



THE ENGAGEMENT GAP

PHYSICIANS AREN'T AS ALIGNED AS EXECUTIVES THINK
(AND WHAT EXECUTIVES CAN DO ABOUT IT)

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Jackson Healthcare sought to explore the current state of alignment and engagement among physicians who are employed. Based on our extensive secondary and primary research with hospitals and physicians, employed physicians are disengaged in large numbers. There has not been a positive change in engagement numbers in the past decade. And more alarmingly, hospital executives perceive physicians to be more engaged than they actually are. Even though physicians are proud to associate themselves with the hospital for which they work, they don't trust their hospital executive employers, and they are not involved in clinical and administrative decision-making processes. Physicians don't want to follow a clinical recipe when it comes to patient care. They want to be respected for their expertise.





In order to achieve the alignment hospital executives are seeking, medical schools and hospitals must do more to prepare, involve and transform the role of physicians as stakeholders, decision-makers and leaders. Cultural changes are necessary in the hospital environment if physicians are to make decisions in the best interest of the health system vs. a sole focus on their individual practices.

This report explores the current acquisition and employment trends and the effect on physician alignment.

Where it all started...

ACQUISITION

The days when physicians graduated from medical school, completed their residency and hung out a shingle in private practice have come to a close. And physicians who began their careers in private practice are less likely to retire there.



Physician ownership of private practices is trending downward while hospital employment of physicians and acquisition of physician practices is on the rise. Hospitals are acquiring physician practices in large numbers and younger physicians prefer to begin their careers as employees rather than enter private practice.

In the early to mid 1990s, hospitals acquired physician practices in great numbers. That trend reversed in the late 1990s / early 2000s. According to VMG Health (source: vmghealth.com – Valuation Overview of Physician Practice Acquisitions Post Transaction Compensation), the sharp drop in hospital acquisitions of physician practices was fueled by:

- Physicians' frustration with hospital management of practices
- Hospitals' frustration with physicians' lack of motivation and productivity
- The dissolution of many physician practice management companies (example: PhyCor) and integrated delivery networks



Currently, hospitals are acquiring practices in numbers similar to the 1990s.



In the past decade, the percentage of
hospital-owned physician practices
has tripled from about

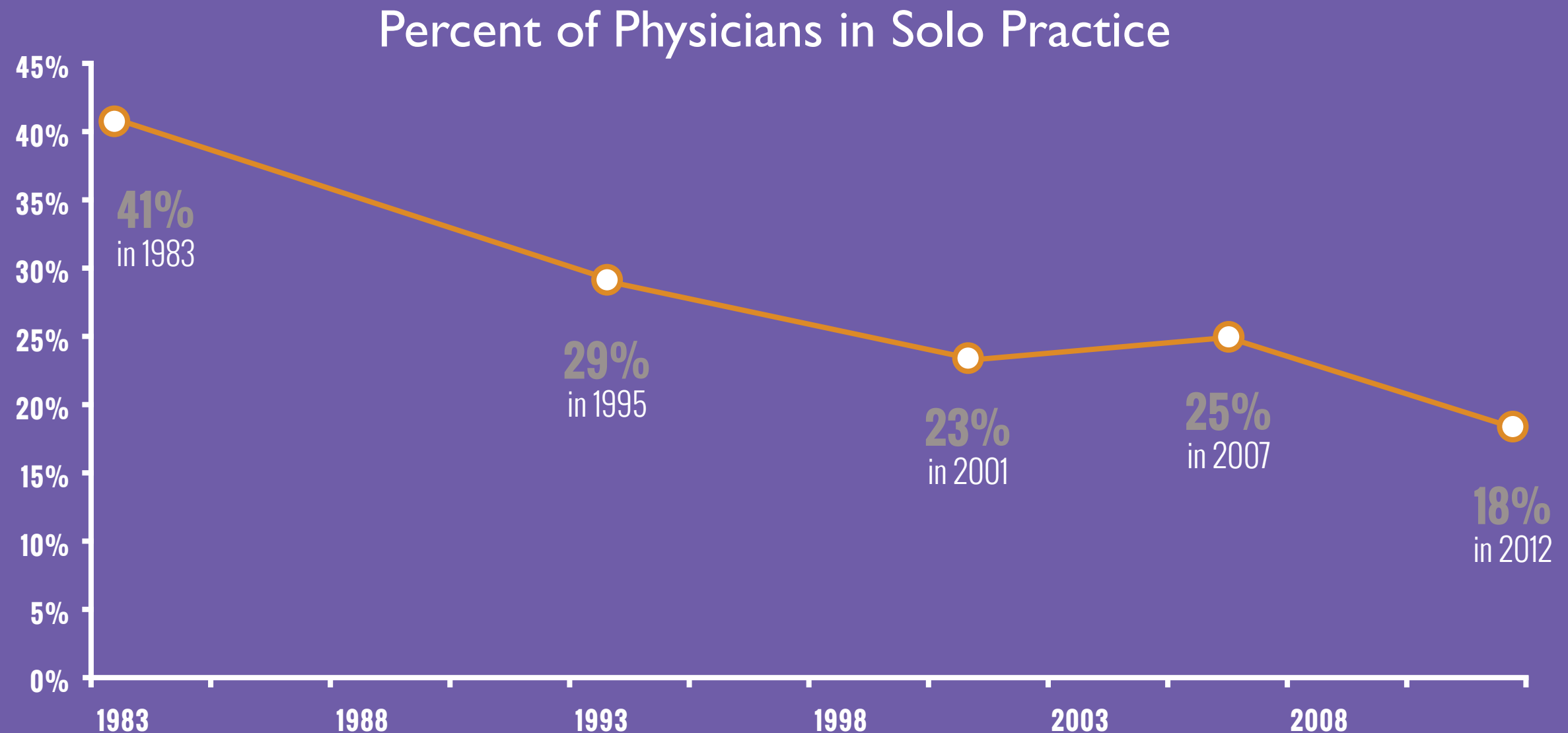
25% in 2002

to almost

75% in 2011

Source: Physician Compensation and Production Survey,
Medical Group Management Association, 2011 Survey

The percentage of physicians in solo practice has decreased from 41% in 1983 to 18% in 2012.



Sources:

Kletke PR, Emmons DW, Gillis KD. Current trends in physicians' practice arrangements: from owners to employees. JAMA. 1996;276(7):555-60.

Center for Health Policy Research. Physician socioeconomic statistics: 2003 Edition. Chicago (IL): American Medical Association; 2003.

Kane CK. The practice arrangements of patient care physicians, 2007-2008; an analysis by age cohort and gender [Internet]. Chicago (IL): American Medical Association; 2009 [cited 2013 September 4]. (Policy Research Perspective 2009-6.)

Kane CK, Emmons DW. New data on physician practice arrangements: private practice remains strong despite shifts toward hospital employment. Chicago (IL): American Medical Association; 2013. (Policy Research Perspective 2013.)

Reasons Physicians Sell Practices and Become Employees

In 2015, Jackson Healthcare completed an online survey of physicians who had been in private practice, sold their practice to a hospital or health system and now work for the hospital/health system that acquired their practice. These physicians reported that the cost of going it alone in the current environment is too great, and the top two motivations for selling a practice to a hospital or health system were financial in nature:



61%

say the overhead / cost to
maintain a practice was
too high

44%

cite reimbursement cuts



The passage of the ACA also motivated physicians.

65%

of the physicians surveyed sold their practices since the ACA was passed in March of 2010

1 in 4

of the physicians surveyed cited administrative hassles, the complexity of the healthcare law and not having the resources necessary to comply with the ACA as motivating factors



Reasons Hospitals Are Acquiring Physician Practices

Jackson Healthcare's qualitative interviews among hospital executives in 2015 found that they acquire physician practices for both **offensive** and **defensive** market-driven reasons.

17 out of the 23

executives interviewed were seeking to increase their capabilities in certain specialty areas

8 out of the 23

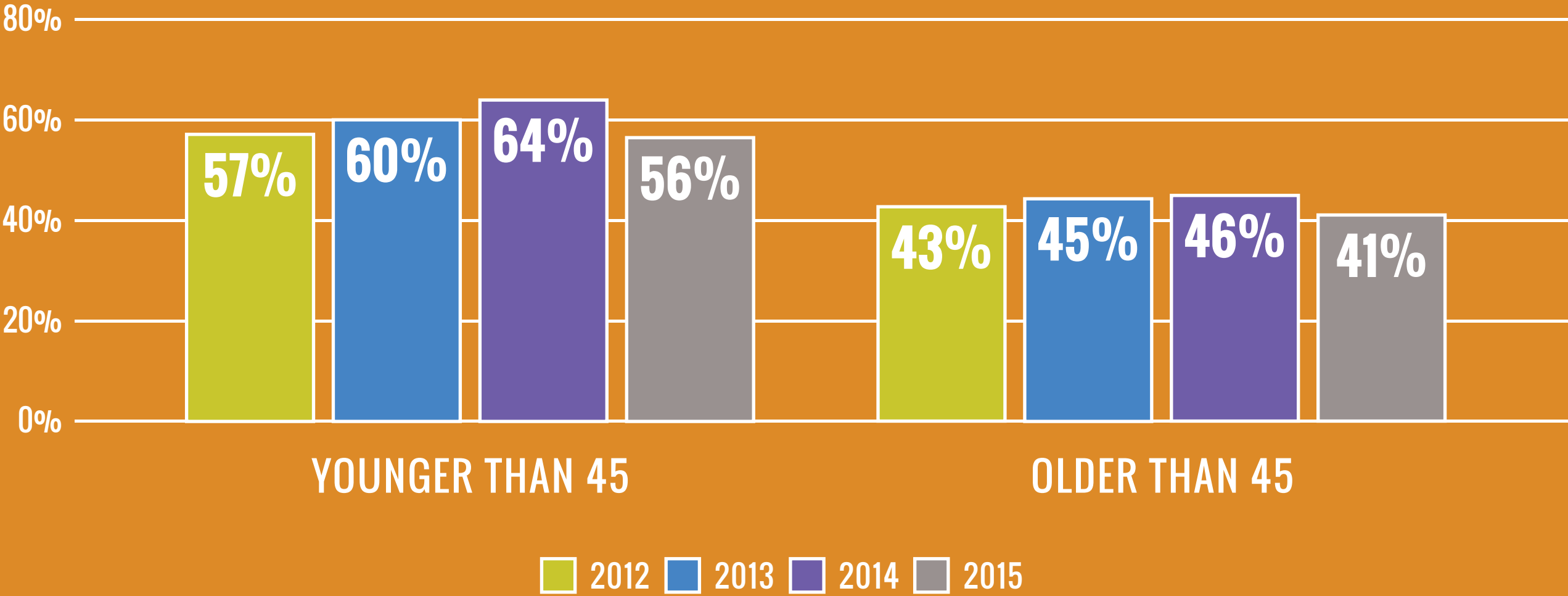
said they were seeking to meet a community need

They recognize physicians' motivation to sell: **11 of the 23** executives interviewed said the private practice environment is conducive to acquisition at this point in time. In a 2013 hospital executive survey by Jackson Healthcare, respondents reported that in **60%** of the acquisitions they made during that year, physicians approached the hospital seeking to sell.

EMPLOYMENT

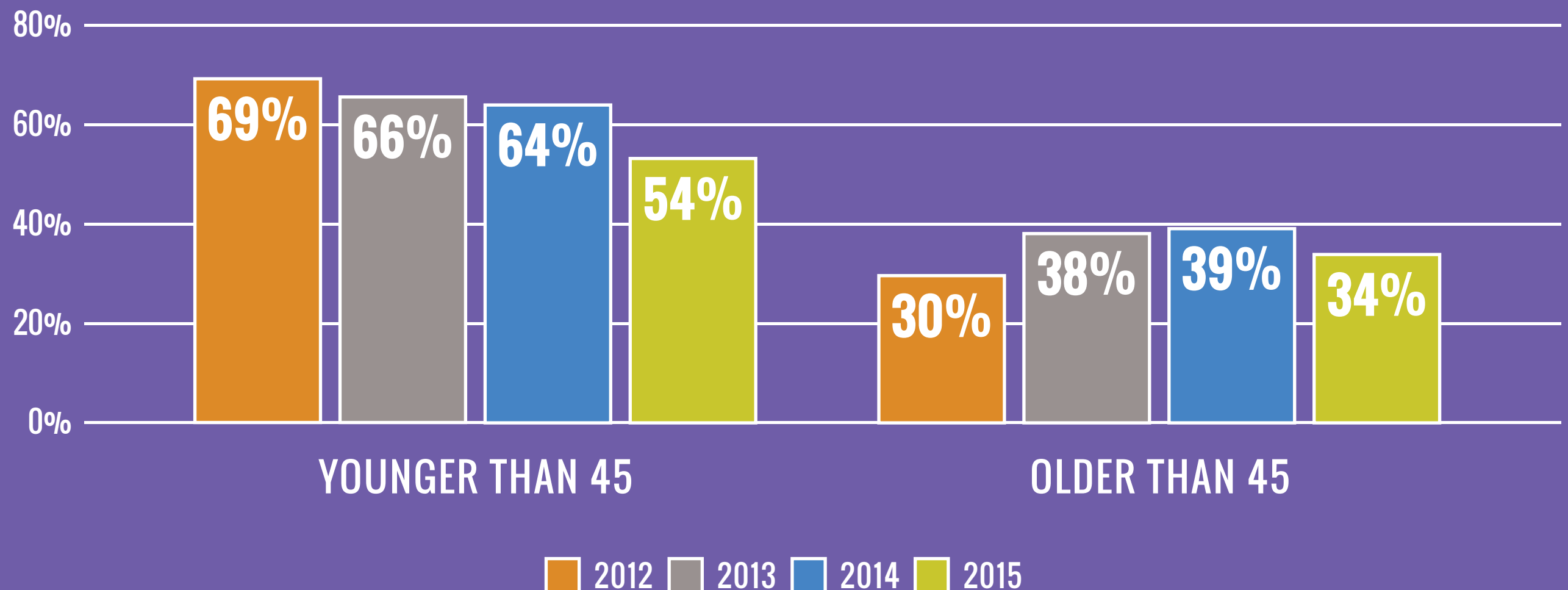
Data from Jackson Healthcare’s Physician Trends Surveys from 2012 to 2015 confirm the trend in employment among physicians younger than 45. These physicians were statistically significantly more likely to be employed in each of the years from 2012-2015 than physicians aged 45 and older.

Physicians Employed by Age

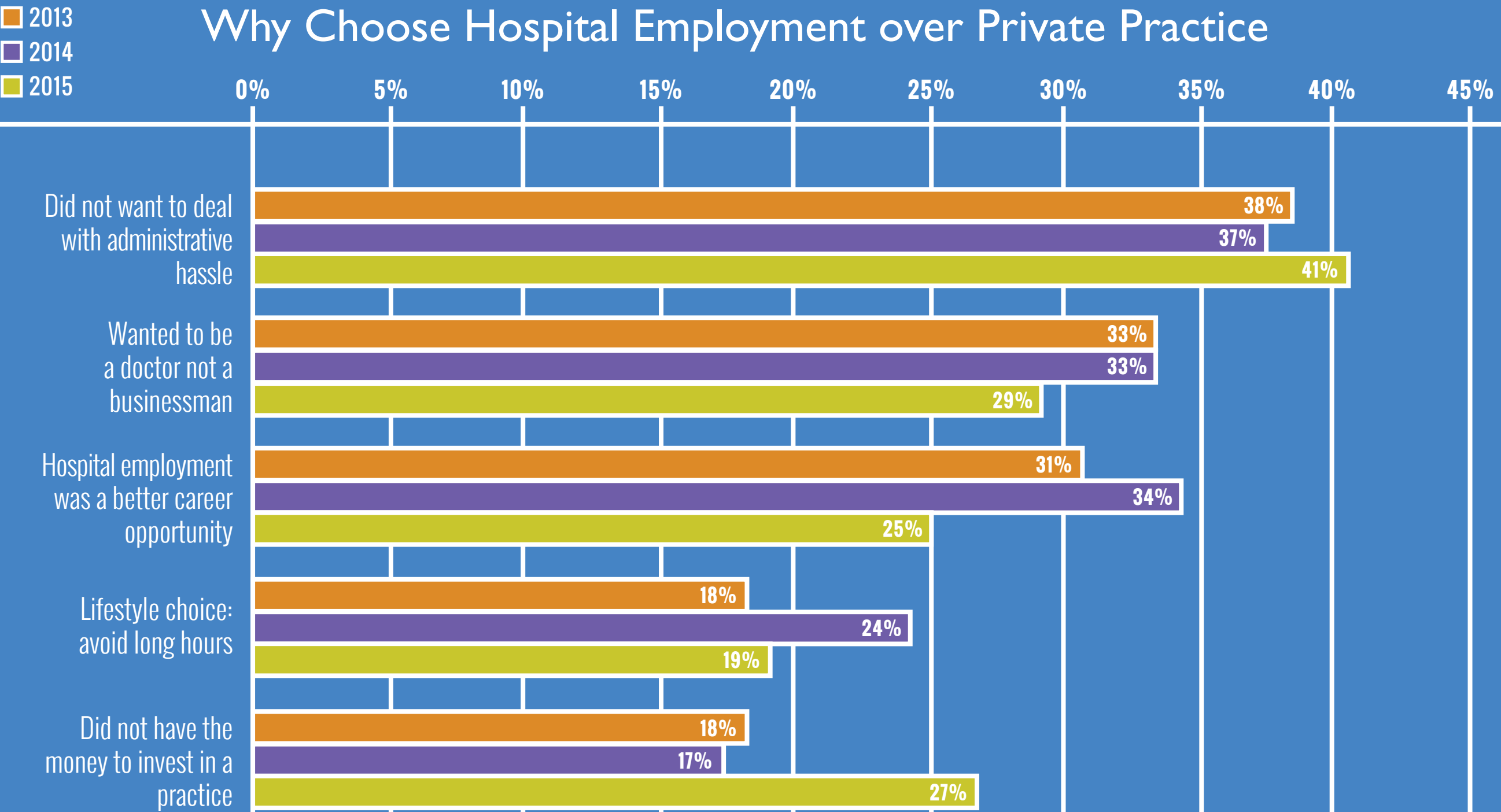


And according to the same Jackson Healthcare surveys, **physicians younger than 45 who are employed are more likely never to have been in private practice.** The majority of these physicians began their careers as employed physicians.

Percentage of Physicians Who Have Never Worked in Private Practice by Age



Physicians’ top reasons for choosing hospital employment over private practice indicate a desire to avoid the risks and administrative burdens of ownership. The percentage of physicians who said hospital employment was a better career opportunity, decreased. The percentage who said they did not have the money to invest in a practice on their own increased.



There is an even more pronounced intended employment trend among final year medical residents. **Ninety-two percent** would prefer employment with a salary rather than an independent practice income. Forty-eight percent say they are unprepared to handle the business side of medicine. <http://www.nejmcareercenter.org/minisites/rpt/a-survey-of-final-year-medical-residents/>

Employment of Physicians is Pervasive

Acquisitions and the employment preferences of young doctors has resulted in a significant amount of physicians associated with hospitals being employed. Forty-five percent of hospitals surveyed by HFMA during its Value Project Survey in 2014 reported employing at least fifty percent of their physicians.

**How does this shift in
employment affect physician
engagement and alignment?
And how important is it that
physicians be engaged?**

ALIGNMENT

According to the Advisory Board Company creating system-wide physician alignment is one of the most challenging initiatives for hospital executives in 2016, and one of the most crucial to an organization's success on a wide range of cost, quality and experience initiatives.



Gallup studies have quantified the importance of physician alignment for hospitals

(Gallup Study on physician engagement quoted in “What Too Many Hospitals Are Overlooking”, Craig Kamins, <http://www.gallup.com/businessjournal/181658/hospitals-overlooking.aspx>):



- In one hospital studied, fully engaged physicians gave the hospital an average of **51% more inpatient referrals** and **3% more outpatient referrals** than physicians who were not engaged
- Fully engaged physicians were **26% more productive** than less engaged physicians, which amounted to an additional \$460,000 on average in-patient revenue per physician per year

In the current quest for engagement and alignment, have hospitals learned from the mistakes they made in the 1990's? Delta Healthcare's Randy Baumann identified twelve lessons administrators learned in acquiring and divesting medical practices during that timeframe. Among them:

From a business standpoint, the only similarity between a hospital and a physician practice is that they both have patients.

Hospital managers do not generally make good practice managers.

Once you have a group of doctors really mad at you, it's hard to keep your job.

Baumann argues that hospital administrators, physicians and consultants are smarter this time around, and that organizations are engaging in practice acquisition with realistic expectations and viable strategies. www.deltahealthcare.com/pdf/Why-Hospitals-Buy.pdf

Physicians do have realistic expectations of employment vs. private practice. For the most part, **physicians who sell their practices to hospitals understand the trade-offs involved and make a conscious choice to sacrifice autonomy for security.** They want less stress and financial pressure, and they know they will give up independence to work in a corporate culture in exchange. Their expectations are low going in. And a key difference between being in private practice and being employed is the ability to easily disentangle and walk away from employment if it doesn't work.

* In the 2015 Jackson Healthcare survey of physicians who sold their practices to hospitals and now work for the hospital that bought the practice, physicians cited the key advantages to becoming employed:.

71%

elimination of concerns about the financial viability of their practices

43%

less administrative work and less paperwork

42%

less stress

40%

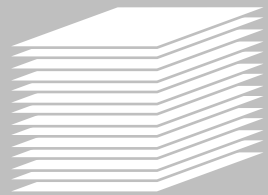
ability to take time off and having someone to cover for them

37%

stability and security

77%

of these physicians said that if they had to go back and do it all over again knowing what they know now, they would. Selling to the hospital was the right move at the right time.



94%

of the physicians who were hoping to decrease their administrative burden by selling their practice have done so



57%

of those physicians who were hoping to work less hours do



40%

of those physicians said they are making about the same



32%

of the physicians whose practices were acquired said they are making more money than they were in private practice

Hospital administrators are also, for the most part, satisfied with their acquisitions.

48%

said their expectations for the acquisition were fully met

26%

said their expectations were at least partially met

22%

said their expectations were mostly met

However...

8 out of the 23

hospital executives still cite **cultural alignment**
as a challenge post-acquisition

Physicians and hospital executives are both satisfied with their new employment arrangements. But how *engaged* are physicians in their newly employed situations? And how does that affect *alignment* with their hospital organizations' cultural and strategic initiatives? Just as importantly, how engaged do hospital executives perceive physicians are?

- In its 2014 Medical Staff Engagement Benchmark Report, the Advisory Board Company reports that **three in five physicians who are employed are not engaged**
- Gallup has published two ongoing studies on physician engagement (2002 and 2005). These studies show that hospitals have been less successful in engaging physicians than businesses in other industries have been in engaging their employees. Thirty percent of physicians are not engaged. Key findings from these studies:

11%
of physicians are
confident that
hospitals are
trustworthy and
keep their promises

14%
of physicians feel they
are treated fairly

1 in 4
physicians are proud
to work with their
hospital

7%
of physicians are
passionate about
their workplace

Significant cultural differences between physicians and (hospital) business managers:

Source: Physician Engagement in CCC [Community-Based Care Continuum], Stratus Health and KHA Research 2014

Physicians are focused on expertise; business managers are focused on efficiency

Physicians' primary loyalty is to patients; business managers' primary loyalty is to the organization

Physicians have made responsibility solely personal; managers' responsibility is shared with other managers, staff and board members

2016 ENGAGEMENT FINDINGS

Jackson Healthcare sought to replicate the Gallup study among physicians. We asked physicians the Gallup engagement questions. We also sought to explore the comparison between how engaged physicians are and how engaged their hospital or health system employers perceive them to be.

Jackson Healthcare's 2016 physician engagement results mirrored Gallup's results. Physicians are proud to work for their hospital or health system, and feel the name is one that can be trusted. However, physicians have a lower level of confidence and trust in the hospital executives for which they work.

Confidence

62% My hospital/health system is a name I can always trust

45% My hospital/health system delivers on what they promise

Integrity

46% My hospital/health system always treats me fairly

36% My hospital/health system can always be counted on to reach a fair resolution

Pride

66% My hospital/health system makes me proud to be a part of

48% My hospital/health system treats me with respect

Passion

35% My hospital/health system is perfect for physicians like me

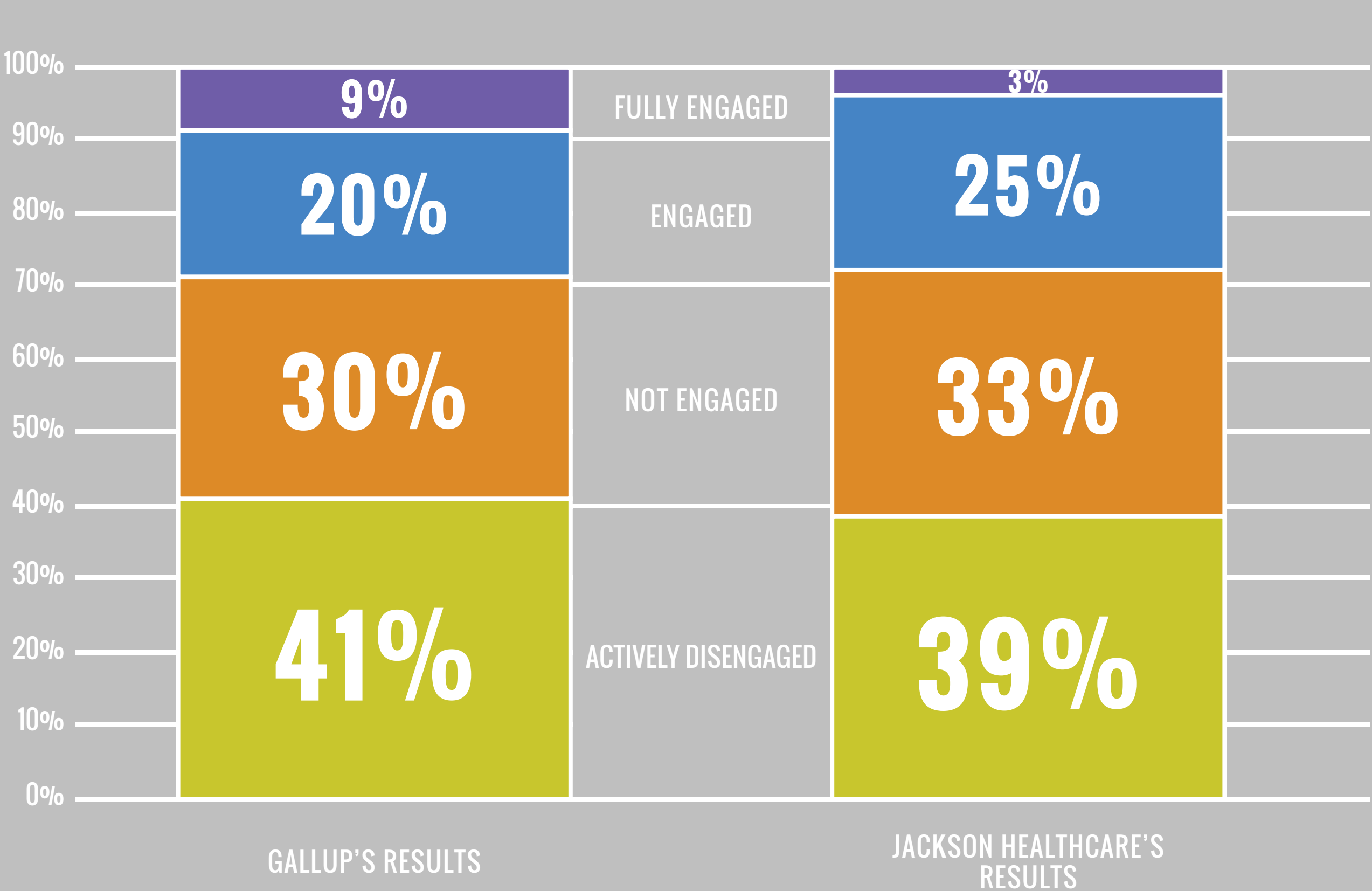
25% My hospital/health is one where I can't imagine a world without them

Gallup's questionnaire assessed the degree to which health system executives are implementing these initiatives. Jackson Healthcare incorporated these Gallup questions to its 2016 engagement survey:

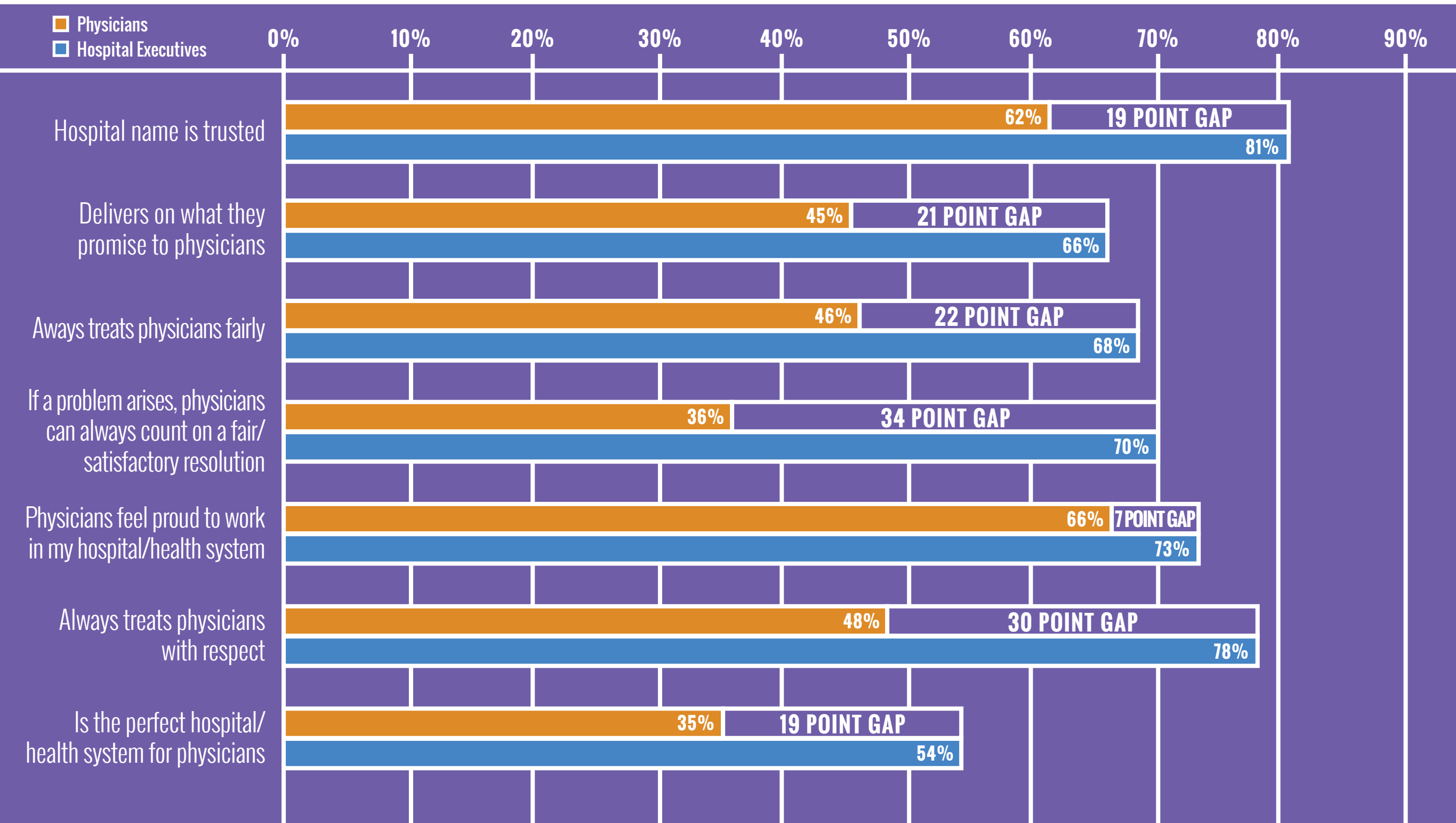
- I trust the hospital or health system's leadership team
- I am involved in making decisions about clinical policy at my hospital / health system
- I am involved in making decisions about administrative policy at my hospital or health system
- My hospital / health system has been successful at navigating the economic, technological and regulatory changes taking place in healthcare today
- My hospital / health system has been proactive in dealing with changes in healthcare brought about by the Affordable Care Act
- Time is made available for me to pursue clinical, academic and/or research projects in which I am interested
- I have control over my own schedule
- I am satisfied with the quality of communication across the hospital or health system
- I have the staffing and support I need to do my job well
- I am satisfied with my level of work / life balance
- There are programs in place at my hospital / health system that promote physicians' health and well-being

Jackson Healthcare asked this same set of questions to samples of both physicians and hospital executives. The result: **there is a gap between how physicians experience the drivers of engagement and how hospital executives perceive this experience.**

A comparison of the emotional attachment scores in aggregate for Gallup’s 2002 study and Jackson Healthcare’s 2016 study was also similar.

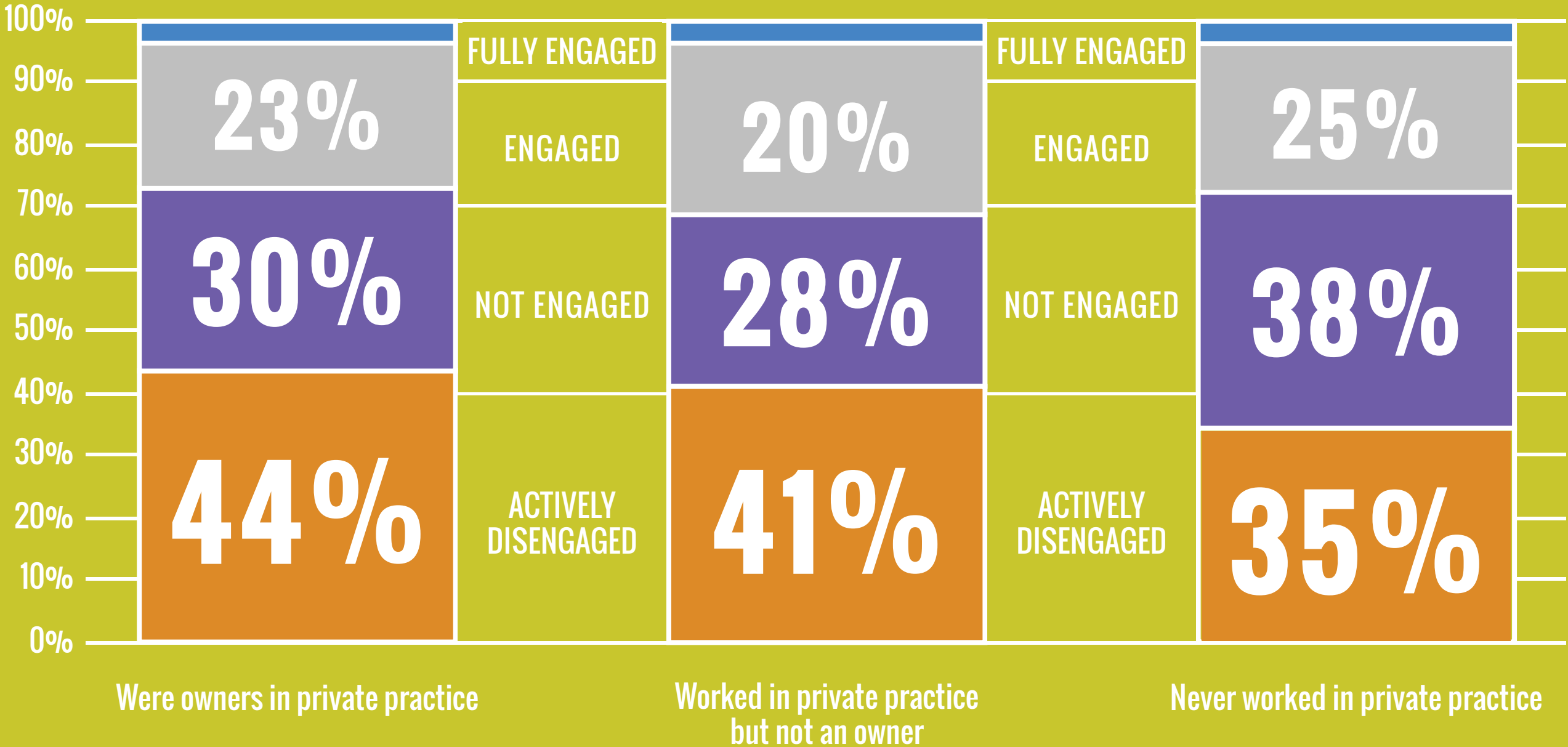


When the level of engagement physicians had with their hospitals was compared to the level of engagement hospital executives perceived physicians to have, the gaps were significant.



Source: Jackson Healthcare's 2016 Engagement Study

Physicians who came from an ownership stake in private are more actively disengaged than those who had than those that have never worked in private practice.





69% of physicians who had a previous ownership stake in a private practice are satisfied with their current working arrangement...

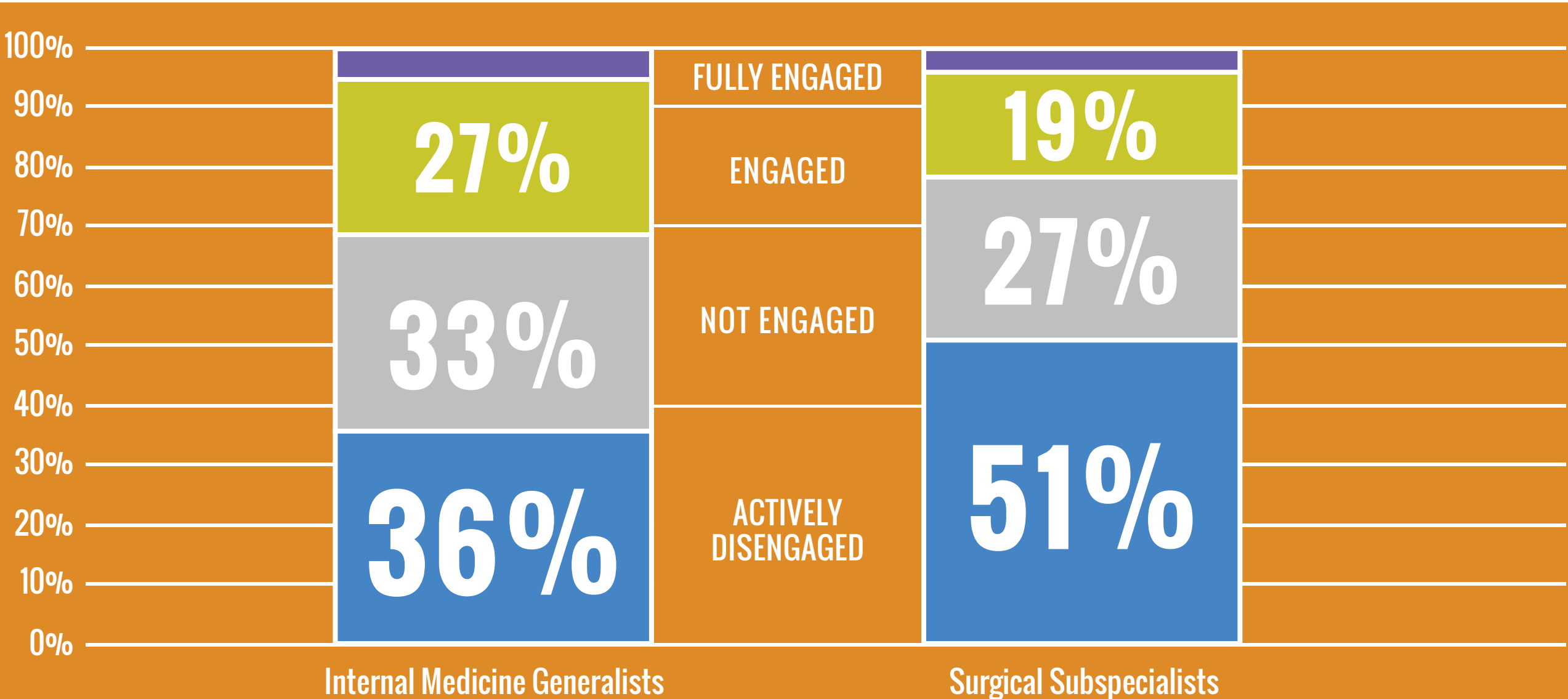
but satisfaction does not translate to engagement.

64% of those who came from an ownership stake in private practice *and* are satisfied with their current work situation are either not engaged or actively disengaged.



STATISTICALLY SIGNIFICANT DIFFERENCES IN ENGAGEMENT BY SPECIALTY

Overall, General Internists (Primary Care, Family Medicine, Ambulatory Care) are more engaged. That is good news for hospital and health system executives who are counting on the referral stream from these physicians. Surgical subspecialists are more actively disengaged and least likely to say that the hospital or health system for which they work treats them fairly and is the perfect place for physicians like them.

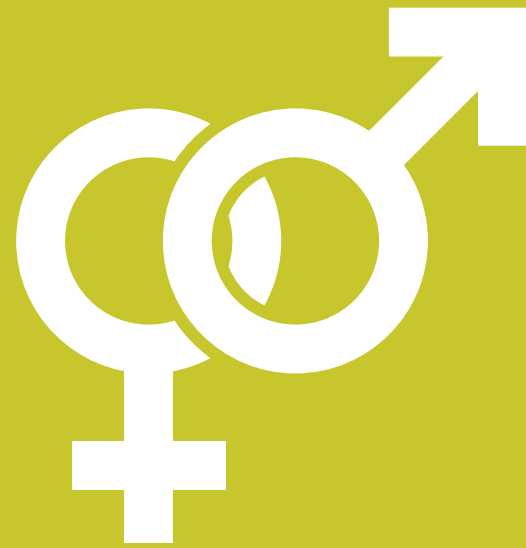


There are no statistically significant differences in overall physician engagement by:

AGE



GENDER



REGION



KEY DRIVERS OF ENGAGEMENT / ALIGNMENT

In analyzing the engagement of physicians in two separate health systems, Gallup found a key correlation in engagement and the presence of several key practices (Source: Want to Increase Hospital Revenues? Engage Your Physicians. Jeff Burger and Andrew Geiger, Gallup Business Journal, June 5, 2014):

1

Proactively address and provide solutions for physician problems, especially those related to health reform changes.

2

Promote effective communication between physicians and system administrators.

3

Encourage physician involvement with hospital administration, and **ensure physicians' opinions are heard.**

4

Go above and beyond to **give physicians opportunities to grow professionally and learn from more experienced physicians.** For example, hospitals could promote their physicians' expertise by publicizing them as speakers in their community or by providing new physicians with a mentor.

The physician results are represented below:

59% say my hospital/health system has been proactive in dealing with changes in healthcare brought about by the Affordable Care Act

54% say I have control over my own schedule

52% say my hospital/health system has been successful at navigating the economic, technological and regulatory changes taking place in healthcare today

45% say I am satisfied with my level of work/life balance

42% say I have the staffing and support I need to do my job well

39% say I am involved in making decisions about clinical policy at my hospital/health system

38% say I trust the hospital/health system's leadership team

38% say there are programs in place at my hospital/health system that promote physicians' health and well-being

34% say I am satisfied with the quality of communication across the hospital/health system

34% say time is available for me to pursue clinical, academic and/or research projects in which I am interested

26% say I am involved in making decisions about administrative policy at my hospital/health system

Highest scores as rated by physicians:

- **Hospital has been proactive in dealing with changes in healthcare brought about by the Affordable Care Act**
- **I have control over my own schedule**
- **My hospital/health system has been successful at navigating the economic, technological and regulatory changes taking place in healthcare today**

These scores relate back to the main reasons physicians migrated from private practice to hospital employment or chose hospital employment over private practice at the beginning of their careers. They did not have the resources nor the desire to deal with the complexities and bureaucracy associated with the Affordable Care Act and the potential for reimbursement cuts. Physicians also wanted more time in their private lives, and the ability to work a shift and go home allows them that flexibility.

Lowest scores as rated by physicians:

- I am involved in making decisions about administrative policy at my hospital/health system
- I am satisfied with the quality of communication across the hospital or health system
- Time is made available for me to pursue clinical, academic and/or research projects in which I am interested

Physicians knew they were making a trade-off when they became employed. They gave up autonomy in exchange for security, **but they will not be fully aligned / engaged until they are involved in the decision-making process at their hospitals.** This may involve a **cultural change** at the hospital or health system.

Steve Corso, Managing Director of MSIGHT Physician Engagement emphasizes the give-and-take required to achieve physician alignment and an active state of engagement:

Physicians are willing to make decision in the best interest of the system without a tunneled focus on their individual practice

The health system actively seeks to optimize the physician experience, even if cultural and organization structures must be modified

Source: MSI - Achieving Active Physician Engagement White Paper - April, 2014

Bill Heduc of the Advisory Board Company (The 12 Statements that Define Your Physicians' Engagement, June 25, 2015) also highlights some of the key characteristics of an aligned organization:

Actions of the organization's executive team reflect the goals and priorities of clinicians

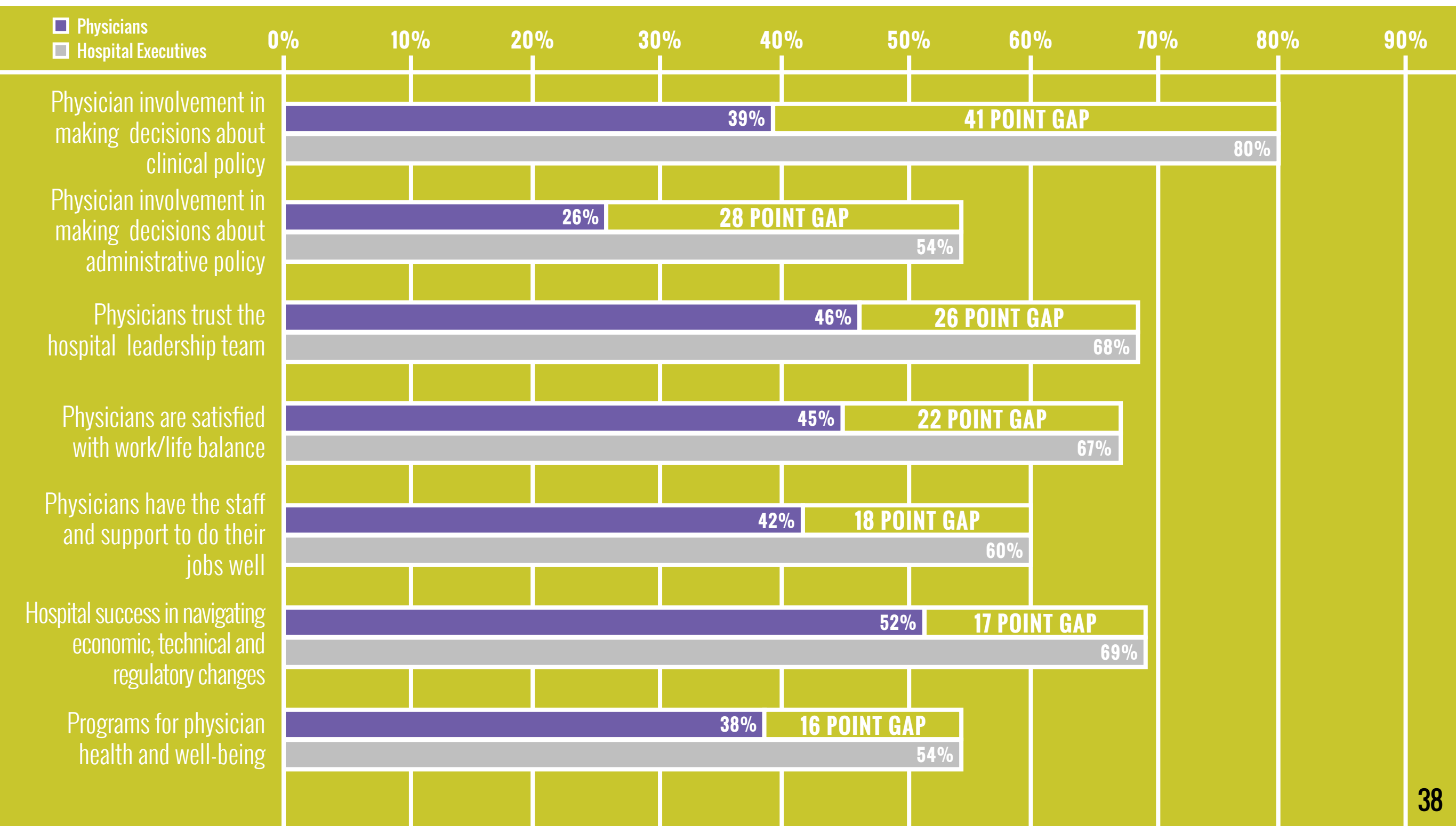
Organization is open and responsive to physician input

Physicians are interested in leadership opportunities

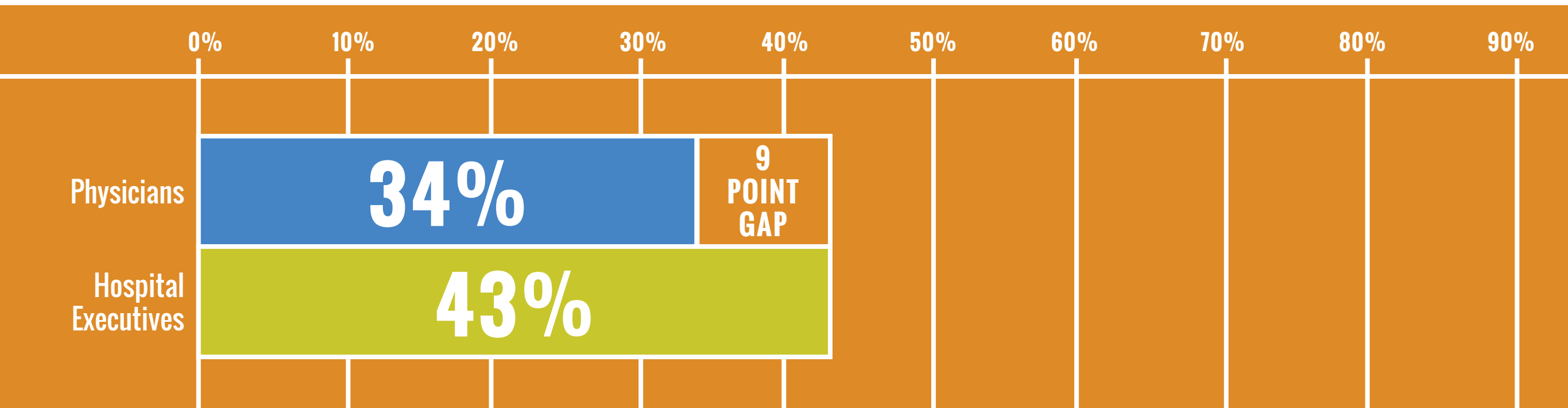
Organization supports the economic growth and success of the physician's individual practice

Physician has the right amount of autonomy in managing individual practice

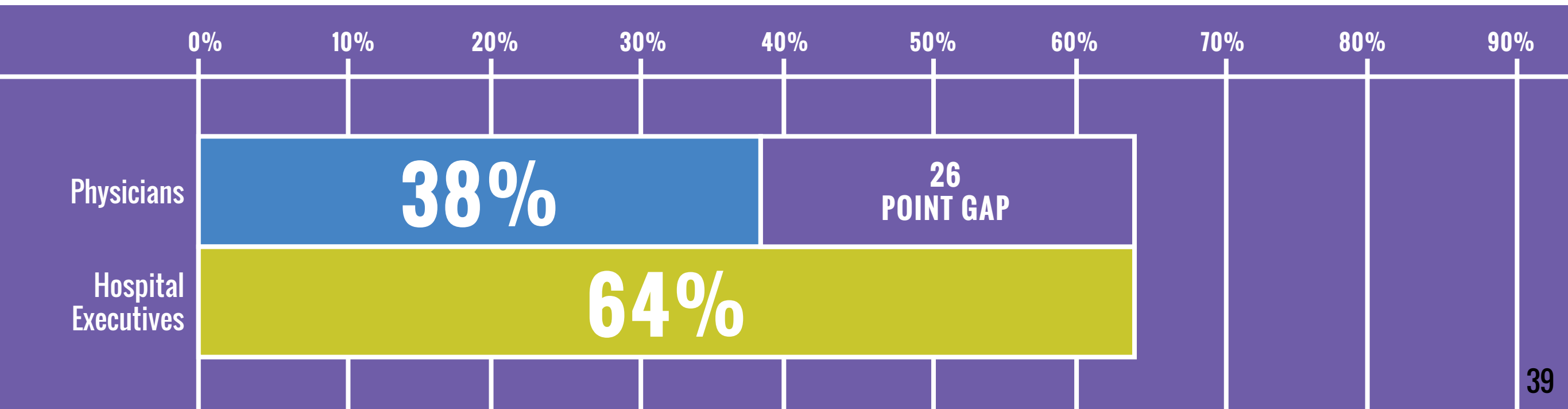
The Jackson Healthcare survey of hospital executives and their perception of the state of alignment of their physicians indicates that hospital and health systems still have a long way to go in the quest for physician alignment.



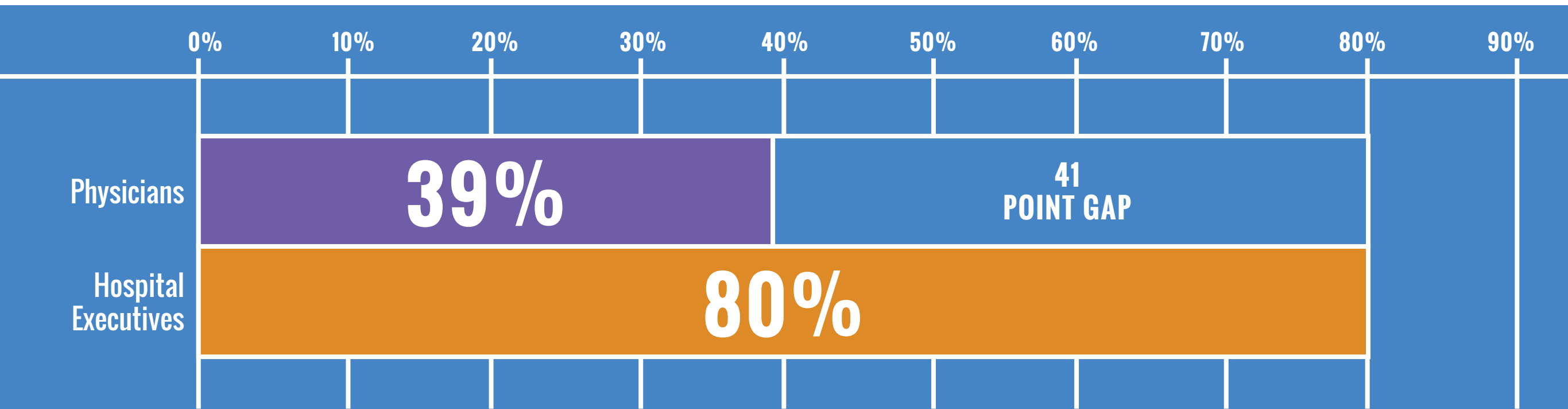
One of the lowest scores rated by both physicians and hospital executives is the level of communication across the hospital or health system.



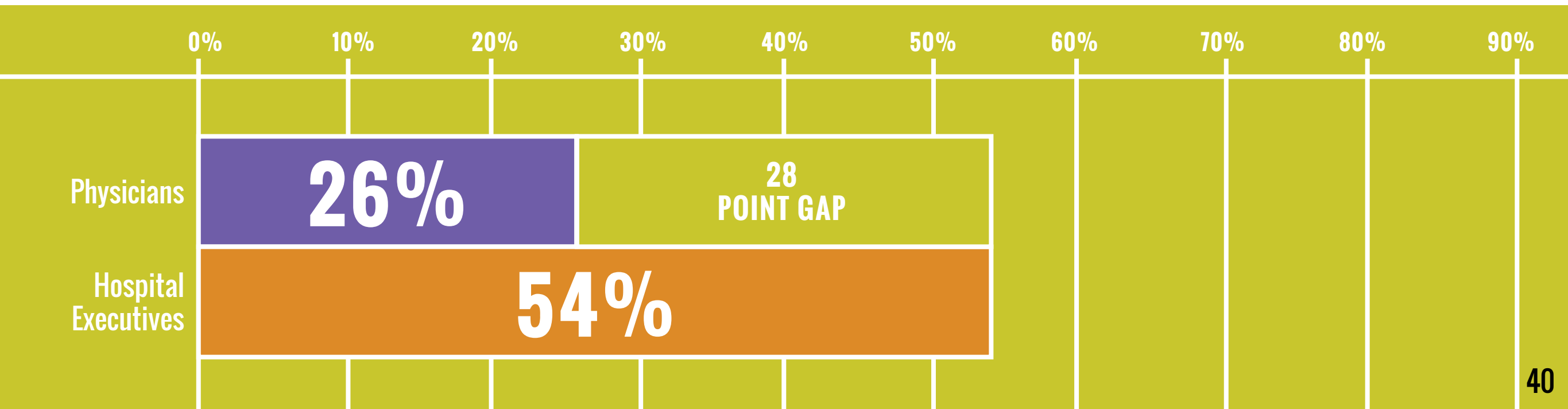
Another alarming statistic is the level of trust physicians place in the leadership team at their organizations.



Hospital executives' perception of the involvement of physicians in clinical policy decision-making is quite alarming.



Hospital executives believe there are opportunities for physicians to get involved in administrative policy decision-making, but physicians don't see it that way.



URBAN VS. RURAL

Physicians who practice in **urban areas** give higher ratings on:

The success of their hospital/health system at navigating the economic, technological and regulatory changes taking place in healthcare today

Time made available to pursue clinical, academic and/or research projects

Programs in place to promote physicians' health and well-being

There are already physician shortages in **rural areas**. Rural hospital executives need to provide opportunities for their physicians to grow or risk losing them.

CONCLUSIONS

Physicians, no matter
their practice history,
are disengaged to a
similar degree.

The opportunity for hospitals:

The two elements associated with engagement that have the strongest relationship to satisfaction are two of the elements with the lowest physician ratings:

**Trust in the
hospital/
health system's
leadership team**

**Quality of
communication
across the hospital or
health system**

If hospitals can increase these
particular engagement scores,
physicians' employment satisfaction
will also increase.

Overall, physician engagement has not improved since Gallup completed the 2002 study. To maximize physician engagement/alignment, **hospital executives must examine the current culture within their organizations.** A McKinsey survey outlined in a May 2014 report entitled “Engaging physicians to transform operational and clinical performance” (Pooja Kamur MD, Anna Sherwood, and Saumya Sutaria MD) identified four barriers to physician engagement that correspond to the Gallup surveys and the Jackson Healthcare survey:

Many physicians are overwhelmed and ill-equipped to implement change, and they appear to have a limited understanding of how their behavior contributes to healthcare waste and efficiency.

Too many providers and payors are focusing only on employment as a way to drive physician alignment, instead of taking a holistic approach that combines multiple alignment levers.

Too often, organizations over-weigh the importance of compensation as a way to influence physicians' behavior.

Physicians' poor understanding of risk-based payment models, in combination with their risk-aversion, is limiting the penetration of these models and their potential ability to drive higher-value care.

McKinsey's consulting experience suggests that **physicians are not only willing to change, but are excited at the possibility of leading transformation efforts.**

Unless hospital executives examine their cultures in light of the trend toward physician employment, they will be sustaining a group of physician employees that are happy enough to trade the administrative burden of operating a practice for a secure paycheck, work their shifts, punch their time cards and go home at the end of the day.

ABOUT JACKSON HEALTHCARE

Jackson Healthcare is built on a simple idea — that talented professionals with a shared purpose can improve the lives of patients, families and communities. Headquartered in Atlanta, Georgia, the company has risen to a place of prominence among the largest healthcare staffing and technology companies in the U.S. It currently serves more than seven million patients in over 1,300 healthcare facilities.

To learn more, check out the

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