

# Healthcare Financial Management Association

## Optimizing Medical Group Performance

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# ECG

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# Agenda

*The purpose of today's presentation is to generate discussion regarding physician performance and the keys to financial and operational success.*

- I. Background
- II. Framing the Situation
- III. Key Performance Drivers
- IV. Conclusions

# I. Background

# I. Background

## The Everett Clinic

- 300-physician multispecialty group practice.
- 16 locations.
  - » Two ASCs.
  - » Imaging center.
- ~ \$300 million in annual revenue.
- Common IT platform (Epic Systems Corporation).
- Physician-owned – professional and physician management model.

## ECG Management Consultants, Inc.

- Approximately 80 consultants.
- Five offices.
- Healthcare-specific.
  - » Strategic/business planning.
  - » Operations improvement.
  - » Physician compensation.
  - » Information systems.

## II. Framing the Situation

# The last 12 months continued a trend of financial struggles for medical groups and physician networks.



“Maintaining physician compensation levels in an environment of declining reimbursement is our greatest challenge.”

*October 2009*



*February 2009*

“A group of 475 doctors in the Puget Sound region says it lost \$1.9M on hospital care because of changes made by Legislature.”



*September 2009*

“The financial tremors that rocked the world as giants fell a year ago continues to be felt by medical groups nationwide ...”



*April 2009*

“Providers struggle with changes to payment system.”



*May 2009*

“Groups tighten up ship to avoid economic struggle.”



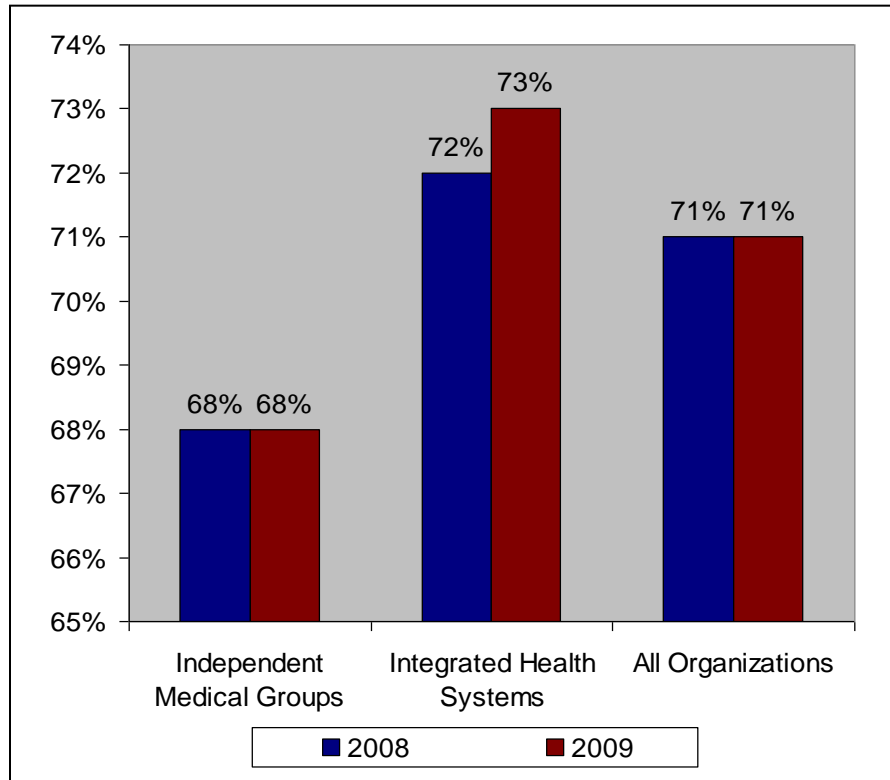
healthcare financial management association

*June 2009*

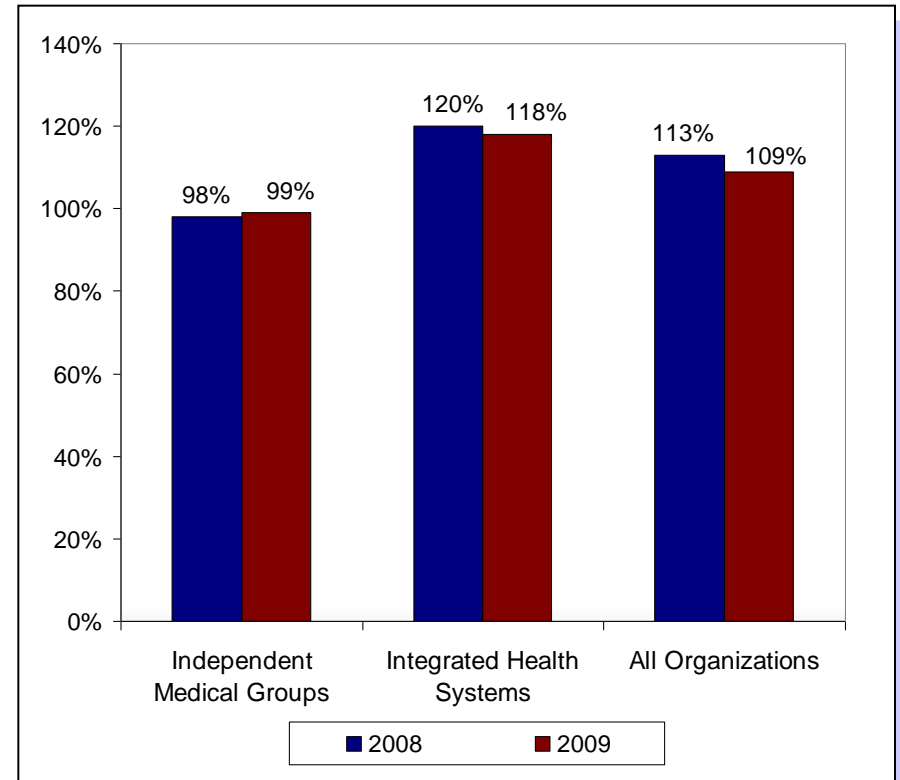
“Providers everywhere are feeling the pain ... increased pressure on bottom lines.”

# Profit margins are slim for independent groups, and losses continue to mount for networks within integrated systems.

Overhead as a Percentage of Net Revenue



Total Expenses as a Percentage of Net Revenue



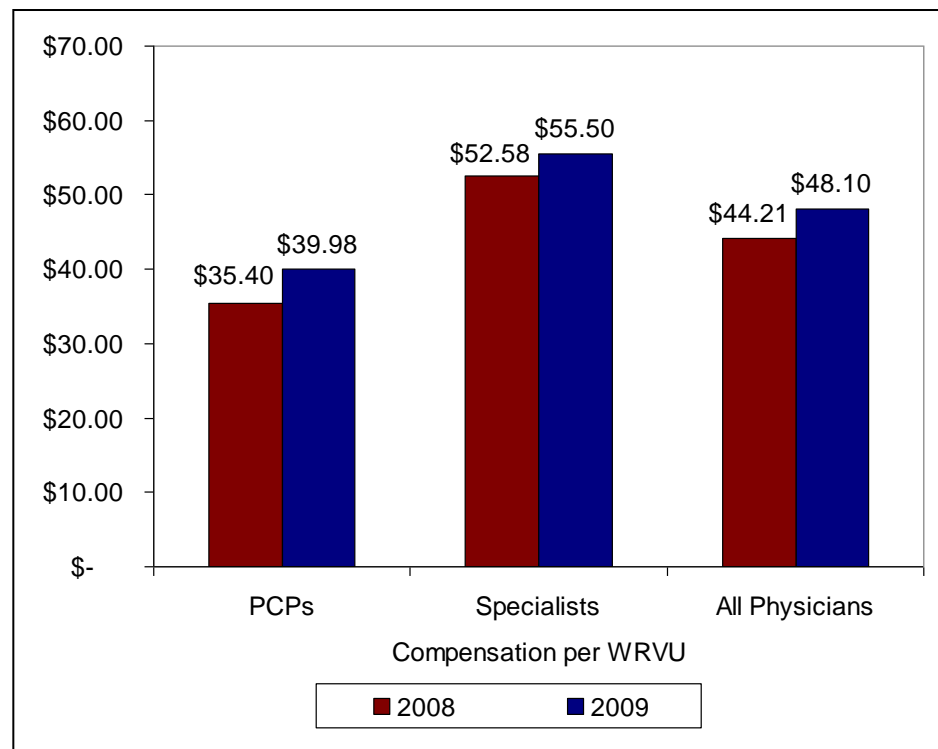
Source: ECG Northwest *Provider Compensation, Production, and Benefits Surveys*, year 2009 based on 2008 data.

# Growth in specialist compensation outpaced production for the third straight year.

Percentage Growth of Key Metrics From 2008 to 2009

Metric	Northwest Surveys	
	PCPs	Specialists
Compensation	6.7%	1.1%
Net Professional Collections	1.3%	4.4%
WRVUs	-3.1%	-0.5%
Compensation to Net Collections	-2.4%	10.7%
Compensation per WRVU	12.9%	5.6%

Average Physician Compensation per WRVU



NOTE: All RVU calculations in the 2008 and 2009 surveys are based on the 2008 Medicare Physician Fee Schedule (PFS) published in October 2008, unless otherwise noted.

## III. Key Performance Drivers

# Paying close attention to four areas will greatly improve your operating and financial success.

- #1** Enhance Access ... and Productivity and Satisfaction Will Follow
- #2** Optimize Technology to Get a Return on Investment (ROI)
- #3** Utilize Data to Drive Performance
- #4** Continually Shape Organizational Culture

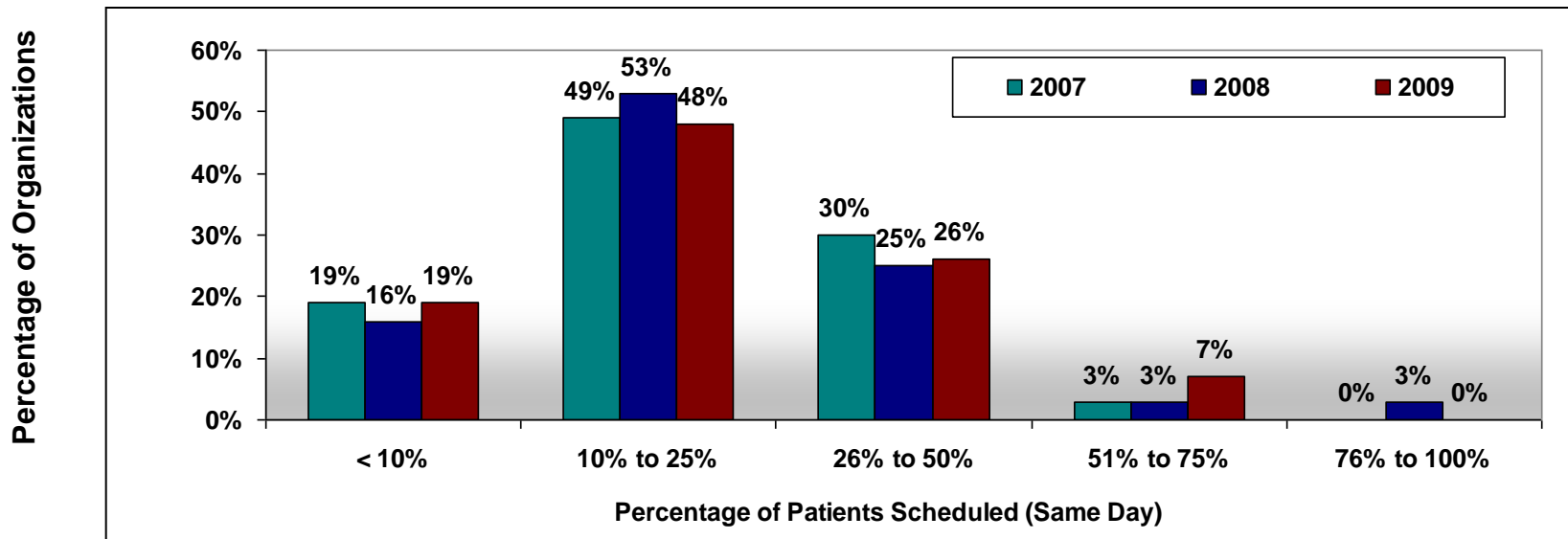
# #1 – Enhance Access ... and Productivity and Satisfaction Will Follow

# 33% of medical groups ensure easy access for patients by allocating over 25% of their available appointments for same-day visits.

## Patient Access – Best Practices

- Enabling same-day scheduling.
- Evaluating time to third available appointment.
- Reevaluating scheduling templates.
- Making the link to compensation.

## Advanced Access Scheduling Practices



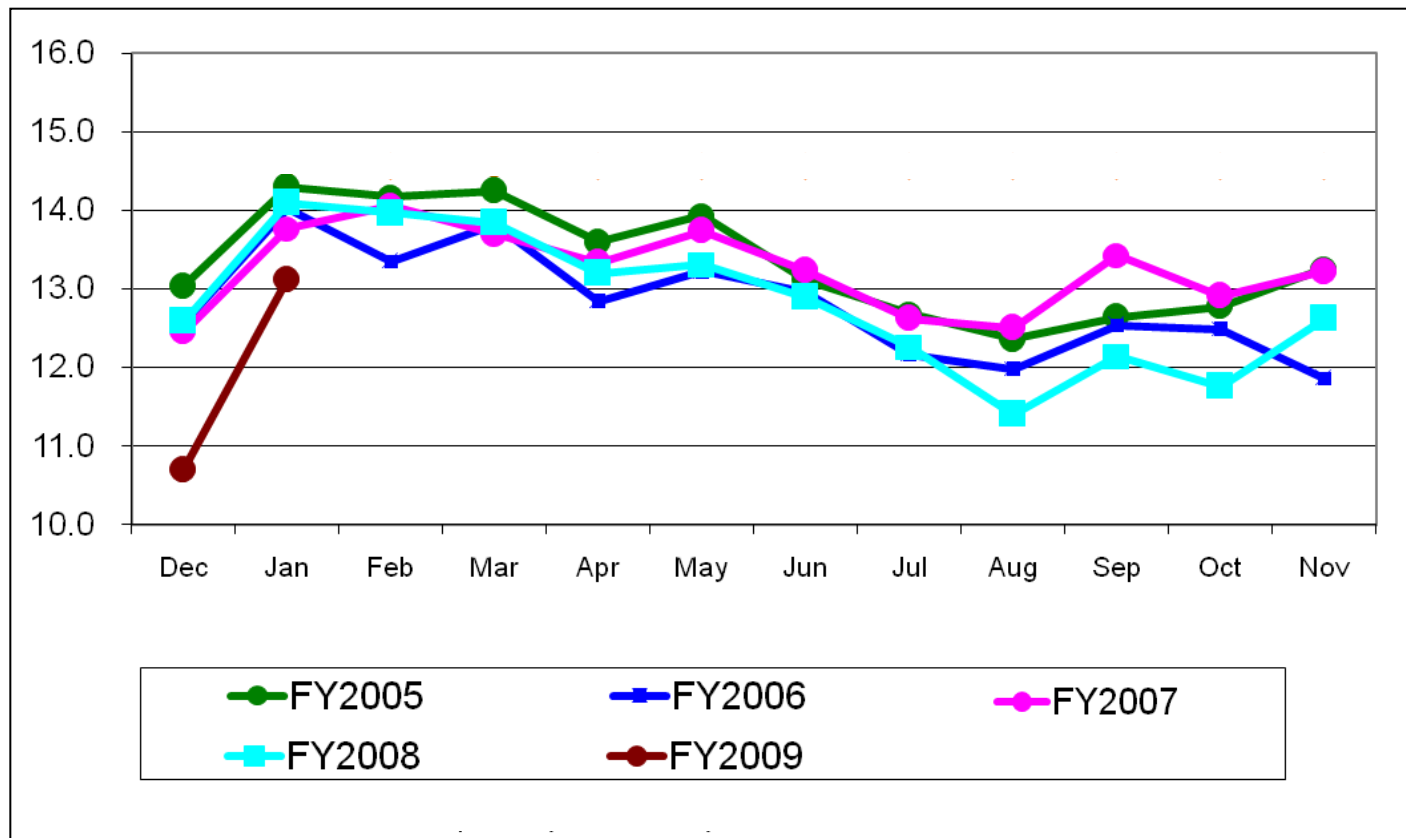
# The Everett Clinic Case Study

## *Emphasizing Access Clinic Wide*

- In a fee-for-service environment, visits drive financial performance.
- The Everett Clinic monitors third available appointment for access and subscribes to advanced access principles.
- Major initiatives include:
  - » Same-day access in primary care.
  - » Appointment standardization.
  - » Work-down of backlog.
  - » Greater use of advanced care practitioners to expand capacity.
  - » Extended hours.
- Case study – our early 2009 problem.

# Average Daily Visits per Physician FTE

Daily Visits per Physician FTE  
 Excluding Physician Administrative Time, Hospital Pediatrics,  
 Hospital 24/7, Anesthesiology, Extended Care FTE



# January 2009 Primary Care Visits per Physician FTE

	January 2008	January 2009	Percentage Delta	Third Available
WIC	474	391	<b>-17.4%</b>	<b>N/A</b>
FP	363	326	<b>-10.2%</b>	<b>4</b>
Internal Medicine	319	324	<b>+1.7%</b>	<b>5</b>
Pediatrics	384	326	<b>-15.1%</b>	<b>1</b>

NOTE: Figures may not be exact due to rounding.

# Medical Subspecialty

## January Visits per Physician FTE

	January 2008	January 2009	Percentage Delta	Third Available
Cardio/EP	131	123	-5.5%	14/28
Allergy	245	189	-22.9%	4
Dermatology	359	322	-10.4%	64
Endocrinology	228	215	-5.7%	7
GI	113	122	+7.4%	7
Nephrology	117	129	+9.8%	7
Neurology	205	209	+2.3%	34
Occupational Medicine	254	220	-13.6%	13
Oncology	232	219	-5.5%	14
Physiatry	194	181	-6.5%	18
Pulmonology	235	202	-14.2%	16
Rheumatology	265	299	+13.1%	27

NOTE: Figures may not be exact due to rounding.

# Surgical January Visits per Physician FTE

	January 2008	January 2009	Percentage Delta	Third Available
OB	257	229	-10.8%	20
ENT	258	253	-1.9%	14
Eye	393	406	+3.5%	4
GYN	163	136	-16.4%	15
Hand	183	191	+4.5%	44
Mohs	354	305	-13.8%	16
Orthopedics	226	222	-1.6%	15
Podiatry	N/A	403	N/A	14
Spine	125	109	-12.8%	15
General Surgery	290	138	-52.5% <sup>1</sup>	7
Urology	253	183	-27.8%	39

NOTE: Figures may not be exact due to rounding.

<sup>1</sup> Include GST FTEs.

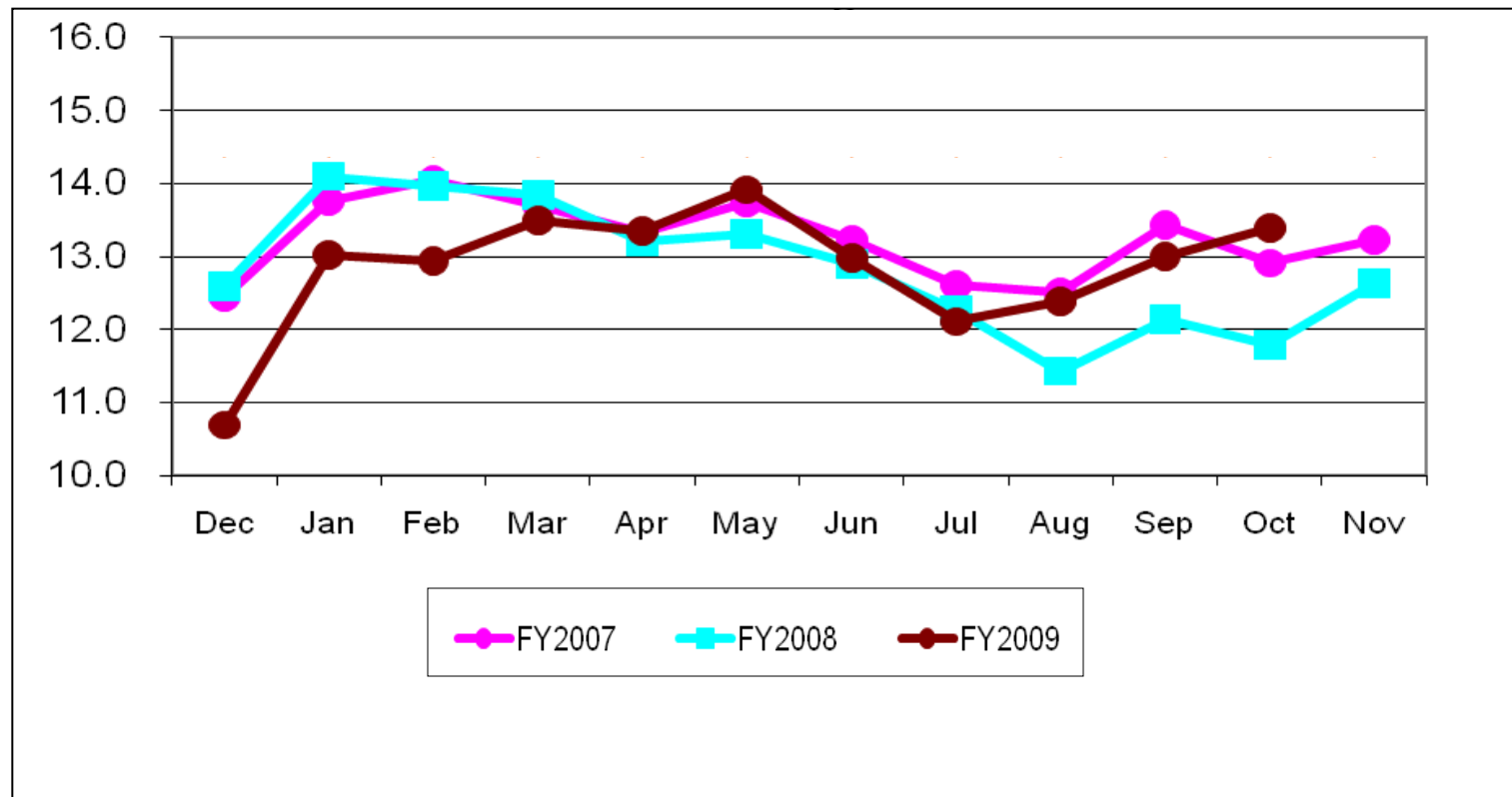
# Action Plan

- Crisis call to action on visits and access.
  - » Hiring freeze.
  - » Withhold on physician salary.
- Advanced access techniques deployed in specialty care.
- Weekly visit updates to senior management.

# Average Daily Visits per Physician FTE

## Daily Visits per Physician FTE

Excluding Physician Administrative Time, Hospitalists, Anesthesia, Extended Care



## #2 – Optimize Technology to Get an ROI

# As IT expenditures increase, there is a growing imperative to maximize the organization's ROI.

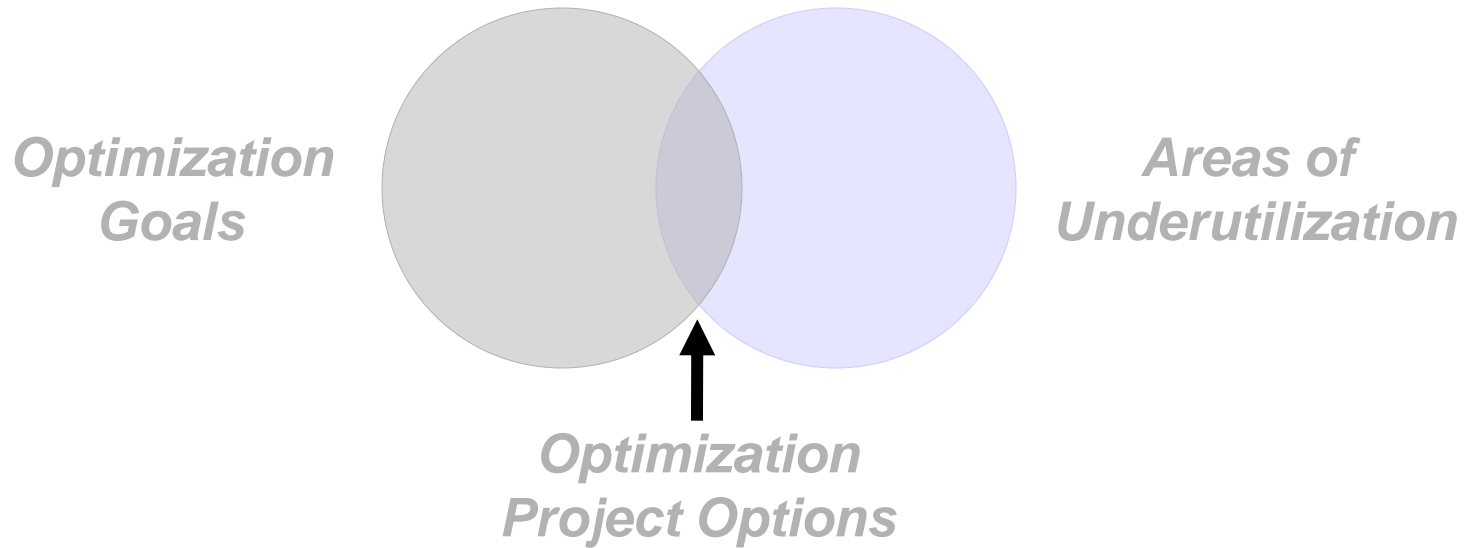
	Independent Medical Groups	Integrated Health Systems
Percentage of Total Operating Budget Allocated to IT	4.8%	3.9%
Amount of Capital Expenditures for IT per Physician FTE <sup>1</sup>	\$7,244	\$39,731

	> 75 Physicians	< 75 Physicians
Amount of Capital Expenditures for IT per Physician FTE <sup>1</sup>	\$7,542	\$44,074

<sup>1</sup> Source: ECG Northwest *Provider Compensation, Production, and Benefits Surveys*, year 2009 based on 2008 data.

***Whereas national trends indicate that organizations spend 2% to 3% of their operating budgets on IT, the average percentage across all survey organizations in the Northwest is 4.3%.***

# Focus your optimization efforts by identifying the overlap between goals and opportunities.



***This exercise of comparing goals and opportunities should be repeated as optimization projects are continuously initiated and completed.***

# The Everett Clinic Case Study

## *Getting a Return From Your IT Investment*

- Our implementation of Epic EHR.
  - » Major change for physicians and staff.
  - » Democratic approach to decisions.
    - Vigorous debate, decision, united will to move forward.
- ROI analysis.
  - » \$18 million investment.
  - » Potential for productivity loss.
  - » Opportunity to reduce costs of:
    - Transcription.
    - Maintenance of paper medical record.

# Epic ROI Goals

- Reduce transcription cost per physician FTE by 80%.
  - » Baseline = \$1,636.
  - » Target = \$331.
  - » October 2009 = \$304 (82% reduction achieved).
- Reduce medical records cost per physician FTE by 80%.
  - » Baseline = \$1,775.
  - » Target (November 2009) = \$355.
  - » October 2009 = \$1,238 (30% reduction achieved).
- Maintain visits per physician FTE.
  - Actual visits per physician up 1.7% (December 2007 to October 2009).

# How we did it: Advance work

- Involve providers in EMR purchase discussions/demos
- Publicize current state – costs, improvement potential, etc..
- Share a desired future state:
  - » *“Patient friendly, physician efficient visit”*
- Show positive impact on quality, safety, and overall patient care...NOT solely finances
- Elicit input from outside groups/providers

## How we did it: methods

- Epic templates/documentation tools
  - » Responsible for 90% of savings
- Voice Recognition
  - » Responsible for 9% of savings
- Scribe Program
  - » Responsible for <1% of savings

# Would we do it again?

**More Efficient w/Epic (n=180)**

**%**

**Yes**

**51.3%**

**Sometimes**

**41.2%**

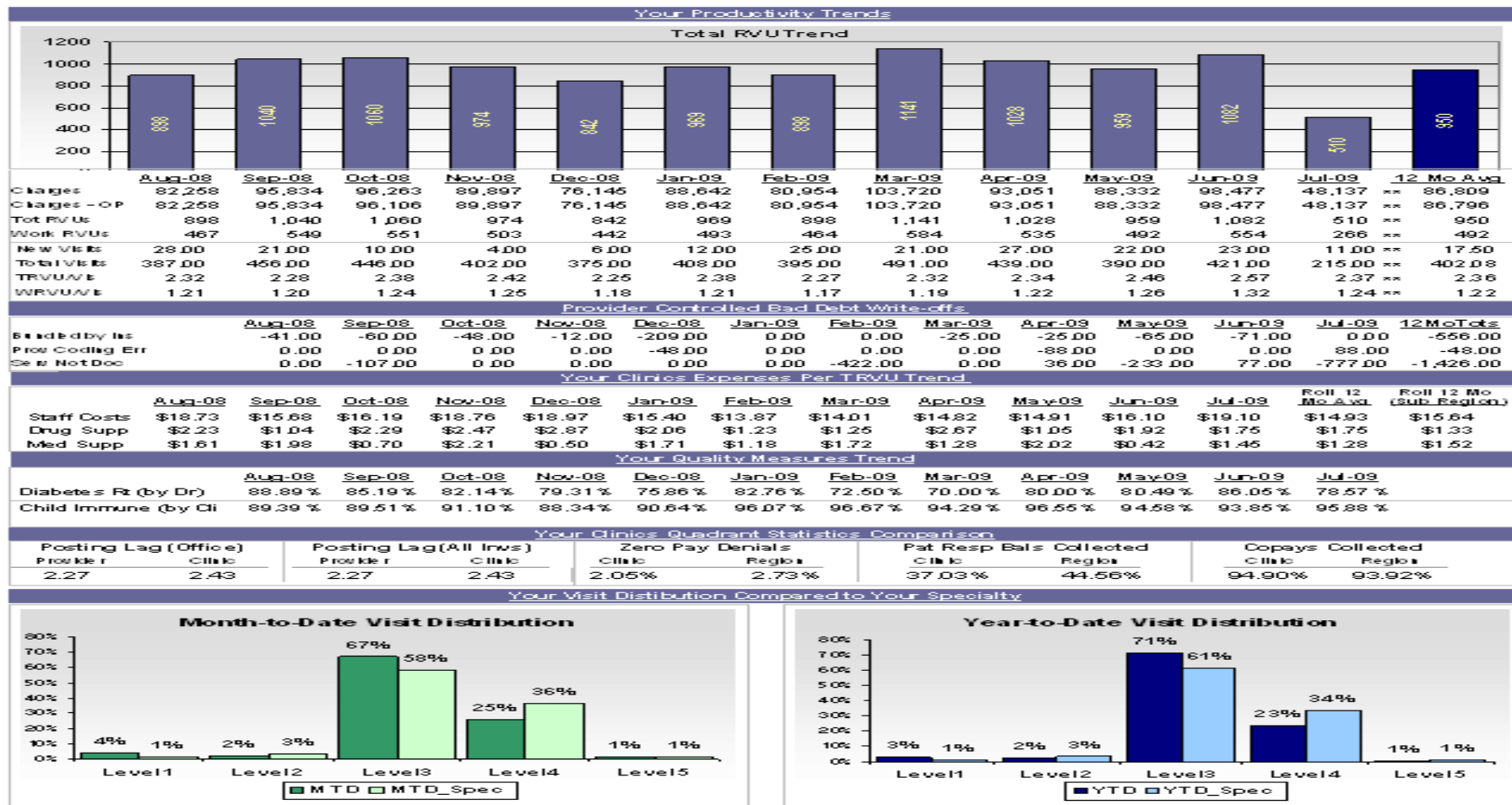
**No**

**7.0%**

## #3 – Utilize Data to Drive Performance

# Outside of compensation incentives, dashboards are often the most effective tool for influencing behavior and performance.

## Family Practice

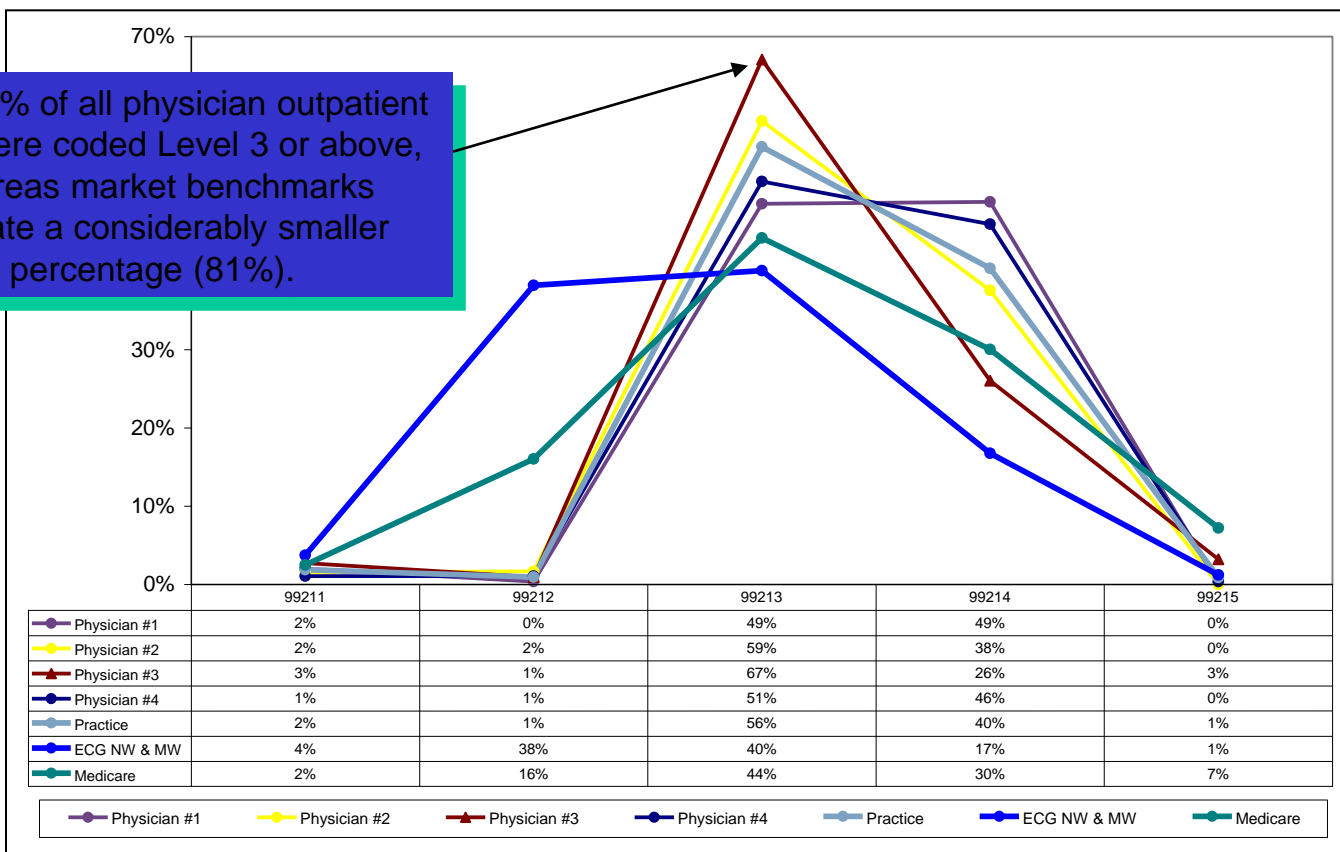


# Regularly performing E&M coding profiles can have an immediate impact on performance.

*Evaluating CPT codes by physician helps to identify the variations in coding and documentation patterns that ultimately drive productivity variability.*

Established Patient E&M CPT Code Profile by Physician

Over 95% of all physician outpatient visits were coded Level 3 or above, whereas market benchmarks indicate a considerably smaller percentage (81%).



# The Everett Clinic Case Study

## *Using Data to Influence Behavior*

- The Everett Clinic has more data than a pharmacy has pills.
- The challenge is making this data useful and getting physicians and staff to pay attention to it.
- Increasingly, we are using our Lean Transformation to help change behavior.

# Data is important (but its only about 20% of the equation)!!

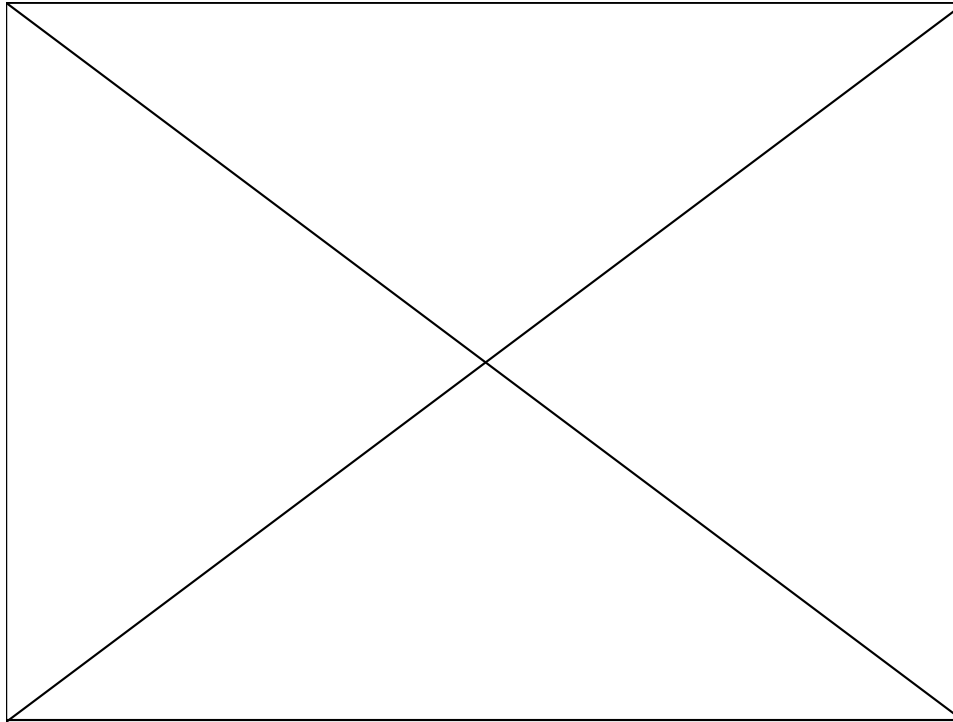
- Data must be believable.
- Data must be transparent.
- Data must be at provider level and comparable to peers.
- Data must be actionable (by the provider and the care team) on a daily basis.
- Data must be reviewed and discussed regularly by peers and leaders.

# The other 80% is Leadership and Culture

- The Vision for the organization must be clearly articulated.
  - » Example: “The Everett Clinic will be the predominant healthcare provider organization in the Puget Sound. We will be well known for high quality care and adding value to our customers.”
- The organization should have goals and initiatives established.
  - » Example: We will improve provider productivity and patient satisfaction through introduction of the “patient friendly / provider efficient visit”
- Metrics and goals should link back to goals and initiatives.
  - » Example: Weekly data on visits per provider FTE
  - » Example: Monthly patient satisfaction survey results
  - » Example: Weekly Epic time per provider
- Execution, accountability, and a good PDCA cycle are the final ingredients

# An Example

## *Daily Huddle at Snohomish*



# #4 – Continually Shape Organizational Culture

## Culture shapes behavior that ultimately drives performance.

“I came to see in my time at IBM, that culture isn’t just one aspect of the game – it *is* the game.”

– *Louis V. Gerstner, Jr., Former CEO of IBM,  
Who Says Elephants Can’t Dance?*

# The Everett Clinic Case Study

## *What Is the “Secret Sauce”?*

- Core values:
  - » We do what is right for each patient.
  - » We provide an enriching and supportive workplace.
  - » Our team will add value: (service + quality) ÷ cost.
- Old compact vs. new compact.
  - » Physician-centered.
  - » Patient-centered.
- Balancing physician-directed and patient-centered.

# What We Do to Make This Work

- Governance, governance, governance.
- Hire the best.
  - » Behavioral interviewing.
  - » Seek Group mentality.
  - » “Slow to hire, quick to fire.”
- Market pay for market work.
  - » WRVU compensation – 95% production.
- Patient satisfaction is a prerequisite.
  - » No shareholdership unless patient surveys look good.
- Rigorous peer review and delegated credentialing.
- Leadership dyad – physician paired with lay administrator.
- Culture of Improvement - We use Lean.

## IV. Conclusions

# IV. Conclusions

- Access drives productivity.
- Technology is not just a cost of doing business, you can get an ROI.
- Use data to shape behavior.
  - » Be thoughtful in how you share/communicate data.
  - » Educate providers on how to interpret the data.
  - » Transparency and linking data to vision and goals is key.
  - » EMRs and quality reporting ... get ready to mine even more data.
- Governance and physician leadership are critical in creating/maintaining cultural values.

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