

# Why Should Physicians Work for Your Organization?

## Physician Alignment through a Magnetic Employee Value Proposition

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In today's competitive environment, it's not surprising that healthcare organizations (HCOs), which include health systems and medical groups, devote significant resources to creating a people strategy and employee value proposition (EVP) for staff and executives. A strong EVP sharpens the business focus, drives employee attraction and performance, and informs talent investment decisions. Considering this, it is rather remarkable that so few HCOs develop the same type of strategy for physicians - a talent pool in high demand and short supply, and one with an undeniable impact on financial performance.

Even as HCOs added physician practices to improve clinical integration and gain control over utilization and costs, many went out of their way to let these groups maintain a sense of autonomy. As a result, many medical staffs now function like loosely connected groups with varying and often competing interests relative to each other and the system's strategic objectives. While HCOs recognize the benefits of "physician alignment," typical efforts focus on harmonizing compensation formulas and implementing quality incentives. These efforts often lead to lengthy transition strategies focused on preserving historical compensation levels for as long as possible while falling short of what is really needed - the development of a comprehensive EVP that drives performance while attracting, retaining and sustaining physicians over the long run.

*This article explores the definition of a physician EVP, the benefits that result from creating a physician EVP, and what we believe HCOs should do now to create a magnetic EVP that will create true competitive advantage.*

## What is a Physician EVP?

In simple terms, the physician EVP is the "employment deal" – what your organization gives to physicians in exchange for what it gets. The EVP captures why physicians come to work for you, why they stay and what they experience as employees. While pay and benefits are critical and powerful components of an EVP, a compelling EVP goes well beyond these elements.

An effective physician EVP communicates what is expected from physicians, what the organization offers in return, and provides rewards that are meaningful to physicians. These elements are packaged to define a culture, work environment, clinical model, set of expected behaviors, and total rewards program that attracts the "right" talent and facilitates the success of the organization.

At a time when (HCOs) must focus on being a high value/low cost provider, it is not always possible to lead the market in terms of compensation. As such, HCOs must carefully consider how to optimize the spend of reward dollars, and work to create a strong employment experience for physicians by clearly defining expectations,

**Figure 1: Elements of an EVP**



providing a supportive environment to achieve those expectations, and aligning reward programs with results.

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*When discussing top-tier physician organizations, like The Cleveland Clinic, clients often ask us about compensation approaches. More importantly, we believe the unique and distinctive EVP created by these organizations is the engine that drives their success. These HCOs are led by physicians, they understand the importance of physicians in ensuring patients remain at the center of all the organization does, and they create an environment where prestigious physicians want to practice. By establishing a purposeful clinical model with necessary support structures, clearly communicating expected physician behaviors, providing opportunities for career advancement as well as competitive (but not unreasonable) levels of physician compensation and benefits, these organizations have distinguished themselves as employers of choice.*

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*When an organization successfully creates this type of employment experience, they have a truly differentiated opportunity to attract, retain and sustain the most talented individuals in any segment of their workforce, including physicians.*

## Why Organizations Need to Create Formal Physician EVPs

It is important to realize that physicians already have a perception of your organization's employment deal – even if it is not written down. But is that EVP thoughtfully designed and purposefully messaged to support the organization's objectives, or in the alternative, has it evolved in a de facto manner wherein legacy "deals" and the status quo rule the day?

Historically, physicians maintained privileges at hospitals but were self-employed. In response to healthcare reform and risk-based reimbursement models, HCOs steadily increased the number of employed physicians<sup>1</sup>. To make employment attractive to private practice physicians, HCOs sought to replicate legacy compensation levels and provide autonomy in practice management and cultural styles. As a result, HCOs offer dozens of employment deals defined by the physicians rather than the employer. In short, physicians became employees in name only. In essence, physicians often operate as "free agents," acting to optimize their personal economic situation and reinforce their traditional behaviors when it comes to patient care.

Fast forward - HCOs now realize their physicians cannot continue to operate as individual practices with multiple compensation formulas, management styles, and wide-ranging definitions of the "employment deal." Adding to the problem, many HCOs have "given away" valuable things to physicians (e.g., health insurance, disability insurance, paid time-off, and retirement benefits) by placing them into the organization's benefit programs without educating them on the value of these programs, or determining

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<sup>1</sup> 2012 American Medical Association report noted about one-half (53%) of physicians owned their practice which was down from nearly two-thirds (61%) only four years earlier. (Cane CK, 2013). Additionally, a 2016 survey conducted by MedScape showed nearly 80% of the 5,000 physicians surveyed are employed. (Leigh Page, 2016).

whether these benefits were valued. Thus, physicians often do not fully appreciate these richer benefits packages, and HCOs receive little return on investment for the associated spend of reward dollars.

## How Do You Define a Physician EVP?

Strides have been made in creating programs that are attractive to physicians, but these programs are often fragmented, not well-aligned with strategic objectives or financial realities, and poorly communicated. Furthermore, these programs are rarely considered from the perspective of how they combine to create the EVP, and how they are packaged to distinguish the organization in the market as an employer of choice and to support its “brand.”

From this viewpoint, we recommend that HCOs begin by envisioning what the physician employment experience should look like. This requires exploring how strategy, characteristics, values and expectations drive what is required from physicians. From there, HCOs must develop an understanding of what the physician employment experience is today, including a thorough assessment of current rewards programs (both tangible and intangible) as well as physician perceptions of these rewards. Finally, HCOs must develop a set of key priorities in which to invest to close the gaps between the current and future state with acknowledgement that there may need to be some tradeoffs.

Specifically, we approach this process as a collaborative and focused exercise that considers three perspectives:

- Strategic perspective
- Market perspective
- Physician preferences perspective

**The strategic perspective sets the stage for establishing an EVP.** Working with an advisory committee, executives and physician leaders articulate a vision for the physician experience within the context of the business strategy and determine what is expected from physicians to make the system successful as well as how the organization can help physicians be more successful. An important component of this work involves evaluating the types of goal-setting and performance management systems already in place.

**The market perspective assesses how current programs compare to market.** This step involves developing a comprehensive understanding of all tangible physician rewards offered by the organization, plus culture, job expectations, and career path opportunities - and how these elements compare to relevant benchmarks.

In our experience, HCOs spend the bulk of their time comparing physician compensation levels to market data. While there are important regulatory reasons to undertake these assessments (such as fair market value limitations), there are many shortcomings in the market data that can lead to misaligned compensation formulas. Additionally, HCOs must recognize when conditions within their organization

are not comparable to those in the market and assess how this impacts their ability to provide competitive pay.

**The third, and perhaps the most critical, step is understanding physician preferences.** This step involves surveying/interviewing physicians, reviewing physician engagement data, going onsite to various physician work locations to evaluate their work environment, and reviewing communication materials provided to physicians.

This step sharpens the organization's understanding of what physicians value most. Thus, in a world of downward pressure on revenue, organizations can tailor their total rewards programs to meet the majority of physicians' needs and wants without wasting resources on programs physicians do not value.

## Creating a Competitive Advantage

The three perspectives of an EVP, strategic, market, and physician preferences, tend to make sense to healthcare leaders. The difficulty lies in how to bring them together to create a distinctive EVP that creates a competitive advantage and strengthens the brand. To simplify the process, we developed a survey instrument and methodology to help organizations identify how their strategy, competitive position and goals translate to an initial EVP they can then test with physicians. With the physician preference input, they can then solidify a distinctive physician EVP.

### Case Study

The following case study represents a recent project we worked on to help a client through this process to create their physician EVP which we believe will differentiate them as an employer of choice for physicians. "Regional Medical Group" (RMG), located in a mid-size city in the Midwest, was experiencing physician attraction, retention and performance challenges. As a 100-physician medical group where approximately 85 of the physicians are shareholders, they found themselves questioning whether they needed to sell their multi-specialty group practice to receive market-competitive pay.

RMG has a long history as an independent group, but they had similar challenges as other HCOs. Their various departments each had historical pay formulas and management approaches that created "mini-EVPs" for physicians by department. Furthermore, their ownership of a health plan had disparate impacts on departments due to unique reimbursement deals that had been struck between the departments and the health plan. Recent financial challenges with certain parts of their business also magnified the issues and created some hard feelings between the departments. Fortunately, the physician board and administrative leadership recognized the group is much stronger together and independent than they would be separated or working for someone else. So, they began working with us to create a new compensation formula and a physician EVP.

As we guided them through this process, RMG realized a new formula had to be an important piece of the EVP, but they also determined they have a lot to offer physicians beyond a paycheck. They had a long history of success, physician ownership, a successful health plan, and a prominent role in the medical community for their region. On top of that, the shareholders had historically been great partners with each other. We helped them create a distinct value proposition for physicians that differentiates them from other physician groups in the region.

Figure 2: RMG's Physician EVP

Physician EVP Elements	RMG Differentiators
Culture	<ul style="list-style-type: none"> <li>• Sense of pride related to the quality of care RMG provides patients</li> <li>• Ability to “be your own boss” but recognize you have partners to help</li> <li>• Support for each other builds strength, trust and loyalty</li> <li>• Hard work is rewarded, but balance is possible</li> <li>• Recognition that a professional management team is needed</li> </ul>
Clinical Model	<ul style="list-style-type: none"> <li>• Multi-specialty practice with strong clinical reputation</li> <li>• Own a health plan that accounts for 40% of volume as capitated patients</li> <li>• Specialty services delivered in a relatively rural setting provides physicians with unique opportunities to treat more diverse cases than in other settings</li> </ul>
Work Environment	<ul style="list-style-type: none"> <li>• Technical skills highly valued</li> <li>• Many staff have worked together for years – “family” environment</li> <li>• Physicians know and like each other</li> <li>• Physical space is pleasing and modern</li> <li>• Community is safe and a great place to raise a family</li> </ul>
Pay	<ul style="list-style-type: none"> <li>• Revenue shared under group practice model to fund market-competitive cash compensation</li> <li>• Strong performers will be paid very well</li> <li>• Investment rewarded by providing “downside” protection for new physician compensation, especially when physician brought in to develop new services</li> <li>• Shareholders paid based on a common formula aligned to clinical productivity, quality, and efficiency (unlike the past when department-specific formulas were prevalent) which creates predictability and fairness</li> <li>• Physician scorecards to track progress and provide feedback on goals</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• At market for an independent medical group, but slightly below if compared to hospital-employed physicians</li> <li>• Focus on wellness and retirement savings opportunity (physician Shareholders fund their own retirement plans)</li> <li>• Flexible CME program seen as a positive.</li> <li>• In general, benefits will be adequate but not the “lead story” in the EVP for physicians</li> </ul>
Behaviors	<ul style="list-style-type: none"> <li>• Growth encouraged</li> <li>• Collegiality expected</li> <li>• Personal “sacrifice” for the benefit of the group expected of Shareholders</li> </ul>

With this physician EVP, RMG believes they can remain independent for the long-term with strong financial results and a unique employment experience that was defined by their own physicians and leaders.

## In Closing

HCOs have increased their employment of physicians which has caused variation in what physicians and the HCO view as the “employment deal.” The lack of a clear physician EVP results in organizations constantly chasing the compensation market in ways that increase costs yet does very little to improve physician engagement, performance, and/or satisfaction. In fact, in our experience, many HCOs receive little credit for the generous programs they provide to physicians.

However, this problem can be remedied. Many HCOs have defined EVPs for non-physician employees, and while physicians are a unique and highly autonomous workforce, the same strategies still apply. HCOs must construct a physician EVP, including a total rewards program, to create a competitive advantage. The physician EVP needs to include clear goal setting and performance management, opportunities for recognition, and clarity about the expected behaviors from physicians. Most importantly, the physician EVP must create a distinctive experience for the physicians that compels them to advance the mission of the organization. If you want to compete for physician talent in the fast-paced healthcare environment with ever increasing pressure to reduce costs and improve quality, we believe you should start this process today.

### About the authors

**Marc Hallee**, MBA, is the Founder and CEO of Marc Hallee & Associates, LLC. Marc has nearly 25 years of experience as a healthcare consultant and previously was the Chief Human Resources Officer (CHRO) for the largest integrated health system in Central Texas. Marc leverages his extensive experience consulting with leading health systems and physician groups on all aspects of human resources, including HR program strategy, design, implementation, change management, and helping organizations understand the impact of HR programs on physicians, other healthcare providers, staff, and executives. Contact Marc at [mhallee@halleeassociates.com](mailto:mhallee@halleeassociates.com) or (847) 212-6418.

**Annette Bussineau**, is an independent physician total rewards consultant whose practice is focused on driving financial and clinical performance in healthcare organizations through effective physician compensation, benefits and performance management programs. Annette has worked with numerous organizations and medical groups across the country to design and implement physician compensation and benefits plans that increase alignment between system financial performance and physician total rewards programs. Contact Annette at [abussineau@sbcglobal.net](mailto:abussineau@sbcglobal.net) or (734) 223-6283.

**Steve Cyboran**, ASA, MAAA, FCA, CEBS, is CEO, Consulting Actuary of Cyboran Consulting, LLC. Steve has worked extensively with leading health systems across the country to articulate a vision for a healthy and effective workplace culture, develop a total rewards strategy to support that vision and brings deep benefits expertise with a behavioral approach and sound analytics to achieve and measure the desired outcomes. Contact Steve at [Steve.Cyboran@cyboran.com](mailto:Steve.Cyboran@cyboran.com) or (847) 630-5347.

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