The shift from volume-based to value-based health care business models that enhance the patient experience of care, improve the health of populations and reduce cost (the Institute for Healthcare Improvement’s Triple Aim) is well underway. This transformation means that providers are assuming greater risk for quality of care, outcomes and costs, resulting in major changes to care delivery and care management. Nowhere has this shift been more profound in its impact than in redefining the relationship between physicians and hospitals/health systems.

In order to be successful in a value-based business model, providers are slowly replacing the traditional episodic approach to care with a team-based approach that spans the continuum of care, including the patient’s home. Payments will be tied to quality and outcomes for all services, with providers receiving shared savings when performance thresholds are met.

Greater clinical integration between physicians and hospitals/health systems is essential to successfully managing this transformation and achieving the Triple Aim. Physician payment and incentives must be tied to greater value and aligned with those of the hospital/health system. Successful implementation of new care delivery and payment models, while achieving sustainable performance under current models, requires the active participation of and leadership from all stakeholders, including physicians. The higher level of collaboration and alignment that comes about through clinical integration is also a prerequisite to success as an accountable care organization (ACO).

“Clinical integration facilitates the coordination of patient care across medical conditions and the alignment of providers across settings and time in order to achieve care that is safe, timely, effective, efficient, equitable, and patient-focused.”

IHA Transforming Illinois Health Care Task Force
True partnership is the cornerstone of effective clinical integration and requires strong and committed hospital and physician leadership in all facets of integration—legal, clinical, cultural, and technological.

These new relationships are based on an alignment of goals and incentives where physicians are united in a single, cohesive physician enterprise within the hospital’s or health system’s structure and play an integral role in the organization’s governance, leadership and management. Acquiring physician practices and employing physicians do not guarantee the success of clinical integration efforts. Clinical and financial incentives must be aligned, and shared goals must be established and achieved. Based on a new model in which physicians and hospitals work closely together, these fully integrated partnerships will produce highly efficient, high-functioning systems.

Clinical Integration: A Discussion Guide provides a broad overview of clinical integration for Illinois hospital/health system trustees and offers key planning questions that should be on the agenda for ongoing discussion among trustees, executives and physician leaders.
Two key prerequisites are essential to launching a clinical integration initiative. The first is to understand your hospital/health system’s position in the local market.

This includes understanding the characteristics of the community(ies) served, physician culture and history, type and distribution of primary care physicians and specialists, local employers, payers and other providers. It is important to understand the needs and future plans of local payers and how supportive they will be of greater integration with your physicians.

The second prerequisite is to conduct a deep assessment of your hospital/health system’s capabilities and competencies, especially its ability to coordinate care across the continuum and to manage population health.

Clinical integration requires the development of an infrastructure to effectively manage deeper relationships with physicians and to support the delivery of accountable care across the continuum. Six pillars are essential to an effective clinical integration infrastructure:
Performance Monitoring

The ongoing, comprehensive evaluation of physician performance is critical to the success of clinical integration initiatives, in alignment with the broader movement to performance measurement and management that is part of new and emerging care delivery and payment models. As payers begin to reward hospitals and health systems for providing high-quality care, reducing unnecessary hospitalizations, preventing readmissions and managing population health, physician performance will have to be evaluated and rewarded in much the same way.

Measuring the performance of individual physicians, as well as the clinical integration initiative as a whole, should be pursued.

Individual physicians should be able to compare their own performance with that of their colleagues on a regular basis.

Many hospitals/health systems are using various forms of scorecards that present information in an easy-to-read format clearly showing the individual physician's performance measures alongside those of her/his colleagues and other relevant benchmarks.

The development of performance measures requires the active leadership and involvement of physicians and should be aligned with the hospital/health system’s specific care management improvement initiatives. Performance measures should also be the basis for rewarding excellence through quality incentives and rewards.
Successful clinical integration requires the development and implementation of a robust data and information technology (IT) infrastructure that efficiently and seamlessly facilitates the collection and analysis of clinical data across the continuum of care. The ability to make decisions and take action based on data must become the standard across the organization. This infrastructure is typically comprised of such technology as electronic medical records (EMRs), computerized provider order entry (CPOE), health information exchange, clinical data repositories and patient registries that are used to manage specific patient populations.

The development and implementation of a data/IT infrastructure to support clinical integration should be driven by the board, executive management and physician leadership.

It should not simply be another IT department project. Data and IT are critical components of clinical integration and should have the attention of the executive leadership.

Physician involvement and leadership in implementing the data/IT infrastructure is paramount. Transitioning to a technology-enabled clinical practice workflow, in which data is transparently used to drive clinical quality improvement and physician performance measurement, must be led by physicians and have high physician involvement.

**KEY PILLARS OF CLINICAL INTEGRATION**

**Data/Information Technology Infrastructure**

Components of Data/Information Technology Infrastructure

- **Electronic Medical Records**
- **Patient Registries**
- **Computerized Provider Order Entry**
- **Health Information Exchange**
- **Clinical Data Repositories**
**Physician Engagement and Leadership**

Simply stated, value-based health care and the success of clinical integration activities are not possible without active physician engagement and leadership that is committed to working together to reduce cost and improve quality.

Trustees and executive leadership must strongly support physician engagement and leadership at all levels of the organization and in all key organizational initiatives, especially network development and clinical care delivery improvement. Successful clinical integration requires a culture change marked by collaboration between physicians, other care providers and hospital leadership that drives shared accountability for clinical care delivery improvement, management of care across the continuum, and appropriate use of resources. This culture change must be led by physicians who assume leadership roles in the planning, development and implementation of clinical integration initiatives.

Following are some strategies that hospitals/health systems are employing to advance physician engagement and leadership:

- **Launching a physician leadership academy** and other leadership development initiatives to grow their own physician leaders. Creating your own pipeline of physician leaders who are deeply invested in the organization’s clinical integration initiatives, and can lead improvement projects across the organization, can rapidly advance your overall transformation strategy.

- **Implementing dyad management**, which pairs a physician leader and administrative leader to co-lead a specific clinical improvement initiative or service line. Rather than having the physician leader manage clinical issues separately from the administrative leader who manages operations and finance, together, they provide shared leadership that is more integrated and focused not just on quality, but also on cost, efficiency and patient satisfaction.

- **Fostering physician-led initiatives** to develop evidence-based clinical care protocols and workflows across the organization. Successful clinical integration requires the adoption of standardized, yet patient-focused, care delivery protocols that are based on sound clinical evidence. Such protocols, typically embedded in electronic medical records and other clinical technologies, can help to standardize treatment, minimize variations in care, improve quality, and reduce cost. Physician leadership of these efforts is essential.
Recall our definition of clinical integration – “clinical integration facilitates the coordination of patient care across medical conditions, and the alignment of providers across settings and time, in order to achieve care that is safe, timely, effective, efficient, equitable, and patient-focused.”

At its core, clinical integration is teamwork that is united around a common vision for health care—focused on value—across the continuum of care.

It calls for a significant change in culture – from the traditional episodic approach to care in which individual caregivers work separately within their silos of expertise—to a multidisciplinary approach in which teams of caregivers (physicians, nurses, pharmacists, therapists, care coordinators, social workers, patient educators, etc.) work together to make sure patients receive the right care, at the right time and in the right place. As noted above, the goal is to achieve shared accountability for outcomes, including quality, cost and satisfaction. In order to achieve this common vision, physicians must be actively engaged and lead in this new coordinated, collaborative model of care delivery.

Hospitals/health systems that are able to successfully demonstrate results from their clinical integration initiatives (e.g., improved quality, reduced variations in care, cost savings) are better positioned to engage payers that are seeking to transition from traditional fee-for-service payment arrangements to emerging value-based payment models. Examples include Medicare’s ACO initiatives and similar programs among commercial payers.

Promoting the value created by its clinical integration activities—driven by shared goals and accountability—will allow an organization to assume full or shared risk contracts with payers.

Such contracts range from limited capitation on specific services to full capitation for defined populations, moving the organization further along toward being rewarded for managing the health of specific populations.

Its clinical integration activities will generate the required savings and improved outcomes that will allow it to receive incentives and shared savings from such arrangements.
Because of the nature of clinical integration activities, there are numerous legal and regulatory issues that should be carefully considered by both hospitals/health systems and physicians. It is strongly advised that legal counsel be consulted to help ensure adherence to the latest court rulings and regulations on such issues as antitrust, health plan contracting, practice acquisition and joint ventures, and organizational governance.

As clinical integration activities progress from such basic activities as supporting independent physicians through technology, revenue cycle, insurance, and other services, to formal joint ventures and physician employment arrangements, there are increasingly complex legal considerations.

There is also the challenge of managing multiple provider contracts across multiple settings and distributing payments and incentives among providers as hospitals/health systems engage independent physicians and other providers in accountable care arrangements and new payment models (e.g., ACOs, medical homes, bundled payment).

Finally, because clinical integration activities often involve joint contracting between, or the combination of, previously independent (and competing) providers, this consolidation of provider market power has attracted a great deal of attention from antitrust regulators. The major concern is that joint contracting or consolidation can lead to higher prices, offsetting the benefits of clinical integration in the form of improved quality, greater coordination of care and reduced cost.

There is no “one-size-fits-all” strategy for clinical integration.

Hospitals and physicians should commit to relentless experimentation and learning about what clinical integration strategies will work in their community.

As long as the strategies advance the mission of your organization, enjoy physician support and leadership, and are within your organization’s risk tolerance, there is the basis for success. Local markets and needs are diverse, so the range of possible strategies and initiatives is diverse as well. While the body of knowledge and evidence about successful strategies is growing, all solutions must be local.
Key Planning Questions for Hospital/Health System Trustees and Executive Leaders

IHA advises trustees and executive leaders to engage in ongoing, detailed planning discussions to carefully evaluate the opportunities and risks involved in clinical integration initiatives. Here are some key planning questions that can be used to help launch such discussions:

1. **How does clinical integration fit into our organization’s market strategy and ability to successfully compete?**
   To maximize the success of clinical integration, a hospital/health system board should thoughtfully assess how clinical integration fits into its market strategy and ability to compete successfully. Key considerations include: expected impact on the hospital’s market position, probability of success, cost/capital requirements, and the amount of time required for execution.

2. **What is the ideal model for clinical and financial integration in our organization?**
   Generally speaking, the clinical integration models available to hospitals/health systems range from those with relatively low financial commitment and level of integration (such as providing technology, revenue cycle and insurance services to independent physicians) to high financial commitment and level of integration (such as joint ventures and physician employment). Hospital/health system boards should use the results of their assessment activities, a detailed financial analysis and discussions with their physicians to drive decisions about what model will work best.

3. **How engaged are physicians—both independent and employed—in our organization?**
   Do they have the vision and commitment to pursue clinical integration? Assessing the level of engagement among your hospital/health system’s physicians is critically important in determining where to start with a clinical integration initiative. Successful clinical integration is absolutely dependent upon active physician engagement and leadership that is committed to working together to reduce costs and improve quality. Having an active dialogue with physicians across the organization, including those that may be the most opposed to such efforts, is a necessary first step. Ongoing discussions will be necessary to ensure that clinical integration initiatives continue to have the needed level of physician engagement and support.
4. **What are the resources and timeframe required for developing and implementing our clinical integration strategy?** Like any significant strategic initiative, developing and implementing a clinical integration strategy will require a significant amount of time and financial resources. Conducting a detailed financial analysis at the outset will help identify the resources that will be needed. As most hospitals/health systems have limited resources, it will be important to identify capital spending needs and the necessary operating performance levels for clinical integration strategies before commitments are made. Possible capital spending needs include physician practice acquisitions, physician recruitment and employment, technology, and investment in physician joint ventures. Analyzing the impact of these investments on patient volume, revenues, expenses and other key performance indicators is important as part of the overall financial analysis. Significant time should be devoted to these planning activities up front.

5. **How will we know when our clinical integration strategy is moving in the right direction?** The only way to track the progress of your hospital/health system’s clinical integration strategy is through measurement. Physician and hospital performance measures tied to payment incentives in health plan contracts are a key part of a clinical integration measurement strategy. These incentives typically focus on quality, patient experience, care coordination, patient safety, population health, and cost—all important facets of clinical integration. Analyzing the level of physician engagement is another key component of a measurement strategy. Key measures include the percentage of aligned and engaged physicians (as measured through involvement in key strategic initiatives and through physician surveys), the percentage of physicians with performance measures built into their health plan contracts, distribution of shared savings and performance bonuses to aligned physicians, and the level of physician involvement in an ACO-type or patient-centered medical home (PCMH) model. All of this information should be incorporated into a clear, easy-to-read scorecard format that allows for ready analysis and comparison to defined performance benchmarks. It should be noted that clinical integration is an ongoing strategy, with the performance bar to be continually raised.

6. **What clinical improvement initiatives should be pursued as part of our clinical integration strategy?** Clinical improvement initiatives that hospitals/health systems have typically pursued as part of their clinical integration strategy include: chronic disease management, generic drug use, quality reporting, EMR implementation and adoption, and clinical care protocol development in major service lines. As with all aspects of clinical integration, the
selection of specific initiatives should be made with physicians in key leadership roles working in collaboration with boards and executive leadership and be well-grounded in the organization’s strategic objectives.

7. **How will we create an effective governance structure that has the necessary support and credibility to make and enforce decisions about care management protocols and physician engagement in clinical integration?** Numerous options exist along a continuum of low to high integration and financial commitment. The selection of a governance structure for clinical integration is a critically important decision that should be conducted in consultation with legal counsel, especially if a new legal entity will need to be created and have heavy physician involvement.

8. **How can we best engage physicians and other clinicians in leadership and decision-making activities that advance our clinical integration strategy?** Hospital/health system boards and executive leadership should begin with engaging current physician leadership in defining the strategic objective they are trying to achieve through clinical integration. Actively involving physicians in setting hospital strategic goals is the best way to promote physician engagement and buy-in. Hospital/health system trustees can play an important role in ensuring the success of clinical integration initiatives by actively promoting (and insisting upon) physician engagement and leadership at all levels of the organization and in all key organizational initiatives.


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Path to Transformation is the Illinois Hospital Association’s interactive education series designed specifically for member hospital and health system leaders, physician executives and trustees on key issues related to transforming the health care delivery system in Illinois. Path to Transformation focuses on four specific areas of Illinois hospitals and health systems’ shared vision for Illinois health care:

- Payment Models
- Physician/Hospital Integration Strategies
- Coordination of Care across the Continuum
- Population Health

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