrently, we requested data for the prior 12 months for each practice so we could get the freshest data and the most recent feel for the clinics’ financial and operational standing. Operational assessments are normally more valuable and successful when the entire clinic structure undergoes a review. For instance, we’ve been asked by other clients to review revenue cycle or scheduling or patient access. All of these are doable; however, at some point, each acts in concert with other pieces of the ecosystem. Thus, when you squeeze the front desk portion of the balloon, the clinical flow or checkout receive the extra air. You get the metaphor.

As this transpired, we established interviews with key leaders and stakeholders in each location. The participants vary with the size of the organization. For instance, in a small medical practice, we might interview the lead physician and practice manager. However, in this engagement and like-sized situations, we often talk with the onsite practice administrator, a lead clinician or two (provider and/or APP lead), and the C-suite. The interview results are confidential to obtain the best and most candid information possible from the participants. Anonymity provides a strong...
subjective tool that meshes with the data and paints a clear picture of the issues. When multiple parties interviewed in isolation broach or corroborate similar thoughts, something usually exists that requires attention. These interviews are semi-structured allowing participants to free-associate their views within loosely constructed parameters. While we permit open discussion, Coker navigates the meeting to obtain the information needed.

Included in the subjective review is a walk-through to perceive how the clinic functions. This review marries with patient data/demand. We review check-in, collection of copays and deductibles, daily schedule, patient workup and throughput (the care team), use of exam lanes and equipment (hard asset limiting factors/physical plant parameters), deployment of extenders, and the checkout and scheduling follow-up procedures and visits.

**PROCESS – OBJECTIVE**

Usually, we ask for data three weeks prior to arriving on site. This lead time affords us the opportunity to see where the data leads and points invariably to areas of concern before entering a clinic. An exhaustive list of data requested includes productivity by provider (physician and APPs), revenue cycle, provider schedules, patient visits and Current Procedural Terminology (CPT®) information, staffing, staff compensation, and collections. With entities living under one umbrella, each practice can have disparate numbers and operations, notwithstanding specialty-specific differences. Each practice requires review as its subsystem within the broader ecosystem. In the instant case, this was decidedly true. We found that each practice worked in a black hole, sharing the commonality of the system name more than its mission. Hours were variable, where they existed policies were incongruent and inconsistent, and some problem providers were deemed untouchable.

We reviewed data individually, by provider by practice, to a level of granularity not often performed by clinics, whether due to time and staffing constraints or inertia. In the current case, we assessed the operations of the clinics while needed data arrived. Time was of the essence.

**RESULT**

With the data in hand and the interviews and subjective components in our portfolio, we had all of the items necessary to perform our analysis and build our resulting report. We began to massage the puzzle pieces together to craft a picture that made sense to the client and us. Coker learned that multiple processes in the EPN were in disarray. A couple of the keys to the system’s financial shortcomings were the misalignment of physician expectations, demand, and compensation. Additionally, patient volumes were inconsistent, and politics played a role in limiting patient access to clinics. In the current fee-for-service environment (vs. bundled patient payment/value-based reimbursement), a key to moving toward financial nirvana is improved
patient access. Coker would need to focus on getting patients in the door and meeting local demand.

There were underlying structural issues endemic throughout the EPN. Of course, there also were problems specific either to the medical specialty, the individual provider(s), or both.

Historically, management engaged in a laissez-faire approach to the clinics and providers offering the physicians too much autonomy and insufficient guidance. This hands-off style, while politically popular, trickled down to the clinics and may have been one of several contributing factors to the former VP’s apathy and subsequent departure. He simply wasn’t empowered or supported to right the wrongs he had seen and/or was unwilling to fight the political headwinds required to do the right thing.

The employed model lacked physician input yet physicians were enabled culturally to do what they wanted. One of the primary tasks would be empowering our interim VP to accomplish their mission, deploy plans, and engage physicians in a meaningful way. We identified key subjective and objective components and measured them by both their return and the time lapse for turnaround. Specifically, we prioritized to obtain quick wins, such as deploying front-end collections protocols. Plans were built for other structural components that were politically dicey and required time and allies to manage into place.

To offer providers input, Coker assisted in the design and construction of a physician advisory committee (PAC) built to promote and to value physician input in the operation of the EPN. While the PAC did not have final authority to act of their own volition, they deployed advise/consent powers on behalf of their constituents. This initiative gave them a say in the operations of the EPN and offered them a vested interest in how the EPN moved forward. They now had skin in the game.

Structurally, the system was relatively sound. However, Figure 6 shows an organizational pyramid constructed with misaligned priorities.
Figure 6. Misaligned Organizational Structure

Figure 7 shows a more structurally sound model of an EPN construct. Operations, from policies and procedures to management and financials, must be established and in place before adding providers to an EPN. That is, the processes must be readily scalable for whatever the strategy dictates for the organization.

Figure 7. Sound Organizational Structure

The operations (inset pyramid) provide a sound base structure on which to build and grow an EPN. While experts can disagree as to operations vs. strategy providing the base, too often strategies are fomented that have a macro approach without contemplating the ramifications of cost/work imposed on the EPN. Specifically, often employed models don’t have a solid foundational structure in the model. Tangentially, I had a client whose strategy for growing their provider network was to acquire providers: “...if we don’t do it, System X down the road will.” To expound on a sub-optimal idea, they had Figure 6 in place, so operations were unable to handle
the stresses of adding new physicians/clinics to the system. Their approach was not my idea of a well-thought-out strategy for growth, but right up until the point that they needed a healthcare advisor, it seemed to work for them.

The vision of the system needs to be defined, given life, and supported by a sound strategy. It requires buy-in from physician partners and input to move forward. After careful review, knowing that no system is like any other, and understanding the client’s goals and perceptions of what was broken, we determined eight critical areas requiring concurrent action to remedy financial standing quickly:

1. Increased patient access 
2. Improved revenue cycle management (RCM) 
3. Standardized policies and procedures (P&P) 
4. Optimized staffing model and staff/resource utilization 
5. Procedural coding analysis and education (PCA) 
6. Collaborative leadership (providers coupled with the C-suite) 
7. Compensation alignment, and 
8. EHR template standardization/development/deployment/optimization

1. **Increased Patient Access**

Prior to the engagement and owing to hands-off management, providers were free to manage their schedules as they saw fit. This freedom translated into screening patients, blocking schedules, canceling clinics, and limiting available visit slots. By its very nature, this approach breeds inefficiency and waste throughout the system. It creates consternation among staff members, limits internal and external referrals, and reduces patient satisfaction (the patient dissatisfaction creates the anxiety for the staff). Limiting referrals and quashing access means that patients and referring providers will vote with their feet and select care elsewhere, especially in the era of higher patient out-of-pocket costs.

With the client-partner, Coker immediately crafted operational standards to deploy throughout the clinics. Those included some basics such as clinic hours (e.g., Monday–Friday, 8:00 am–5:00 pm) and patient contact hours (e.g., 36 hours per week). Additional standards encompassed operational aspects related to check-in procedures, such as insurance-due collections prior to care, scheduling of patients, etc.

2. **Improved Revenue Cycle Management**

The health system had recently deployed a solid integrated practice management/electronic health record (PM/EHR) system throughout the EPN. All PM/EHR installs, even those that are 100% successful, still experience foibles. For example, a 100% install is probably only a 90% victory. However, during and in fact
before the transition to the new system, there was little standardization and minimal effort regarding the accounts receivable (AR) process and managing the AR and revenue cycle. As the new system rolled out, and its associated bugs were addressed, the specter of aging of outstanding balances in the old system was exacerbated.

Coker reviewed balances, identified low-hanging fruit, targeted the largest balances, and deployed a plan to work the old AR and recoup monies due to the system. This plan included a scheduled drop-dead date for when to turn off the old system and write off and/or turn over outstanding balances to a collection agency.

Meanwhile, Coker helped build the AR management team, deployed revenue cycle standardization throughout the EPN, and ensured seamless synchronization between the billing and front desk teams in the clinics. As noted, nothing happens in a vacuum. Even if the clinic staff does not bill the insurance companies per se (the billing management was located in another building), they are integral players in the revenue cycle of the EPN. This occurs by ensuring that patients are registered in the practice management system accurately; insurance information on file in the PM system is accurate; required forms are offered to the patients, completed, and collected (e.g., Advanced Beneficiary Notice [ABN], Medicare Secondary Payer [MSP] paperwork, any Provider Based Billing [PBB] notification, etc.); and appropriate copays, coinsurance, and deductibles are collected. Additionally, Coker instituted collections targets for each of the clinic locations based on the clinic’s specialty and history. Prior to the collections targets, there were few aggressive front-end collection actions. While those efforts can be touchy and difficult for staff to address (uncomfortable discussions with patients), copays and deductibles are part of the patient’s contract with their insurance company and thus their obligation. These targets ensured that the staff members were collecting the monies due the practice prior to the patient’s visit with the provider. This simple act improved cash collections dramatically while allowing clinics a target to hit and a little friendly internecine competition.

Included in these efforts were billing and collections standardized policies, both at the billing/collection point and within the clinics. This standardization ensured efficiency and revenue (by ensuring balances were not written off without proper follow-up, etc.).

3. **Standardized Policies and Procedures**

   Standardization did not include clinical protocols but instead operational flow and patient throughput. This exercise was not charged with altering the clinical care delivery model. But non-clinical staff needed a clear understanding, throughout the EPN and from clinic to clinic, of what was expected of them, regardless of which shop they worked.
As noted, Coker learned that the clinics were, for all intents, separately functioning entities under the protective blanket of the greater system. Aside from the imprimatur of the health system and the relative protection that it offered, there was little binding the practices to the system, and vice versa. Development of policies and procedures was not just relegated to the revenue cycle and clinic office hours.

Contrary to what one might surmise, standardization does not stifle the practice. Instead, uniformity lends toward efficiency, savings, and consistent, repeatable actions. With the client’s management team, Coker developed and deployed standardized policies that empowered staff to perform their jobs in different clinics across the system continuum. (For example, the same employee can work the front desk at Practice 1 or Practice 21.) Also, staff were offered better tools with which to manage work and measure that work when it came time for annual performance evaluations. In many cases, yearly performance evaluations boil down to their performance during the last two to four weeks leading up to the actual evaluation. With standardized P&Ps, expectations are delineated to staff members and can be measured during the year to guide performance.

Standard policies and procedures ensure that staff understand their jobs and responsibilities.

4. **Optimized Staffing Model/Staff and Resource Utilization**

As part of our assessment and review, it was determined that certain clinics were overstaffed while others were understaffed. The assessment showed certain supply and demand anomalies apropos of the staffing and patient demand. Coker assisted the system in right-sizing its clinical staffing throughout the EPN.

We developed a mentorship program for the current leaders and staff members who had aptitude and an interest in expanding and growing as managers. We optimized those in-house assets already employed.

The staff review also entailed management span of control and skill set assessment. The management structure in place fostered an imbalance of personnel under specialties that were managed and the skills of the managers. As with any organization (healthcare or not), skills differed from manager-to-manager. Thus, opportunities existed to consolidate and flatten the management structure, grow current leaders who had aptitude/desire, and rebuild a scalable organizational structure that afforded the system future opportunity to add on to a breathing organizational structure.

Included in the structure were certain key performance indicators (KPIs) by which directors and managers could manage the practices and keep an eye on the financial health and other key volumes in the practices, including collections targets and new and
established patient visits. After deployed, these counts would be benchmarked against a current month vs. prior year’s month and, then, current year to date vs. prior year to date. The logic of this exercise is showing change in volumes.

It would be more comfortable to say that there was no staff downsizing during this process. That is not the case. Philosophically, as a manager, I avoid reductions in force (RIF) whenever possible. Instead, I like to manage the staff I have, carefully adding people as demand requires. This way oversupply of staff is not built into the system, i.e., staff that will conceivably be released if need wanes. That said, I gladly offer that few staff members lost their jobs during this implementation while much of the consolidation yielded savings via attrition. In the instant case, as we moved pieces on the board, we simply did not backfill slots as staff attrition occurred.

While RIFs can make sense to some, the preference regarding personnel and management infrastructure’s delicate balance is to reapportion staff and grow powerful, capable, tenured managers. This careful nurturing of the structure and use of employees saved the system hundreds of thousands of dollars.

Lastly, with the standardized policies and procedures in place, the system can flex to fill positions internally, managing supply and demand based on schedules and practice patient loads.

5. **Procedural Coding Analysis and Education (PCA)**

Coker reviewed the coding of all of the providers in the EPN. Coding is a balanced endeavor, and there are always areas for improvement. As we studied the CPT use and volumes, we noted many instances of either over coding (e.g., billing for a level of service that was not supported by the provider’s documentation) and instances of under coding (e.g., where documentation substantiated a higher level of service than what was billed). We quantified the results, by provider, delineating revenue left on the table or revenue requiring repayment. We also educated providers and staff commenting on the reasoning and logic behind our coding audit results.

On the whole, the EPN was leaving hundreds of thousands of dollars on the table by either not documenting and/or not billing for all of the services provided. Comparison of all providers to their specialty peers using Medicare data for Evaluation and Management CPT codes (office and hospital visits) showed that the providers were under coding across the spectrum.

Coker presented the results to senior leadership and then began a process of education to assist the providers in employing more accurate coding. (As a sidebar, we do not encourage providers to rely solely on the coding components built within EHRs.)
Within six months of our initial visits, audit, and education, our PCA team reviewed the providers to gauge improvement. Many of the providers had significant coding improvement, which would lead directly to an enhanced bottom line.

6. **Collaborative Leadership (Providers/C-suite)**

Physicians in the EPN perceived that they had no voice at the senior management level. They viewed the executive offices as a place where decisions occurred without input from the providers who would be impacted.

Providers saw themselves more like cogs in the machine than valued partners in the delivery of high-quality care. They had no voice, and when they did, it was more in passing. That’s not to say that the system devalued the physicians; it is to say that they didn’t value them enough. Note that embracing physicians does not imply coddling, acquiescing, or otherwise going against your better judgment regarding the latitude they are offered. It also does not mean that when hospitals employ physicians, the providers are indentured servants. Instead, it suggests a partnership and give/take that fosters trust, empowers physicians to help make their decisions (with oversight and teamwork from the C-suite), and gets them to drive and work toward clinical outcomes so that physicians’ work to balance must be gained and each party respected. For instance, we’ve recently performed revenue cycle work for a hospital system with an EPN. During the process, we learned that the physicians loved the health system and the relationship they had. Physicians were nominally engaged and had a functioning physician advisory committee (PAC). However, as we looked at the detail, we divined the root of physician joy: practices were acquired, lock, stock, and barrel, and physicians were not asked to integrate but were instead mostly allowed to continue with their old ways, pre-merger. That strategy in and of itself begs for problems, structural and other. Recall, one of the benefits of the acquisition of practices can include economies of scale and standardization that enables health systems to deliver better quality care at lower cost.

Concurrent with the delivery of system “fixes” delineated above, Coker set out to aid in the construction of a robust and scalable PAC. The PAC’s primary objectives were:

- Enhanced bidirectional communications (providers and system executives)
- Physician buy-in and intellectual investment into the system
- An avenue for clinical guidance and input (counsel on new modalities and service line growth)
- Valued partners in the delivery of care

The construct included a majority membership of senior hospital leadership (e.g., CEO, CMO, Vice President of Physician Services, etc.) and a representative body of the employed providers (with chairs appointed as *pro rata* share by specialty). A physician
leader was deployed as a touchstone to speak on behalf of the providers and to funnel ongoing information from C-suite (CEO and CMO), results of meetings, etc., to providers. Structure included:

- Established tenure and term
- Established roles, responsibilities
- Established authority, e.g., able to spend up to $X0,000 without Board approval, etc.
- Established voting protocol and regimen (Robert’s Rules of Order) (Note: This position is NOT a Board seat nor do votes carry final rule. Items voted on that exceed the spend threshold, noted above, are submitted to the Board, with accompanying financials, pro formas, etc., so that the Board can rule on the implementation.)
- Meetings were held monthly with the following components:
  - Minutes were taken and recorded; final version shared with employed providers
  - Agenda driven including date, attendees, old business, new business, financials, and Physician reports (feedback, input, subcommittee report out, etc.)

While some physicians were indifferent to the PAC, the PAC’s initial accompaniment of members was that of strong, invested physician players and partners. They were eager for the opportunity to help grow the system and improve the quality of care delivered in the community.

Additionally, a benefit to the PAC is that physicians have a say in the operation of the EPN. They also bear some responsibility for managing of physicians and to that end can assist leadership in dealing with physicians who pose problems. Within four months of inception, the PAC had already worked in managing a problematic provider.

Additionally, right out of the gate, the PAC began reviewing productivity numbers and assumptions to ensure that all providers in the EPN were contributing to its betterment and fiscal health.

7. Compensation Alignment

As noted, the EPN is a breathing ecosystem. A dynamic tension exists between all of the components with some positively or negatively impacting the greater peace of the system. Generally, the unintended consequence of one action sends ripples throughout the organization. On the provider side, many of the providers had employment contracts with guaranteed base compensation and incentives based on gross charges (see Figure 8) instead of wRVUs, quality, or both components. There is inherent folly baked into that approach.
Figure 8. Compensation Based on Gross Charges

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<thead>
<tr>
<th>Provider Compensation</th>
<th>Patient Volume</th>
<th>Reimbursement</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>10</td>
<td>$20</td>
<td>$200</td>
</tr>
<tr>
<td>$100</td>
<td>20</td>
<td>$20</td>
<td>$400</td>
</tr>
</tbody>
</table>

The client had compensation models deployed for providers that, while well-intentioned, created disincentives to work and impacted the overall finances. First, the contracts were unnecessarily rich based on old constructs. Next, those contracts did not incentivize providers to see patients and be productive (e.g., they were paid substantial base packages regardless of production). That is not to suggest that the providers were neither clinically unsound nor unwilling to practice; they simply had no financial incentive to innovate, to see patients, and to help in their partnership with the system. So the misaligned compensation models directly impacted patient access, which consequently directly affected the system’s top line, downstream, and ultimately bottom-line financial standing.

Coker found the EPN providers’ current compensation levels to be elevated and concurrent physician productivity low relative to specialty peer groups and available metrics. Providers were compensated with strong base pay and incentives based on gross charges. A few key themes included:

1. Overall, compensation outpaced productivity of the physicians with substantial room to enhance production.
2. For many physicians, guaranteed base compensation was set at levels such that negated any desire/incentive to be productive.
3. The gross charges incentive model is outdated and inconsistent with market norms.

Coker proposed a model that better aligned key compensation components that would help drive productivity, access, and enhance the revenues of the system. Obviously, provider buy-in was essential. Coker suggested easing providers into a change in compensation to avoid a shock to the system that drives negative behavior and pushback by the providers.

Deployment contemplated leaving providers at current compensation levels with minor tweaks to pay for the first 12 months and incorporating a wRVU model component that included a wRVU threshold/baseline.
Base Compensation
In the plan design, the providers were offered a base compensation. It would be imprudent and unaccepted by the providers to rip/replace their compensation with a pure production model.

Productivity Incentive
- wRVUs used as a productivity measurement tool
- Tiered levels to further incentivize (e.g., $x for 1,000 wRVUs, $y 1,001 – 2,000 wRVUs, etc.)

Non-Production Incentive
- Patient satisfaction scores
- Quality-of-care targets (as defined and agreed between the system and the providers)

Other
- Call coverage incentives
- Administrative payments for meaningful and documented work within the system (incents partnership). This payment could be compensation for working as a service line leader, etc., paid at a fair market value (FMV) rate.

Compensation Ceiling
- Ceiling compensation (total) delimited by nationally accepted benchmarks, variance FMV allowed for location/geography (e.g., underserved areas).

The process involves the design, vetting with senior leadership, and then testing for a defined period to determine how real data work within the model.

The system would:
- Develop and deploy a working group comprised of physicians and hospital management (PAC) to review compensation plan recommendations and work toward a final revised model.
- Facilitate two to three on-site meetings to collaborate with providers and to build consensus.
- Final decision-making still resided with the client.

8. EHR Template Standardization, Development, and Deployment
While the health system had made the right choice (in Coker’s opinion) on their PM/EHR system, as with any endeavor of that nature, the devil is in the details. Perfect installations are never flawless, and attention must be paid to every facet of the PM/EHR deployment. Deployment calls for roping in teams of focused specialists to both train on the system and to provide input on intricacies throughout the healthcare
system that should be contemplated prior to PM/EHR development and deployment. Care must be taken in the practice management system set up relative to insurance tables, fee schedules, etc., and in the clinical side to ensure consistency, stability, and accuracy (visit templates, etc.).

The client was not an outlier in this instance. Most health systems, we find, underinvest in the development and/or deployment of their PM systems. They rely on their vendor to merely do what the system wants presuming wrongly that the vendor understands what it is that makes the system tick. Remember, the same is not the same;--no system is like another.

In this case, Coker found that the use of templates in the clinical realm was sporadic. Coker determined that there were many inaccurate builds in the PM and EHR systems that exacerbated structural issues and had an adverse impact on patient volumes and the prospect of optimizing provider time in the clinics. This shortfall is not necessarily a vendor-specific issue, rather a failure to communicate nuances that should craft the usability of the PM/EHR within the health system’s needs and parameters. The lesson: Investing on the front end is never a bad thing and engaging those who will perform the work and who will be affected by the new PM/EHR is essential.

In our information technology shop, Coker has team members with skill sets specific to many of the leading (and lesser-known) PM/EHR systems. This bandwidth enables Coker to deploy quality human capital who understand the PM/EHR dynamic and can have a meaningful impact from the start, which delivers higher quality results and saves cost for our clients.

At the client turnaround, Coker tasked a registered nurse (RN) with skills in the client’s EHR to construct clinical documentation templates. Coker assisted in the review and editing of all templates for each specialty to limit choices of templates in the exam portion for the physician and to ensure that the correct documentation was gathered for Meaningful Use and validated charge entry in the claims process (which now impacts the MACRA/MIPS process). This process occurred with provider input.

Coker worked with the vendor and served as the intermediary between the client and the vendor developing a report outlining our system build findings and shortcomings relative to the install. Coker developed recommendations/next steps to address these in order to remedy problems.

Other clinical adjuncts included:

- Procedure code and order mapping builds to ensure accurate charge entry
- Edit encounter reasons to avoid duplicates
- Reviewed Past Medical History Questions, Social History, Surgical History and Family History per office to build their templates specifically to the specialties’ needs as performed in the Intake portion of each patient encounter
- Suggested retraining of staff on clinical forms and office utilization to wean the clinics off of paper and steer them towards total use of the EHR

**GOOD THINGS COME TO THOSE WHO WAIT....SO BE PATIENT**

As healthcare advisors and partners, we’re often emotionally tied to a project and our clients. We have an innate desire to help to make things better. It’s how people in this business are hard-wired. Clients want that, too, usually on some timeline that’s a bit hyper-aggressive. Our charge is to understand the problems throughout the system and to manage both expectations and deliverables in a way that doesn’t overcommit a deliverable and ensures work comports to the accuracy and quality required. As they say, it’s important to *under promise and over deliver.*

As partners with our clients, it’s incumbent upon us to set expectation levels regarding the project. Essential elements of the arrangement encompass the following:

**Clear understanding.** While the project should be defined prior to project commencement, project scope may ebb/flow/change nominally as the project moves forward. A clear understanding ensures that the client and project manager stay on target and safeguard against scope and/or project creep and cost overruns. A touchstone for the project should be defined for both the client and the advisor to ensure the smooth and consistent flow of to/from information.

**Convey what will happen.** Delineate for the client the timeline to accomplish the work. Again, this sets the expectation levels for all involved and ensures that the client is not surprised by the duration of the project. Understand the constituents involved and the sensitivity to their perceptions and the impact the data (especially poor performance data) will have on those reading a report.

**Quantify but Qualify.** The analytics are only as good as the data presented by the system to the management advisory team. Even in this day and age, due to fractured reporting, a cobbling together of multiple systems or a simple lack of attention to the *value* of data, many systems can have suspect data. The assessment process entails a review of the data, data scrubbing, and normalizing data to benchmark against nationally accepted standards and Coker’s proprietary data.

Projects require baselining, quantification, measurement, and management. Understanding the data from the project’s outset is crucial to measuring and monitoring successes (or setbacks).
Targets must be established and shared throughout the EPN. Transparency is vital to the success of a turnaround, and data must be reliable, unimpeachable, and sound.

Since no two systems are the same, some aspects must carefully be qualified to ensure understanding by the EPN and to obtain buy-in.

**Report Frequently and Consistently.** Reporting is essential to the success of the project. Clients don’t want to be surprised. Coker delineates quickly reporting formats and structures so that we can apprise clients of our findings, vet data, and massage the message based on system politics and peculiarities.

Also, reporting consistently (e.g., using consistent metrics, structure) offers a semblance of normalcy where expectations have been established and are now realized.

**SUMMARY – THE WIN**

The project didn’t go off without its minor issues. Nothing is ever perfect. System restructuring, process redesign, and provider compensation adjustments can be tenuous and prickly matters. After all, this project required a *cultural shift*, which is seldom accomplished quickly or without angst. Coker found its stride with the client and suggestions were brought to bear and weighed against the realities and exigencies of the community. Could we adjust provider compensation without a mass physician exodus? Would patients, until now not asked to pay up front, take to paying their obligations at the time of service? These questions and others needed to be weighed with each change in the makeup of the EPN.

We learned that the past VP of the EPN had smacked heads on numerous occasions with the system CEO, and the personality conflict, whether real or imagined, was palpable. For the last two years of his tenure, the VP was essentially biding his time, nodding his head, and pursuing another opportunity. His departure, while difficult on the system, may have offered a glimmer of hope. Sometimes a change in management, as with a head coach change on a sports team, can bring a breath of fresh air. With our interim VP engaged, she quickly found allies and strong employees. She set about to rebuild and restructure the organization, deployed teams, placed sound management staff, provided tools, and consolidated (flattened) the reporting structure.

The three-month interim VP engagement turned into an eight-month assignment as search for the right candidate for the VP role bogged down. However, in that time Coker and its client partner deployed operational fixes, cut (annualized) losses from nearly $400,000/provider to $100,000 per provider. That is, within six months the EPN was down to $100,000 loss per provider (exclusive of downstream revenue).
Compensation plans were redesigned to align client goals with their providers. The PM/EHR was adjusted and amended to empower clinicians to see and document patient visits more efficiently.

Coker gave flight to a fledgling, yet functioning, physician advisory committee, and perhaps most importantly, Coker delivered results that delighted bondholders as the system improved its financial standing and remained within its bond covenants. Figures 9 and 10 show the numerical results from the inception of the project to the handoff from the interim vice president to the incoming appointment. All in all, the project was a resounding success. Our client was a willing and collaborative partner, and that symbiosis set the path for a sound structural and financial turnaround.

**Figure 9. Numerical Results from Project Inception to Interim VP Handoff**

<table>
<thead>
<tr>
<th>Client ROI</th>
<th>Approximately 6.5 – 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per provider (annualized)</td>
<td>$400k/provider reduced to $100k/provider</td>
</tr>
<tr>
<td>Patient visits (measured vs. same period prior year)</td>
<td>9% growth</td>
</tr>
<tr>
<td>Gross charges and receipts (measured vs. same period prior year)</td>
<td>Increased 34%</td>
</tr>
<tr>
<td>Operating Expenses (Q2 vs. Q2 prior year)</td>
<td>Plummeted 60%</td>
</tr>
<tr>
<td>Point-of-service collections (never before measured)</td>
<td>Quickly approached six figures per month</td>
</tr>
</tbody>
</table>

**SUMMARY II – (2017) CONTINUED WINNING!**

It’s easy to walk away from a project, handover the playbook and the reins to good and invested compatriots, and stroll off into the sunset. As noted earlier, engagements such as this case study engender a feeling of accomplishment and beg for reflection to understand what has transpired over the last three years. As we reflect back and contemplate the original project, revisit the results, and provide further insight into both the success and path the system has traveled, nearly three years on, the conceit of the original endeavor rings true. In fact, as one fallen Hollywood icon offered to the then-current lexicon, “winning.”

Figure 10, below, offers an updated synthesis of where the client is vis-à-vis our operational assessment and structural rebuild, post-deployment. The client has neither slipped in their endeavor and drive nor given quarter to the myriad outside forces that tug at systems and medical groups with the intent to drag them into the mire. In fact, the system continues to both flourish and grow with a sound and scalable infrastructure, invested constituencies bent on success, and seemingly divergent parties resigned to push in the same direction.
In fact, based on our proven track record and the system’s continued successes (both financial and subjective), we’ve moved forward with both our relationships and engagement on multiple projects dating back to when the system hired in a VP of the EPN (which we helped recruit). In fact, our standing with the client has grown since 2014 to one degree or another. We are engaged in a multitude of projects including, but not limited to, assisting in the development of their clinically integrated network, continued (retained) coding reviews, service line development (e.g., expanded radiology/oncology), etc.

**Figure 10. Post-Deployment Update**

<table>
<thead>
<tr>
<th>Client ROI</th>
<th>Continued, ongoing value. Exceeds original 6.5–1 ROI as change has been both permanent and embraced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per provider (annualized)</td>
<td>Break even on the EPN; system as a whole in the black to the tune of eight figures</td>
</tr>
<tr>
<td>Patient visits</td>
<td>Continued growth</td>
</tr>
<tr>
<td>Gross charges &amp; receipts</td>
<td>10% increase</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>Small % growth due to add'l providers, etc.; however, low &quot;real&quot; growth</td>
</tr>
<tr>
<td>Point-of-service collections</td>
<td>Six figures per month</td>
</tr>
</tbody>
</table>

To break down or re-address the original numbers is a bit of a challenge. The ROI, measured on the initial “spend” for the turnaround (implementation/rebuild) project, has far surpassed the original 6.5 – 1 return. That is, when this case study materialized over three years ago, the $1 invested by the client to ensure the $6.50 earned/saved was for that measured period. However, the project continues to return positive gains to the client long after the sunk cost (e.g., initial investment) of the engagement. The client continues to advance with a scalable model strategically reviewing acquisitions (because newcomers can be readily added), management is stable, patient satisfaction is high, and provider contentment is considerable.

Astoundingly, the loss per provider, the impetus for our initial visit(s), has dropped, in the ambulatory setting, to break even (from the last examined $100,000 per provider) while the system staves at a net positive revenue flow of eight figures (e.g., >$10,000,000).

With stability and operational structure, patient visits continued to grow and providers were easily bolted on to the newly crafted organization. Both new and established patient visits increased year over year, patient retention is high, and one of the key metrics (e.g., patient volumes) strengthened year over year since the project’s inception.

With increased patient volumes arrived the companion increased gross charges and net revenues. Again, viewing this exercise through the prism of three years’ time would be more beneficial by performing a year-over-year comparison. But, suffice it to say that charges (less of a bell weather) and revenues (more of a bell weather) have steadily increased while costs have risen, but to a lesser extent, and have been aptly managed and outpaced by revenues, thus increasing margins.
Our POS collection metric remains intact as the EPN enjoys an ongoing run rate of six-figure collections at the point of service indicating that the once distasteful act of asking patients for their visit obligation at the time of service has become, well, part of their culture.

This exercise was interesting and meaningful. While still engaged with the client for these recent years, it was beneficial and educational to reflect on the work that initiated this long-standing relationship. The system proved, and has proven, to be a willing partner and honest broker able to admit to shortcomings, partner to create a better and brighter future, and subsequently move their financial needle in a sustainable and sticky way to a durable and profitable future.