



HFMA Regional Conference

Enfranchising The Medical Staff

Scott Frost



- Vice President, Support Services Consulting, HFS Consultants
- Bachelor of Science, and Masters of Business Administration, Univ. of Nevada, Reno
- Positions with Washoe Health Systems (now Renown Health Care), Catholic Healthcare West, and Childrens Hospital Los Angeles
- Significant improvement work performed for:
 - Santa Clara County/Valley Medical Center
 - City/County of San Francisco
 - Kaiser Permanente
 - Catholic Healthcare West
 - Northridge Hospital Medical Center
 - St. Johns Medical Center, Oxnard, CA
 - St. Vincent MC, Little Rock, Arkansas
 - Huntsville Hospital, Huntsville, Alabama
 - N. Mississippi Health Services, Tupelo, MS
- Fellow, American College of Healthcare Executives

Sue Andersen



- Vice President, Chief Financial Officer over Three Catholic Healthcare West Hospitals on the Central Coast of California, including 2 Joint Ventured Surgery Centers, Homecare Agency, Clinics, Imaging Centers, Self Insured Health Plan and 3 Foundations.
- Bachelor of Science, and Masters of Business Administration, California Polytechnic University
- In CFO role for 25 years for both for profit and not for profit hospitals.
- Successful financial turnaround performed for current hospitals
- Part time Accounting Professor for Cal Poly San Luis Obispo for several years

About HFS

Broad Spectrum of Consulting Services

Financial Management
Reimbursement
Debt Capacity/Feasibility
Clinical Operations

Supply Chain Management
Labor Staffing Management
Revenue Cycle
Recruiting/Interim Placement

Five offices in California
Over 100 consultants

About CHW- Central Coast

Three Hospitals

- French Hospital Med Ctr: 112 beds
- Arroyo Grande Comm. Hosp: 65 beds
- Marian Med Ctr: 262 beds

Over \$318 million net revenues

Largest and most significant provider in catchment area

Largest cardiac and orthopedic programs in area

- Three separate medical staffs
- Three separate administrative staffs (Finance is regionalized)

COURSE GOALS

ENFRANCHISING THE MEDICAL STAFF

- 1. ISSUES AND DANGERS**
- 2. PROCESSES**
- 3. RESULTS MEASUREMENT**

WHY ENFRANCHISE THE MEDICAL STAFF?

COST MANAGEMENT

- **PRODUCT SELECTION AND CONTRACTING**
- **LENGTH OF STAY**
- **OTHER COSTS OF CARE**
 - **DIAGNOSTIC TESTING**
 - **THERAPEUTIC OPTIONS**
 - **HOSPITAL ACQUIRED CONDITIONS**

PHYSICIAN SATISFACTION

- **CAPITAL PLANNING & COORDINATION**

PATIENT SATISFACTION

ISSUES AND DANGERS

WHAT PREVENTS A HOSPITAL FROM ALIGNING WITH ITS MEDICAL STAFF?

- 1. Differing Incentives**
- 2. Communication or Leadership Issues**
- 3. Competition between providers**
- 4. Outside Influences**

ISSUES AND DANGERS

Non Aligned Incentives

HOSPITAL

- **Attract physicians**
- **Maximize profit (per procedure)**
- **Manage quality between providers**
- **Manage support teams (nursing)**
- **Secure physician admissions**
- **Manage costs**

PHYSICIAN

- **Limit Competition**
- **Minimize time per case**
- **Avoid interference with practice**
- **Assure support teams function**
- **Practice at more than one facility**
- **Minimize control over practice**

ISSUES AND DANGERS

Communication and Leadership Issues

SALESMAN:

“Your hospital makes \$_____ per case for your practice.”

“Your hospital is among the most profitable in the nation because of your practice”

“Our prices at your hospital are some of the best in the nation”

“Only at (your hospital) would some suggest you be limited to what products you can use for your patients”

“At XYZ hospital, the doctors can use whatever products they want, AND the hospital pays the doctors for _____, etc. etc.”

ISSUES AND DANGERS

Communication and Leadership Issues

THE TRUTH

MOST hospitals lose money on procedures involving physician preference products BECAUSE OF THE COSTS OF THE IMPLANTS

Whether or not a hospital makes or loses money is often due to factors not related to the medical staff (local, managed care contracting, etc.)

Vendor Discounting is rarely related to volume, penetration, or other normal business factors.

ALL medical specialties now recognize the need for the physician to participate in product selection with pricing considered.

MOST hospitals are now actively working with the medical staff on pricing management and vendor selection.

ISSUES AND DANGERS

COMPETITION BETWEEN PROVIDERS

HOW COMPETITIVE IS YOUR MEDICAL STAFF?

- **Can you have meetings with all or most section or department members in the same room?**
- **Is a member less agreeable when around his (her) counterparts than alone?**
- **Is quality reporting well accepted?**
- **Is the medical staff leadership well respected?**

ISSUES AND DANGERS

Outside Influences

TYPICAL EXTERNAL AGENTS

- **Salespeople** - - -
- **Other Hospitals** - - -
- **Peer Group Associations** + +
- **Others**

PROCESSES

PROCESSES

DIFFERING INCENTIVES

COMMUNICATION/LEADERSHIP ISSUES

COMPETITION BETWEEN PROVIDERS

OUTSIDE INFLUENCES

DIFFERING INCENTIVES

GOOD SOLUTIONS

CAPITAL EQUIPMENT BUDGETS

ALLIED STAFFING IMPROVEMENTS

MEDICAL STAFF RECOGNITION PROGRAMS

DIFFERING INCENTIVES

**CAPITAL EQUIPMENT
BUDGETS**

**ALLIED STAFFING
IMPROVEMENTS**



**DECREASED SURGEON
TIME PER CASE**

**IMPROVED PATIENT
OUTCOMES
(SATISFACTION)**

DIFFERING INCENTIVES

BETTER SOLUTIONS

FINANCIAL INCENTIVES

DIFFICULT TO ADMINISTER

TRUST ISSUES

**CAN COMPOUND COMPETITION
FACTORS**

DIFFERING INCENTIVES

FINANCIAL INCENTIVES

**FUNDED CHAIR OR
DIRECTOR**

**INCREASED PAYMENT FOR
SERVICES (CALL, ETC.)**

**IPA OR GROUP LEVEL
INCENTIVES**

COMPLICATIONS:

**LIMITED NUMBER OF
“REWARDED” INDIVIDUALS**

**REWARDS BEHAVIOR OTHER
THAN DESIRED**

**COMPLICATED TO SET UP
PAYMENTS ADMINISTERED BY
OTHERS**

DIFFERING INCENTIVES

BEST SOLUTION ?

BUNDLED PAYMENTS

- **Requires very motivated medical staff**
- **Solid Decision Support capabilities are essential**
- **Most effective for specialties/diseases largely reimbursed by MediCare**

COMMUNICATION/LEADERSHIP

ESTABLISH THE IMPERATIVE

FRAME THE COMMON GOAL

IDENTIFY THE REAL CULPRIT

RATIFY THE SOLUTION

COMMUNICATION/LEADERSHIP

THE IMPERATIVE

**SPENDING FOR ORTHOPEDIC IMPLANTS
EXCEEDED CORPORATE GOALS**

ESTABLISH THE IMPERATIVE

The Project:

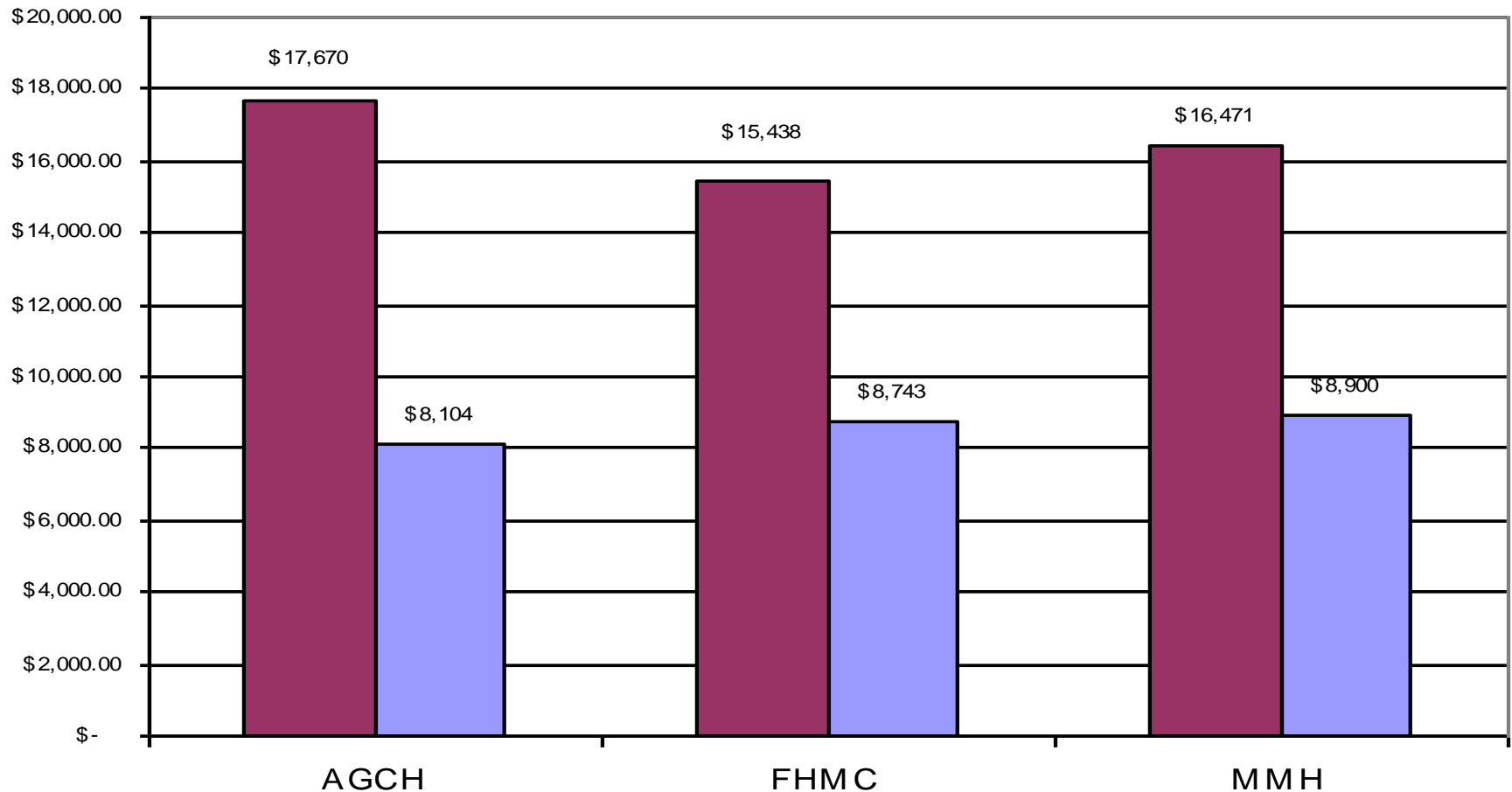
Evaluate spending for orthopedic implants
Assist with contracting for lower costs

VENDOR FIX	ARROYO GRANDE COMMUNITY HOSP	FRENCH HOSPITAL MEDICAL CENTER	MARIAN MEDICAL CENTER	Grand Total
ZIMMER	\$322,947	\$427,539	\$534,273	\$1,284,759
JJ/DEPUY	\$38,180	\$476,202	\$542,704	\$1,057,086
SYNTHES	\$173,192	\$153,248	\$161,024	\$487,464
SMITH NEPHEW	\$484,063		\$2,283	\$486,346
ENCORE	\$244,172			\$244,172
STRYKER			\$224,638	\$224,638
BIOMET	\$54,932	\$103,448	\$14,196	\$172,576
OTHER	\$26,494	\$23,048	\$92,391	\$141,934
	\$1,343,980	\$1,183,486	\$1,571,509	\$4,098,975

FRAME THE COMMON GOAL

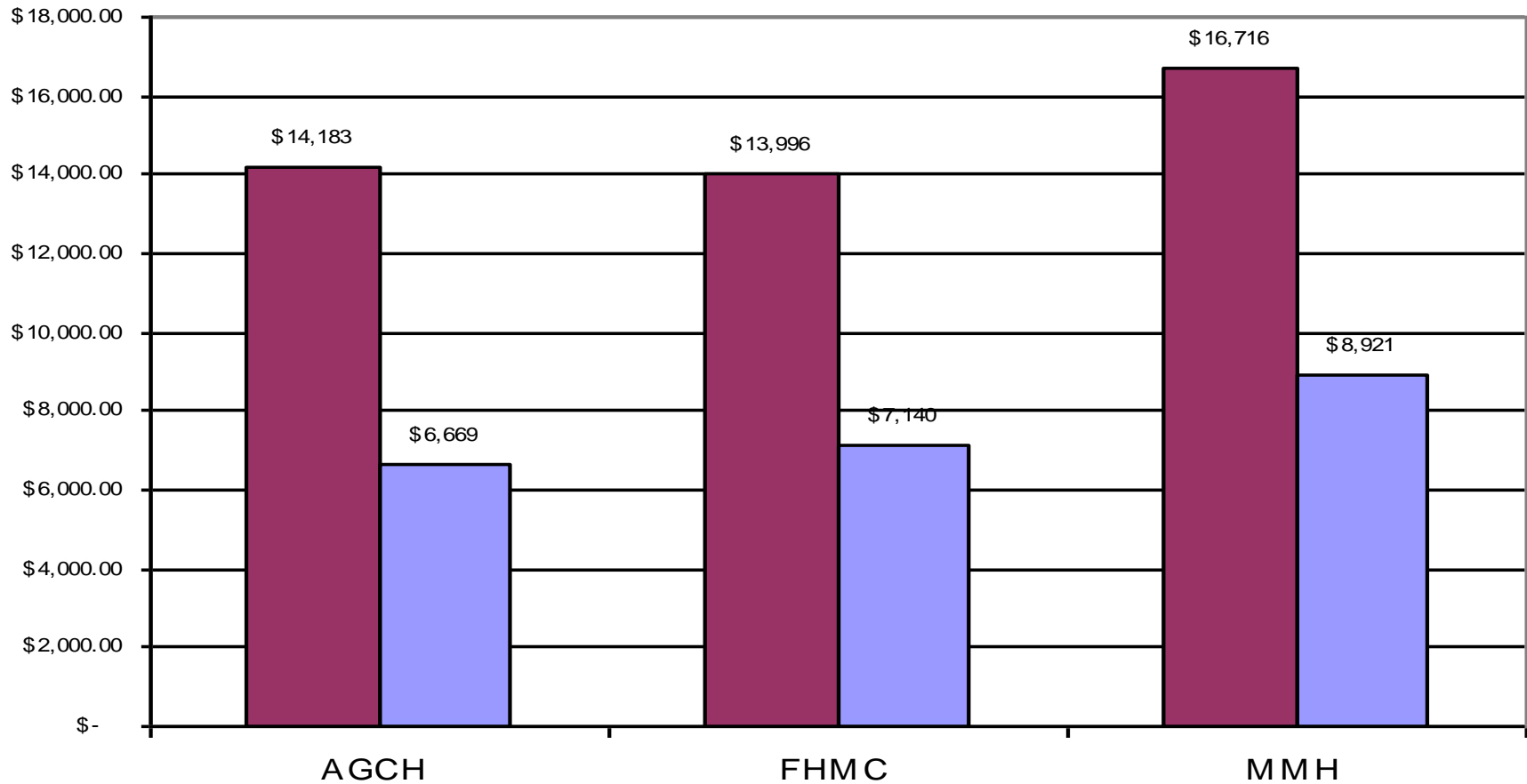
Total Hip Replacement

■ Average Payment ■ Cost of Implants



FRAME THE COMMON GOAL

Total Knee Replacement



FRAME THE COMMON GOAL

Total Knee Replacement Medicare Reimbursement

		Marian	French	Arroyo Grande
PRINCIPAL PROCEDURE	PROCEDURE NAME	MEDICARE		
81.54	TOTAL KNEE REPLACEMENT	\$14,667	\$12,764	\$11,693
00.80	REVISION OF KNEE REPLACEMENT, TOTAL		\$14,796	\$15,467
00.82	REVIS OF KNEE REPLACEMENT, FEM COMP	\$21,105		
00.84	REVIS OF TOTAL KNEE REPL, TIBIAL LINER	\$10,719		\$7,324
Average Payments (weighted)		\$14,740	\$12,806	\$11,680
Note: cases are w/o CC or MCC				

FRAME THE COMMON GOAL

Total Hip Replacement Medicare Reimbursement

		Marian	French	Arroyo Grande
PRINCIPAL PROCEDURE	PROCEDURE NAME	MEDICARE		
81.51	TOTAL HIP REPLACEMENT	\$14,468	\$12,667	\$11,948
81.52	PARTIAL HIP REPLACEMENT	\$14,680	\$13,004	\$12,137
00.70	REVIS OF HIP REPL, BOTH ACET & FEM COMP		\$15,820	
00.72	REVIS OF HIP REP, FEM COMP	\$18,130		
00.73	REVIS OF HIP REPL, ACET LINER &/OR FEM HEAD		\$13,423	\$15,193
Total average payments		\$14,645	\$12,977	\$12,271
Cases are w/o CC or MCC				

CULPRIT/SOLUTION

QUESTIONS TO ANSWER

- **Who sets pricing for products?**
- **What are other hospitals paying for the same products?**
- **Who profits from above market pricing?**

CULPRIT/SOLUTION

QUESTIONS TO ANSWER

- **What if we don't get the pricing we want?**
- **How do we convince the vendors they must honor our price goals?**
- **How do we prevent price creep?**
- **What about new technology pricing?**

RATIFYING THE SOLUTION

THE SOLUTION

- **Ask surgeons to accept “demo calls” with preferred vendors.**
- **Notify non compliant vendors of intentions.**
- **Successive rounds of price re-negotiation**
- **Regular revisiting with medical staff**

RESULTS MEASUREMENT

Distinct Price Reductions

- \$1.78 million annual savings
- Significant activation of medical staff with hospital administrations
- Stage set for further improvements in price management

SUMMARY

Much of operations results improvement requires Medical Staff involvement.

Enfranchising the Medical Staff is required for effective participation and implementation.

Effective leadership and communication is essential for Medical Staff to trust and work with senior leadership.

Excellent results in cost performance can be achieved when a solid relationship is built with the Medical Staff.

QUESTIONS?