

Special Report

Practical Governance for Medical Groups

 **Latham**
Consulting Group
Make Decisions, Resolve Conflict, Move Forward



Practical Governance for Medical Groups

The Need for Effective Governance

“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 in healthcare trends indicates that the best healthcare world of the future is run by well-organized physician groups. The fly in the ointment is getting the physician group well-organized.



Why is decision-making/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.
- Physicians are trained to be independent decision-makers.
- Because communication is always imperfect, physicians will often doubt the decisions made by other 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:

- ***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.
- ***All Must Have Their Say:*** In these groups, everyone must be involved in every decision. This results in group business meetings lasting an eternity as every issue, no matter how minor, is hashed and re-hashed. These groups typically exhibit two other characteristics: (1) they re-visit decisions over and over again; and (2) in reality, they will not implement decisions when votes are close. How can you identify this group? You can find them leaving their offices after their administrative meetings at 2 a.m.
- ***All Must Agree:*** 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.
- ***No System:*** Some groups have no organized governance structure. They avoid all issues which might cause conflict or need decisions by the group. These groups are on the path to extinction.

Medical groups need to escape these historical patterns by improving their governance system. The first step is understanding what governance is and the key role of governance in a medical group.



What is “governance?” It’s the set of rules and structure established by the group that:

- Guides the group in doing business with each other and external parties.
- Steers the organization towards the accomplishment of its vision.

Any form of governance has several key responsibilities:

- Decision-making;
- Oversight; and
- Strategic planning.

Let’s look a little more closely at each of these important responsibilities.

Decision-Making

All groups face the need to make decisions, but many are paralyzed because of the uncertainty of the outcome. They define “decision-making” as “we’ve got to make the best choice or stand still.” In my opinion, this is the greatest difference between physicians and businessmen. Businessmen know that the future is uncertain. Therefore, they think of decision-making as “moving forward in the face of uncertainty.” They know they must choose a path so they can move forward, but know also they must monitor their progress and adjust as needed. Physician groups would do well to change their definition of “decision-making” to “moving forward in the face of uncertainty.”

Typically, medical groups face another problems in decision-making – how the group will process information, make decisions, and implement those decisions. If a group cannot resolve this basic organizational issue they are doomed to a path of frustration and pain.



How can a group improve their ability to make decisions? By asking themselves three fundamental questions (I believe these are the most important questions that any group can ask itself):

1. **How will the group make decisions?** Groups typically have four choices:

<i>Decision-making method</i>	<i>Comments</i>
1. All decisions require unanimity.	A bad idea, typically leads to no decision.
2. Decisions require consensus. Consensus means working to a point where all don't agree with the decision, but all will support it.	The positives of this method of decision making is that it improves the chance of success in implementation. The negative is that it takes longer to reach "a deal" that all feel reasonably good about.
3. Decisions are made by a vote with majority ruling.	Good to use when you have limited time to make a decision, or when there are fundamental differences of opinion that are unlikely to be changed via discussion.
4. Seek consensus first, but if it cannot be reached, vote on the issue.	In our experience, this tends to be the best decision-making approach for medical groups. Someone must direct the group (often the group's President) as to when to move from consensus-building to voting.

2. **What is expected of each physician once the group has made a decision?** Are they expected to support it? Does "support" mean "not sabotage" or does it mean "actively promote?" Are physicians expected to do what has been agreed to even if they did not vote for it?
3. **What are a physician's options if they still don't like the decision:** This is where the "rubber meets the road." Successful groups allow for three options:
 - a. Do it anyway – that's part of being in a group. Most physicians want others to support a decision they agree with – it's fair that the others should have the same expectations of them.
 - b. Try to get it changed – in the appropriate forum (group meetings). Until it is changed, keep adhering to the decision.



- c. Self-select yourself out of the group. Physicians should commit to not staying with the group if they cannot support decisions made by the group using the agreed upon process.

If your group is having a hard time reaching decisions, or making decisions “stick,” it’s probably because your group has not answered these three questions.

Oversight

Any governing body has a fiduciary responsibility to make sure the organization is operating in a manner that protects and advances the owners’ interests. Governing bodies in medical groups should select a number of key indicators they will monitor, and then review them each month to assure the organization is on track. Examples of such indicators include:

- Number of days in accounts receivable.
- Accounts receivable aging.
- Accounts payable aging.
- Budgeted versus actual income statement.

A couple of tips in this area:

- The indicators should be compared to:
 - Historical information.
 - “Industry” statistics (from organizations such as the Medical Group Management Association).
 - A target amount established by the governing body (such as “the group’s target is that the number of days in accounts receivable not exceed 60 days”).
- The best method of organizing this information is graphing.
- Management should re-explain the importance of any indicator and the data presented at each meeting rather than relying on the physicians to remember the explanations from earlier meetings.



Strategic Planning

The third major responsibility of any governing body is to help the group make plans for its future.

In today's environment, it is essential that the members of a medical group agree on a common vision for the future direction of their firm. This common vision is often difficult to develop because the members of the group rarely focus on it in a group setting. The lack of agreed-upon objectives and goals can hinder the organization by fragmenting the efforts of both the physicians and administrative staff.

Developing a strategic plan typically involves the physicians and management in a structured and systematic process of:

- Developing a **mission statement** for the group which identifies the driving force behind the group and sets agreed-upon boundaries for the organization;
- Identifying **opportunities and threats** in the external environment;
- Reviewing the group's **strengths and weaknesses**; and
- Developing **long-range objectives and goals** for the group (with accompanying responsibility for implementation) which:
 - Pursue opportunities.
 - Guard against threats.
 - Reduce or eliminate weaknesses.

The members of the governing body of any medical group should assure that such planning is done for or by the group.

As you might expect, our knowledge in this area is based on the fact that Latham Consulting Group has substantial experience in assisting medical groups with improving their governance through our **Governance Services**.

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If we can provide assistance or answer any questions you might have, please contact us at 704/365-8889 or e-mail us at wlatham@lathamconsulting.com.