

Physician Co-Management

Educational Briefing for IT Professionals

Executive Summary

Due to the shift towards value-based care, hospitals are aligning their interests with physicians to improve clinical quality and reduce costs. A physician co-management agreement is a hospital-physician alignment tool in which a hospital pays an independent physician group to manage daily operations of a medical specialty service line and ties a portion of physician compensation to quality and efficiency performance.

Why is physician co-management a key issue for providers?

Co-management agreements have been a popular alignment tool for nearly ten years. They are especially significant for hospitals participating in emerging payment models because the agreements typically tie physician compensation to clinical and financial outcomes, but allow independent physician groups to retain their autonomy. The agreements present new challenges for independent physicians, as they are responsible for an array of administrative responsibilities.

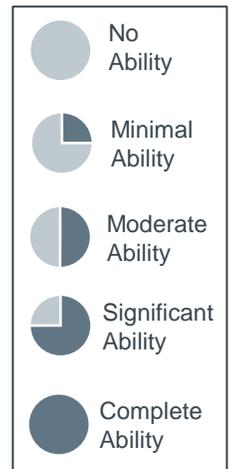
How does physician co-management work?

Co-management agreements are formal relationships typically administered through limited liability corporations, joint ventures, or direct contracts between hospitals and independent physician groups. The agreements are more extensive than medical directorships, as they assign additional operational and financial duties to physicians.

The agreements facilitate the transition from fee-for-service to risk-based compensation for physicians and may serve as a stepping stone for health systems to clinical integration or physician employment.

Spectrum of Physician-Alignment Models: Potential Ability to Achieve Key Objectives

Model	Selective Membership	Care Standards	Coordination Infrastructure	Performance Management	Meaningful Incentives
Employment					
Clinical Integration					
Co-Management					
Bundled Payment					



Questions That Hospital Executives Should Ask Themselves

- 1 Which service lines at my hospital are governed by or are good candidates for co-management arrangements?
- 2 How have co-management agreements changed my IT relationships with my physicians?
- 3 How will participating in co-management agreements impact my IT needs?

How does physician co-management affect providers?

Clinical

Successful co-management agreements stand to substantially improve clinical outcomes and patient satisfaction. [Orthopedic](#), [cardiovascular](#), and [imaging service lines](#) are particularly amenable to co-management agreements due to the high potential for both quality gains and cost reduction.

Financial

Both independent physician groups and hospitals can benefit financially from co-management agreements. Physician groups may benefit from the opportunity to operate a facility without the significant capital investment required to own one independently, while health systems stand to gain a steady stream of referrals by contractually tying physicians to do procedures at their hospitals. The agreements also increase physician engagement in cost savings and quality improvement. For example, they encourage saving on devices and may put a focus on reduced readmissions.

Operational

Co-management agreements can be mutually beneficial for hospitals and independent physicians, but both parties should give significant attention to operational concerns. Physician buy-in is essential for operational success. Hospitals should select physician leaders who have demonstrated an interest and ability to take on additional administrative responsibilities. Hospital administrators and providers should also consider all relevant [legal concerns](#), including issues related to the Stark Law, the Anti-Kickback Statute, the Civil Monetary Penalties Statute and federal income tax requirements.



How might physician co-management affect IT?

Standardized Device Selection

- Traditionally, physician preference items drive up the cost of care. As physicians align with hospitals administrators, they will be more concerned with the total value of devices and other technologies.

Communication with Both Physicians and Administrators

- Co-management agreements align hospital and physician interests and give both groups a vested interest in cost and quality. Technologies that facilitate communications between physicians and hospital administrators will be important.

Potential for Further Hospital-Physician Alignment

- Physician co-management agreements may eventually lead to more tightly aligned models, such as clinical integration or physician employment. This may increase the complexity and resource requirements for systems integration.

Additional Advisory Board research and support is available



If you would like more information on co-management agreements please contact your institution's Dedicated Advisor. To see some of the recommended operational metrics to track for physician incentives, read [Incentive fees mitigate risk to hospitals in co-managed ASCs](#). See our [Clinical Co-Management](#) page for the latest our latest resources.

Source: Advisory Board Research and Analysis