

Medical Group Advisor

FOR MANAGERS AND PHYSICIAN LEADERS OF GROUP PRACTICES

ISSUE 15

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TRENDS TO WATCH

Physician Pay Shrinks...Median physician net income fell 3.8% in 1994, the first drop ever recorded by the AMA. The drop affected most specialties.

HMOs Dominating the Market...HMO enrollment is projected to rise to nearly 65 million Americans this year, up more than 25% from January, 1995, according to a leading Wall Street analyst.

Number of Employed Physicians Up...Between 1989 and 1994, the AMA reports that the number of physicians who described themselves as employed rose from a quarter to more than a third of practicing physicians.

Study Shows Wide Variations in Cost and Services...the *Dartmouth Atlas of Health Care* shows wide regional variations in the cost and number of services provided to patients. Further, it shows that the differences are present even though there isn't any evidence that patients in one region are sicker or fare any better as a result of one treatment than those in another.

Integrated Delivery Systems Expected to Rise...Experts predict an explosion of integrated delivery systems. Only 13% of medical practices and hospitals were in such systems in 1995; 79% will be in by the year 2000, say respondents to a new poll.



Medical Group Advisor is published quarterly by Latham Consulting Group, a medical group management consulting firm specializing in strategy & planning, operational improvement, integrated delivery systems, organizational design/governance, physician compensation and executive search. If you have questions about any of the topics in this issue, or would like to be added to our mailing list, please contact us at 3600 Castellaine Drive, Charlotte, North Carolina 28226, (704) 365-8889 or e-mail at wlatham@lathamconsulting.com

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PRACTICE GOVERNANCE - NOW OR MAYBE NEVER

"He is most powerful who has power over himself." - Seneca

What Seneca said of a man is also true of a medical group. Medical groups of all sizes are faced with an onslaught of challenges requiring rapid yet thoughtful decision-making. Advantageous situations often have a short window of opportunity that, once passed, will never present itself again. Threats must be acted upon immediately, lest they irreparably harm the practice.

Unfortunately, many medical groups are paralyzed by the lack of an effective governance structure/decision-making system. Issues are discussed ad nauseam... decisions on important issues are never made or made too late... all physicians must be involved in all decisions (including which way the toilet paper should hang). The result is that often only the unimportant issues get resolution and the group spends little if any time focusing on strategically important issues.

Much of the current thinking by healthcare futurists is that the preferred healthcare world of the future is one run by well-organized physician groups. The fly in the ointment is getting the physician group *well-organized*.

Why is decision-making and governance the Achilles heel of most medical groups?

- ◆ In general, physicians crave autonomy. They do not enjoy the possibility of subjugating their authority to another - either clinically or administratively.
- ◆ Because communication is always imperfect, physicians often doubt the decisions made by others because they are unsure if all options/concerns have been considered.

Because of these factors, medical groups tend to fall into one of four patterns:

- ◆ *All-For-One, One-For-All:* In these groups, unanimity is required before any decision is made. Unfortunately, for most important issues it is difficult if not impossible for all physicians to agree. How can you identify this group? They never make decisions on important issues - they are on the road to extinction.
- ◆ *The Benevolent Dictator:* In these groups, one physician calls all the shots. While these groups can be very successful over an extended period, they face two key risks: (1) the dictator might not be so benevolent and the other physicians may become dissatisfied and revolt; and (2) when the dictator leaves, there is often a leadership void that may last for years.
- ◆ *Majority Wins:* In these groups, everyone must be involved in every decision, and the members vote. This results in group business meetings lasting an eternity as every issue, no matter how minor, is hashed and rehashed. These groups typically exhibit two other characteristics: (1) they revisit decisions over and over again; and (2) in reality, they will not implement decisions when votes are close (making them more like All-For-One... groups than they'd care to admit). How can you identify this group? You can find them leaving their offices after their administrative meetings at 2 a.m.
- ◆ *Unknown:* Some groups have no organized governance structure. They avoid all issues which might cause conflict or need decisions by the group.

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Latham Consulting Group ◆ (704) 553-9479

ABOUT LATHAM CONSULTING

Latham Consulting Group is one of the nation's leading management consulting firms serving medical groups. Established in 1986, we have worked with medical groups of all sizes and specialties, providing them with a full range of consulting services to include:

STRATEGY & PLANNING

- ♦ Strategic Planning Retreat Facilitation
- ♦ New Service/New Facility Planning
- ♦ Decision-making Facilitation

ALLIANCES AND NETWORKS

- ♦ Facilitation of Group Practice Formation
- ♦ Clinic Without Walls Planning/Implementation
- ♦ Merger Planning and Facilitation
- ♦ IPA Development
- ♦ Evaluation of Integration Opportunities

OPERATIONAL IMPROVEMENT

- ♦ Practice Improvement Studies
- ♦ Personnel Assessment, Job Descriptions and Performance Evaluation Systems
- ♦ Billing and Collections Analysis
- ♦ Hazard Control Reviews
- ♦ Computer System Selection and Implementation
- ♦ Fee Analysis and Third Party Reimbursement

GOVERNANCE AND ORGANIZATIONAL EFFECTIVENESS

- ♦ Physician Conflict Resolution
- ♦ Physician/Administrator Team Building
- ♦ Practice Governance

FINANCIAL MANAGEMENT

- ♦ Physician Compensation/Income Distribution
- ♦ Budgeting and Financial Reporting
- ♦ Financial Crisis Management
- ♦ Practice Valuations-Buy-ins/Buy-outs
- ♦ Physician Contract Negotiation

EXECUTIVE SEARCH

SEMINARS AND WORKSHOPS

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ESTABLISH GOVERNANCE STRUCTURE - THE TIME IS NOW

The time for dillydallying on this issue is past. Physician groups must develop a governance structure that is able to produce the needed decisions on a timely basis.

We are now seeing fundamental changes in healthcare, and those groups who continue to have weak governance/management structures and who do not develop long-range plans will be remembered as having spent their time "rearranging the deck chairs on the Titanic." Groups that want to be successful will ORGANIZE by creating an effective governance structure, and PLANNING for the long run using strategic planning techniques.

At Latham Consulting Group, we have helped many groups to establish effective governance systems and develop long-range plans. If you would like to know more about governance and how to implement an effective system, please use the coupon below to order a free copy of our special report: *Effective Governance - The Time is Now!* You may also call us at (704) 365-8889 to order a copy, or E-mail us at wllatham@lathamconsulting.com

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Specialty: _____	Number of Physicians: _____	Staff Size: _____
<input type="checkbox"/> Please send me a free copy of <i>Effective Governance - The Time is Now!</i>		

FINALLY - A WAY TO KEEP UP!

A common problem for leaders of medical groups is keeping up with all the trends and events affecting the healthcare industry. Communicating this information to others in the group is an even bigger problem. At Latham Consulting Group, we have discovered a resource which can help you solve this problem.

An bi-weekly audiotape newsletter called *Healthcare Briefings* (from HIR Publications) covers the latest news, providing a fast-paced update on the events, issues and people shaping the healthcare industry. *Healthcare Briefings* closely tracks activities in Washington and around the country, providing you with an early warning of future developments. *HB* subscribers have found its convenience, insightful analysis and timely news coverage to be unmatched by other information sources.

Latham Consulting Group has arranged for those receiving the *Medical Group Advisor* to obtain a discount on this audiotape subscription. Typically the subscription is \$395 per year for 24 tapes, but you can obtain all 24 tapes in a one year subscription for \$355 by calling HIR Publications at 1-800-338-5486 and asking for extension 15. You are guaranteed complete satisfaction with your subscription. If for any reason you are not completely satisfied after the first issue, you will receive a full refund from *Healthcare Briefings*. Later, you may cancel at any time and receive a prorated refund for all unmailed issues.

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