

Three Strategic Solutions for Your Health System's Financial & Operational Challenges in 2023

VMG Health's Strategic Advisory Services

Healthcare providers across the country are facing significant financial and operational challenges amid several competing trends such as losses in investment income, staffing shortages, increased inflation, increasing wage pressure, and the like. VMG Health's Strategic Advisory Services Division works with hospitals, health systems, medical groups, and providers to take strategic steps that help move the system in the right direction. Below are three main ways VMG Health can help systems like yours during this tumultuous time in the healthcare industry.

Health System Financial Repositioning

Problem Statement: For many health systems 2022 was one of most challenging years in recent memory. Labor costs, stagnant reimbursement, consumer preference, demographics, and increased competition from non-traditional organizations combined to negatively impact profitability and future sustainability.

Supporting Context: The factors contributing to a decline in operating performance are not likely to change in the coming years. Labor costs, demographics, and competition are likely to continue trending in ways that challenge performance.

VMG Health does not believe 2022 was an aberration, but rather portends what future clinical and operating performance will look like when absent of change and innovation. Organizations will need to maintain or improve patient access and quality but at a lower cost. How, where, and by whom care is provided will need to be evaluated and reimagined to achieve a sustainable operating platform.

VMG Health's Offering/Solutions: VMG Health's experts have partnered with health systems across the country to identify opportunities for improvement in clinical and operating performance. The work effort begins with understanding the current state of the organization and its operating environment. VMG Health then works with organization leadership to identify a short list of opportunities the organization can further explore and implement. At the conclusion of the work effort organizations will have a menu of strategies and tactics that can advance the organization towards clinical and financial sustainability when fully implemented.

New Physician/Health System Models

Problem Statement: A myriad of 2022/2023 stewardship issues are confronting hospitals and health systems, and physician integration and relationship models are not immune to the underlying financial stress. As these challenges mount, there are alternative physician strategies developing in the market with a subset of physicians seeking greater independence and returning to private practice, dry capital investments from private equity including robust ambulatory assets, and clinical network solutions making a bolder step towards value.

Supporting Context: For many hospitals and health systems the value proposition of investing in an integrated delivery system with employed/contracted physicians has not been realized or accounted for in a way that feels economically sustainable. To this end, new platforms and strategies are emerging that health systems need to be aware of in the context of making sound strategic decisions.

VMG Health's Offering/Solutions: VMG Health experts have developed a leading solution set to reposition physician practice alignment that is customized for your unique market and underlying facts and circumstances. A sampling of physician enterprise strategy offerings include:

- **Clinical Enterprise Assessment** – Too many hospitals and health systems make uninformed business decisions based on antiquated methods. VMG Health has developed an enterprise-wide approach to physician practice benchmark testing the sustainability of physician practice investment.
- **Alternatives to Physician Employment** – Too often the desire for standardization has impeded material service line expansion and growth. Clinical service offerings in orthopedics, cardiology, gastroenterology, urology, and other critical specialty areas now have alternative considerations with expansion of ambulatory surgery and/or office-based labs. If you employ a large cadre of providers in any of these areas, alternative joint venture models (as alternatives to employment) should be evaluated.
- **Ambulatory Investment Repositioning** – ASC investments and joint ventures have long been a staple of hospitals and health systems looking to align with community physicians. Many of these multispecialty assets will migrate to a more directed service line (cardiovascular, musculoskeletal, etc.) over time. Growth opportunities exist across key product lines with a more specialized organizational model and structure.
- **Partnered Growth with Private Equity** – Many health systems look at private equity as a significant competitor. VMG Health has developed leading strategies with private equity and health systems affording health systems opportunities to reposition certain physician assets, invest in a practice platform for growth, and materially migrate its ambulatory positioning with partner focused on growth.

Aligning Physician Compensation and Reimbursement Models to Maximize Revenue Opportunities

Problem Statement: The varying types of physician compensation models being used by health systems today can result in a misalignment of physician and organizational incentives. This can limit the health system's ability to maximize revenue opportunities as the industry moves towards empanelment and patient outcomes.

Supporting Context: With more of a health system's revenue at risk for quality, panel management, and other non-productivity factors, aligning physician and health system incentives is key. These incentives help get the compensation formula right which is essential to the continued success of the health system.

As organizations continue to enter payor contracts with either partial or full risk (i.e., capitation), one key factor for organizations to understand is panel size and panel management. Accurately measuring and acuity adjusting primary care physician (PCP) panel size and implementing quality metrics tied to how well a PCP and the rest of the care team takes care of the patients on their panel, will drive organizational successes under these value-based reimbursement models.

VMG Health's Offering/Solutions: VMG Health's experts have helped numerous health systems design physician compensation plans that incentivize physicians to provide high-quality care for a strong panel of patients to ensure alignment of physician and organizational goals.

Through this body of work, VMG Health works with organizations to profile their reimbursement environment so organizations better understand how revenue flows into the system through payor contracts. VMG Health's experts also help organizations learn which levers need to be pulled in order to maximize revenue under these value-based contracts. Once the reimbursement environment is fully understood by all parties, VMG Health works with organizational leadership to create a compensation model that incentivizes physicians to work in a way that maximizes revenue while providing high-quality care.

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About VMG Health



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