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System Focus

Integrating Medical Groups into the Health System

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No group of employees or partners has a greater impact on the achievement of a health system's vision and goals than physicians and the caregivers they oversee.

Health systems comprise many moving parts across outpatient, inpatient, and post-acute settings. Physicians and APPs are the ties that bind each of these care settings and thus represent the key building block of a consumer-centric, information-driven, integrated delivery system. However, many health systems still struggle with development, integration, and management of their employed physician enterprise, and relationships with contracted medical groups are frequently fragmented, loosely managed, and poorly aligned with health system priorities.

An integrated delivery system suggests more than a hospital that employs and contracts with physicians. Integration implies coordination across care settings, evaluation and adoption of best practices to create consistent excellence and efficiency, and creation of interdependence and cooperation among providers to pursue system-wide goals. Regardless of whether you have a robust physician enterprise, recently merged with another health system, or are just beginning to employ physicians, effective integration of medical groups into a health system should not overlook:

- Cultural unification
- Shared leadership and inclusion
- Network integrity management
- Regulatory and legal nuances

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Cultural Unification

Cultural fit should be top of mind at the initial stages of alignment discussions between health system and medical group leadership. Conflicting cultures are the most cited reason for failed mergers and acquisitions. Frequently, cultural fit is a major concern of physicians but overlooked and underappreciated by health system leadership. Medical groups typically have strong cultures and identities; everyone knows organizational priorities, they share common values, and there is a high degree of teamwork. In contrast, the strength of health system cultures varies substantially—often reflecting the consistency (or lack thereof) of its leadership and ownership. Physicians know what they're getting from a hospital run by the same legacy for the past 150 years but maybe not from the community hospital with a revolving door in the executive suite.

The first step in achieving cultural unification is gaining an understanding of the other organization's culture and assessing how it fits with yours. How are decisions made? How do they communicate? What drives behaviors? This requires a focused effort; intuition won't cut it. Even if the health system and medical group have collaborated for years, it is rare to have a thorough appreciation for how the other really works without a series of discussions, interviews, and/or focus groups. The outcome of this exercise should be a comparison of how each organization approaches areas that are highly important to the health system and medical group. Where are there similarities and differences? Are there any red flags requiring attention (there often are)?

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The next step is a frank discussion regarding the degree to which cultures will be integrated versus assimilated:

- **Integration** suggests adopting the spirit of a new culture while retaining attributes of your own.
- **Assimilation** entails abandoning the old culture in favor of the new culture.

Problems occur when the health system assumes assimilation, but the medical group expects integration.

Once the cultures are understood and there is consensus on the future culture of the medical group, a cultural unification plan can be established. The transition of leadership and management of the medical group into the health system is a key component of a cultural unification plan.

Shared Leadership and Inclusion

Most independent medical groups have a clear physician leader, often the group president, who sets the direction for the group and drives board decisions. Clinic administrators typically report to the physicians at their location as well as a lead administrator, possibly a CEO. Integrating a medical group into a health system's physician enterprise entails substantial changes to the group's management and reporting structure.

A priority for the leadership of the medical group and health system should be to get everyone speaking in terms of "we" as quickly as possible. Physicians and staff will think of the group as part of the health system when they see the group's leaders included within the health system's leadership and hear them refer to the health system as "we" and "us" instead of "they" and "them." The table below summarizes opportunities to include medical group leadership to support health system priorities.

Leadership Team	Health System Priorities	Inclusion Opportunities
Clinic Physician Leadership	• Encourage physician leadership to set example by supporting health system policies and initiatives. • Maintain productivity of clinics during transition.	• Continuity eases transition. • Paid physician administrative roles encourage alignment.
Clinic Administrative Leadership	• Orient personnel to new reporting structure. • Transition to health system's titling/positions, wages, benefits, and policies.	• Hold specialty new-hire orientation sessions. • Establish peer mentor system for administrative leaders.
Service Line Leadership	• Promote collaboration among providers who may have previously been competitors. • Encourage adoption of system best practices.	• Find opportunities for collaboration among physicians. • Expand leadership team or committees to include new physicians.

Network Integrity Management

Weak coordination of patient care transitions across providers and care settings drives up administrative costs, compromises quality, and results in lost revenue as patients forgo recommended care or exit a health system's network out of frustration. Medical groups joining a health system must appreciate that they are now members of a larger team and adjust their referral practices accordingly. Moreover, developing and fostering relationships with clinical referral partners, who are now more closely aligned with a newly integrated group, creates a cohesiveness that often results in improved patient and provider satisfaction.

High-performing health systems have centralized referral services that provide a patient-centered approach to care transitions that is operationally efficient and supported by technology. The more standardized the processes in the referring and referred-to clinics are, the more efficient and effective referral processing becomes. Medical groups integrating into a health system should be aware of these standard processes and fully adopt them. Referral standards should establish criteria for the following:

- Entering referral orders or requests accurately and completely
- Identifying and prioritizing urgent referrals
- Managing prerequisite testing and information requests across a specialty
- Defining appointment types used to schedule referrals
- Communicating results/following up with the referring provider

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Regulatory and Legal Nuances

In an environment with heightened focused on health system and provider mergers and acquisitions, it is essential to ensure that integration and onboarding takes into account the extensive benchmarks many state, federal, and regulatory bodies require to ensure true integration. It is also paramount to guarantee that any potential partner who seeks to integrate with a health system understands the resources, timelines, and "give/take" that may be required to meet the threshold of integration. Key areas for transaction parties to keep in mind are:

- Shared electronic medical record
- Controlling entity of policies and procedures
- Hiring and termination of staff
- Budgetary oversight
- Clinical leases, supplies, fixtures, furnishings, and equipment

Managing the Change

Author Stephen Covey posited that successful change management begins with trust and operates on the premise, "Without involvement, there is no commitment." Health systems should seek broad, active participation among medical group physician and administrative leadership when developing and implementing an integration plan.

Questions for the Board

- How should our employed medical group be structured and governed to optimize physician engagement and meet our system's strategic objectives?
- How do we strike the right balance of employed and independent physicians?
- Do we have adequate infrastructure to optimize the performance of our physician enterprise?
- How can we become the preferred health system of physicians and medical groups?

For more information on strengthening governance of the employed physician group, see The Governance Institute's Strategy Toolbook, Employed Physician Governance: A Strategic Opportunity for Health Systems.

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