

# Clinical Integration

*Educational Briefing for Suppliers and Service Providers*

## Executive Summary

Clinical integration (CI) is a legal arrangement that allows hospitals and physicians to collaborate to improve quality and efficiency while remaining independent entities. In a CI program, physicians—often in concert with hospital partners—make a significant cultural commitment to hospital clinical performance infrastructure and initiatives. To support these efforts, independent and employed physicians may jointly negotiate for commercial payer contracts if they are able to achieve meaningful cost and quality goals. Along the continuum of hospital-physician collaboration options, CI requires less alignment than full employment.

## Why is Clinical Integration a key issue for providers?

As markets move toward accountable care, health care providers are entering a payment landscape that offers them vastly different incentives than previous models. Under the legacy fee-for-service system, hospitals and physicians are paid when they perform services for patients, regardless of the efficacy or necessity of these services. In contrast, emerging value-based payment models will require providers to consistently deliver high-quality, low-cost, coordinated care. Recognizing that meeting these goals will be impossible without physician support, many hospitals are turning to alignment models such as CI to engage physicians in cross-continuum performance improvement.

A clinical integration program allows hospitals and physicians to align incentives and management, giving them the capability to shift care to lower cost settings, increase communication across the care continuum, and limit supply costs. Consequently, clinical integration has recently surged in popularity in the wake of national health care reform. Though no formal count of CI programs exists, anecdotal evidence indicates that there are more than 500 nationwide.

## Capabilities Gained through a Clinical Integration Network

| Shifting Care to Lower Cost Settings  | Connecting the Care Continuum   | Limiting Supply Costs   |
|---|---|---|
|  Enhance patient access to primary care services     |  Improve physician coordination across care sites      |  Increase prescription of generic drugs  |
|  Minimize avoidable emergency department utilization |  Strengthen adherence to order sets and care protocols |  Reduce use of high-tech imaging studies |

## How does Clinical Integration work?

Successful clinical integration programs have several core elements:

- **Selective Physician Partnership:** networks of physicians that are able to deliver evidence-based, coordinated care.
- **Clinical Improvement Initiatives:** joint efforts to improve care or alter treatment techniques for targeted conditions.
- **Performance Improvement Architecture:** data-driven mechanisms to monitor, manage, and evaluate utilization of services.

### Conversation Starters with the Hospital C-Suite

- 1 How does clinical integration play a central role in your efforts to engage physicians?
- 2 What clinical performance improvement initiatives are you currently targeting with your physician partners?
- 3 What products and services will help you implement and track clinical performance improvement initiatives?

## How does Clinical Integration affect providers?

### Clinical

All physicians groups must monitor and manage utilization of health care services, control service costs, and ensure quality of care in order to succeed. CI networks usually involve primary care physicians and focus on care management techniques to improve population health. However, many CI networks are designed to improve hospital pay-for-performance metrics and instead require hospitals to enlist proceduralists and specialists to capture key volumes while delivering lower cost, more efficient care.

### Types of Physicians Frequently Included in CI Networks

*Needed for Pay for Performance Initiatives*



#### Proceduralists

General Surgery  
Cardiac Surgery  
Neurosurgery  
Orthopedics



#### Hospital-Based Non-admitting Specialists

Radiology  
Anesthesiology  
Pathology  
Emergency Medicine

*Needed for an Effective Care Management Enterprise*



#### Community-Based Medical Specialists

Cardiology  
Medical Oncology  
Endocrinology  
OB/GYN



#### Primary Care

Internal Medicine  
Pediatrics  
Family Medicine  
Hospitalists

### Financial

The setup costs for a CI network can be substantial but may be outweighed by benefits of the network, including cost savings, avoided employment costs, and the ability to achieve bonuses on value-based contracts. For physicians, contract structure is the most relevant financial concern. In a CI network, there is no monetary transfer between hospitals and physicians. However, as an antitrust safe harbor, CI providers can jointly negotiate increased physician reimbursement rates and pay-for-performance bonuses with large employers or [commercial insurers](#). CI's value to the payer is that care coordination and improved performance on clinical metrics will ultimately decrease the cost of care. Higher physician payments therefore serve as recompense for provider costs and efforts incurred to establish CI networks. As some payers are skeptical of CI's financial value proposition, many CI networks negotiate at-risk contracts in which physicians benefit through shared savings agreements instead of higher physician base rates.

### Operational

For physicians, joining a CI network will allow for participation in performance improvement in a more comprehensive way than they likely have before. Both hospitals and physicians will need to invest in processes and systems for enhanced communication.

## How might Clinical Integration impact provider-supplier sales relationships?

Robust CI networks can allow hospitals and physicians to collaborate on supply purchasing.

### CI Networks Can Serve as Launching Points for Supply Standardization

- There is nothing inherent in CI contracts that encourages brand consolidation. However, closer working arrangements between hospitals and physicians have led to product standardization in many CI networks.

### Suppliers Need to Speak the Language of Two Constituencies

- With hospital and physicians both involved in product selection, vendors will need to establish value with both constituencies.

### Providers Place Increased Focus on Meeting CMS Pay-for-Performance Objectives

- As many hospitals base clinical improvement efforts on measurable improvement in CMS pay-for-performance metrics, products which can provably influence these metrics should be highly valued by CI networks.

## Additional Advisory Board research and support is available



If you would like to learn more about physician alignment, please contact your institution's Dedicated Advisor. To see how hospitals are using CI networks to drive population health, please view the [Next-Generation Clinical Integration](#).

Source: Advisory Board Research and Analysis