



COVID-19 AND YOUR EMPLOYED PHYSICIAN NETWORK

By: David Miller and Terry McWilliams

As health systems respond to the COVID-19 pandemic, a variety of challenges will arise with your employed physician network. In addition to responding to patient needs, challenges related to provider compensation and retention and employment requests from independent physicians will emerge. Decisions on these issues will need to occur quickly.

At HSG, we see three types of issues you must address. The first is clinical and operational issues around the employed group, the decisions required to respond to patient needs.

The second set of issues is financial. With declines in elective procedures and office visits, and increased expenses from preparation and patient care, addressing the financial reality with sustainable solutions will be essential.

The third set of issues is emerging strategic challenges. The pandemic will accelerate many changes in your employed network's business model. As you address these necessary changes, consider how these changes will look, function, and impact the network as you emerge from the pandemic.

While these three issues are by no means sequential, some prioritization is necessary. Issues around how to best serve patients must be addressed first, and most hospitals have an "all hands on deck" approach. This cannot be done without an eye toward longer term implications (especially financial and compliance), but most organizations will not let those implications create barriers to patient care.

That said, all those issues have financial implications, and financial sustainability is already on the minds of our clients. How do hospitals serve patients and survive? When will elective cases resume? How has this impacted physician compensation? Is physician attrition a risk in this environment?

The final but critical consideration relates to strategic lessons. How will the pandemic change your business model? Will it accelerate widespread adoption of virtual care modalities by both patients and providers? What does that mean for the allocation of resources? Will you have financial resources to allocate?

Below is a list of key questions related to these issues, in checklist form. All will not be uniformly important to each employed network or hospital system, but we believe that these represent most of the important considerations.

CLINICAL AND OPERATIONAL ISSUES (SHORT TERM)

- Have you defined your **vision for the employed physician network** as you work through the crisis?
 - Determined relative importance of expense control, stabilization of provider income, and provider retention
 - Defined loss tolerance
 - Defined how non-productive providers will be re-deployed to support the patient care surge
 - Streamlined decision-making processes to ensure nimble, timely decisions are made (more below)
 - Defined compliance/non-compliance tolerance based on immediate patient needs versus long-term implications. For example, needs for FMVs
 - Engaged employed network Physician Leadership Council in these discussions and decisions

- Have you defined how and **where less productive employed physicians can be re-deployed** in the short term to facilitate patient flow plan?
 - Created provider inventory with current productivity
 - Defined how physicians and APPs will be compensated for temporary roles
 - Developed FMV for temporary role compensation
 - Developed contract addendum addressing temporary role(s)
 - Identified credentialing process needed for temporary role(s) – both Medical Staff and third-party payers
 - Evaluated limits to changes based on your provider contracts

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- Have you created a plan for **virtual visits**?
 - Defined acceptable short-term platforms
 - Created standardized patient and provider education materials
 - Defined documentation requirements and implemented in EMR to support
 - Determined claim submission and revenue cycle changes to maximize revenue
 - Assessed impact of virtual visits on compensation plans
 - Deployed plan across all specialties
 - Explored acceptable long-term platforms

 - Have you modeled approaches to **stabilize physician compensation** – and contemplated impact on retention?
 - Assessed contractual obligations
 - Modeled loan programs, borrowing from PTO banks, and other alternatives to pay providers
 - Evaluated amending incentive compensation plans in the short term
 - Determined if retention bonuses might be required – including amounts and funding sources

 - Have you developed and implemented an **employed network communication strategy** related to the crisis? Considered:
 - Virtual “town hall” meetings by specialty
 - Daily “huddle” calls with all employed physicians and APPs
 - Augmentation with “hard copy” information distributed via email messages and/or shared drive posting

- Have you evaluated the need and built a plan to bring **inactive or recently retired physicians** back into the workforce?
 - Requested help and completed an inventory of potential candidates
 - Developed templated employment term sheets and agreements
 - Determined acceptable compensation ranges

- Have you assessed your willingness to **acquire independent practices** or employ individual private practitioners who are in dire financial trouble?
(see more in the strategic implication section)

- Have you evaluated whether **variances in how providers and other employees of the health system are being treated** will be contemplated?
 - Assessed perceived fairness
 - Accounted for differences in benefit structures that may require different treatment/approaches, such as provider access to PTO
 - Evaluated the option and impact of furloughing providers

- Have you built a nimble **review and approval process for physician deals** that arise during the crisis?
 - Defined expedited board approval
 - Evaluated requirements for FMV determinations
 - Built parameters to ensure reasonable discipline if quick approval required

FINANCIAL REALITY AND SUSTAINABILITY (SHORT AND MID TERM)

- Have you completed a **financial model for the employed network** and identified key variables? the short term to facilitate patient flow plan?
 - Built scenarios related to deferral of elective cases
 - Built scenarios related to impact of social distancing
 - Built scenarios related to PPE availability
 - Modeled impact of above on individual physician compensation according to contracts
 - Built scenarios for stabilization of physician compensation
 - Defined impact on reduced reimbursement if services move to outpatient campus
 - Projected wRVU changes by provider and by specialty
- Have you initiated **discussions with payers** about “capitation like” agreements for primary care access and for specialties dependent on elective procedures?
- Have you modeled potential benefits from **federal assistance**?

STRATEGIC IMPLICATIONS (SHORT TERM TO LONGER TERM)

- With the Physician Leadership Council, have you evaluated how the employed group **business model** will likely change?
 - Developed a plan for growth in virtual medicine, with HIPAA compliant platform
 - Evaluated implications of accelerated adoption of home-based technologies
 - Built plan for geographic dispersion of services
 - Evaluated merit of expanding office-based services

Evaluated care coordination approaches to complement evolving business models.

Re-evaluated risk contracting as a strategy to smooth revenue flow

Have you assessed your willingness to **acquire independent practices** or employ individual private practitioners who are in dire financial trouble?

Assessed the strategic importance of local practices and providers to health system success

Assessed their value to the community and meeting community need

Completed financial projections related to employing or losing these groups/providers

Developed templated term sheets and contracts

Identified resources to perform due diligence

Defined resources to onboard new acquisitions



David Miller

MHA, FACHE

Founding Partner

Email

DMiller@HSGadvisors.com

Office

(502) 814-1188

Mobile

(502) 727-1816



Dr. Terry McWilliams

MD, FAAFP

Director & Chief Clinical Consultant

Email

TMcWilliams@HSGadvisors.com

Office

(502) 614-4292

Mobile

(502) 419-1954

EMPLOYED PHYSICIAN NETWORKS

A Guide to Building Strategic Advantage, Value, and Financial Sustainability

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HSG has worked in tandem with the American College of Healthcare Executives (ACHE) and Health Administration Press (HAP) to leverage our insights from over 20 years of helping hospitals with employed physician networks to publish a new guide for management teams looking to improve their performance.

Employed Physician Networks represents your best opportunity to effectively manage the health of populations and navigate risk contracting. In this resource, readers are guided through the process with many practical tools and tips, making this a great resource as you strive to build an engaged, high-performing physician network.

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