

# Physician Employment

*Educational Briefing for IT Professionals*

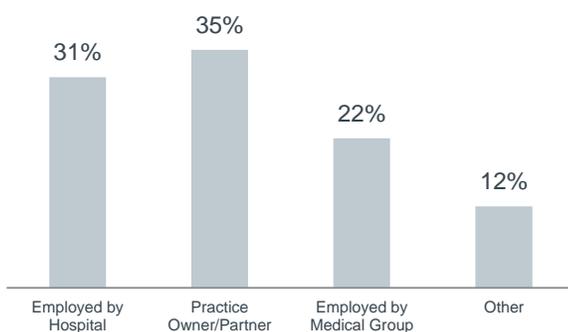
## Executive Summary

The number of hospital-employed physicians has been on the rise over the last five years. For hospitals, increased physician employment can streamline processes, secure referral streams, and reduce costs. Hospital employment allows physicians to focus on patient care instead of administrative issues (facility and labor costs, insurance and reform challenges, etc.). 53% of physicians are hospital or medical group employed (see chart below), and many hospitals continue to hire more doctors as they transition away from the fee-for-service system. Greater physician employment enables closer collaboration among providers, better coordination across the care continuum, and more opportunities to keep business within the health system network.

## Why is Physician Employment a key issue for providers?

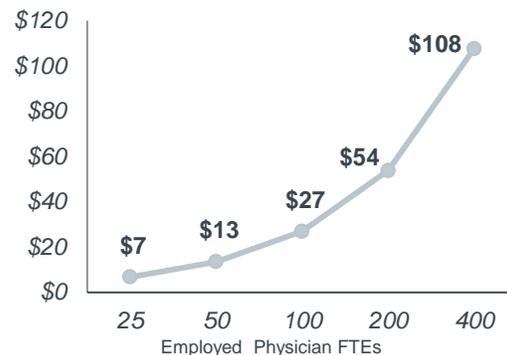
By employing physicians, hospitals can better monitor costs and patient care. Increased oversight leads to greater cost transparency, more robust performance data, and easier communication among employed providers. Medical groups have been investing heavily in employed physicians (see chart below). As hospitals become more accountable for outcomes, they are purchasing physician practices or hiring doctors to help prepare for a broader role in patient health management. Hospitals hope that employed doctors will better manage patient health through efficient coordination with other providers and expand options for in-network referrals across a number of specialties.

**Physician Self-Reported Professional Status<sup>1</sup>**  
2014



**Rising Medical Group Investment**

Total Investment (in millions) by Number of Employed Providers<sup>2</sup>



## How does Physician Employment work?

Physician employment rates depend on a hospital's needs, financial situation, and market demands. Providers occasionally employ solo practitioners, but more frequently, they employ physician practices. Employment rarely results in a physician moving his or her practice to the hospital site. Generally, electronic medical records and payment structures are integrated to ensure patient records and reimbursements are properly managed. Many hospitals use incentive-driven compensation contracts, linking physician pay to productivity, clinical behavior, or other metrics the hospital wants to deflect. These can include directives that standardize surgical supplies, mandate evidence-based practices, or push other cost-saving tactics.

### Questions That Hospital Executives Should Ask Themselves

- 1 Which specialties or service lines would I like to improve or expand through a physician employment strategy?
- 2 What criteria do I use to identify physicians or practices that I might acquire?
- 3 How am I working with newly integrated physicians to educate them about hospital protocols?

## How does Physician Employment affect providers?

### Clinical

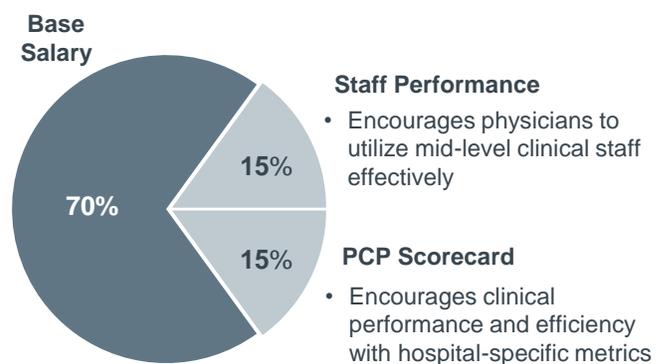
To fully realize the benefits of employed physicians, hospitals must standardize clinical care. Hospitals can improve outcomes and lower costs by creating and implementing evidence-based practices (EBP) for patient treatment. For example, a recent study of EBP for sepsis showed that following guidelines led to a 25% reduction in mortality rates. One of the biggest challenges that hospitals face in implementing EBP is a lack of physician buy-in – doctors may feel that EBP standards constrain their clinical autonomy or dictate a course of treatment they do not agree with. In order to address this, hospitals have to create guidelines that are supported by clinical evidence and are flexible enough to allow physicians to update or adjust them to patient needs.

### Financial

In the short term, hospitals may lose money on employed physicians, since it takes time for doctors to build a full patient cohort and adjust to new processes. In the long term, employment can lower costs of care, because hospitals can ensure that physicians follow guidelines for treatment and preference items, partly by putting incentives in their contracts.

The chart at right gives an example of one of these contracts. 70% of the physician's salary is guaranteed, and the remaining 30% is tied to hospital-specific performance metrics such as patient satisfaction, diabetes management, or hypertension rates. Employed physicians also help hospitals capture referral streams, allowing hospitals to keep specialist revenues in the system.

**Sample Physician Compensation Model**



### Operational

Doctors may be asked to use clinical decision support systems to implement evidence-based practices. Though physicians may be reluctant at first, these processes can help improve patient care and lower costs. In addition, physicians can serve as leaders of an expanded care team that could include a combination of nurses, nurse practitioners, and physician assistants. To ensure the success of the care team, physicians may be staffed based on their ability to work in a team or communicate with other care providers. Along with managing an extended care team, physicians will also need to adjust to working with a larger network of doctors as they try to improve care coordination.

## How might Physician Employment affect IT?

### Integration of EMR and Payment Structures

- Practices need assistance (financial, staff resources, etc.) in switching over to the hospital's systems. This might include installing new systems and migrating patient and payment records, both paper and digital.

### Physician Training and Education

- Physicians need training on the hospital's systems. A smooth transition minimizes productivity drops.

### The Physician Captain

- As physicians become the nexus of a care team, doctors will need to work with and lead integrated groups of nurses, physician's assistants, and other clinical staff. EMRs and other IT tools can help streamline the workflow. Hiring for cultural fit and strong communication skills will only become more important as hospital systems look to build teams of providers that collaboratively serve patients.

## Additional Advisory Board research and support is available



If you would like more information about physician employment trends and strategies, read the Advisory Board's breakdown of hospital staffing [here](#). To see how hospitals are integrating newly employed physicians, please view [The High Performance Medical Group](#).

Source: Advisory Board Research and Analysis