



SOUTHWIND NEWS

VOLUME 10, NO. 1
JUNE 2008

CREATING POSITIVE CHANGE IN THE PHYSICIAN-HOSPITAL RELATIONSHIP

Dear Colleague:

The past several months have been eventful for Southwind Health Partners. As physicians and health systems strive to adapt to new financial and regulatory challenges, Southwind has experienced a remarkable level of interest in our services. In particular, our team's expertise in creating sustainable hospital-sponsored employed physician enterprises is in high demand. In response to this growth in demand, we have carefully and deliberately expanded our consulting and interim management team to meet the increased need for quality expert advice and interim management.

In this issue of the Southwind News, we introduce you to five new members of our team who focus on revenue cycle improvements and financial analysis. Consultants Andrew Coulton and Seth Wilhite strengthen our ability to provide financial and compensation analysis and benchmarking, while Dianne Adams, Shelby Allen and Will Ables dramatically reinforce our revenue cycle analysis and process improvement capabilities.

Another noteworthy recent development has been the creation of the Southwind Institute, an educational conference for senior health system executives that was inaugurated late in 2007. We are delighted to report to you on the proceedings of this productive symposium that focused on "Successful Strategies for the Employed Physician Enterprise." The Southwind Institute helps fulfill our desire to contribute to positive change in our industry by fostering a "learning community" on issues related to physician-hospital alignment and integration. We will host the second Southwind Institute for Senior Health System Executives on November 6th and 7th, 2008. Our program will focus on "Optimizing Your Physician Employment Strategy." Please call us if you would like to attend this year.

We appreciate your continued interest in Southwind as we strive to fulfill our motto: "Aligning Physicians and Hospitals in Systems that Work." Please let us know if we can ever be of assistance to you.

With warm regards,

John A. Deane
Chief Executive Officer
Southwind Health Partners



LETTER FROM THE SOUTHWIND CEO

*John A. Deane, CEO,
Southwind Health Partners*



RESERVE YOUR PLACE:
SOUTHWIND INSTITUTE
FOR SENIOR HEALTH SYSTEM EXECUTIVES
[OPTIMIZING THE VALUE OF YOUR EMPLOYED PHYSICIAN STRATEGY]
NOVEMBER 6-7, 2008
TO REGISTER CALL (615) 620-5165

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HIGHLIGHTS FROM THE FIRST SOUTHWIND INSTITUTE

The Southwind Institute was held in November 2007 and attracted 50 hospital and physician executives from across the country. Convening in the elegant Hermitage Hotel in downtown Nashville, Tennessee, the Institute featured two days of seminars, panel discussions and in-depth conversation about the most effective operational practices and strategies for employed physician enterprises.

Fifteen speakers shared their insights and perspectives on how to successfully develop, operate and sustain a growing employed physician enterprise. Highlights from selected presentations are shared below.



CREATING A NEW AND INNOVATIVE HOSPITAL-PHYSICIAN SOCIAL CONTRACT

Nathan S. Kaufmann, Managing Director & Founder, Kaufmann Strategic Advisors, San Diego, California

Nathan S. Kaufmann kicked off the conference with a discussion of the forces shaping physician/hospital integration. In his assessment of the challenges facing today's hospitals, he focused on such factors as the physician shortage, the growing shift of high margin hospital services to freestanding providers, and advances in clinical science. Considering these and other challenges, Nate centered his presentation on a key question: Can local physicians and hospitals create a world class health care system that is financially beneficial to both parties, to the patient and to payors?

Nate's answer was that the health care crisis must be addressed through innovation. He called for the creation of a new hospital-physician social contract embracing innovation, information technology, infrastructure sensitive to economies of scale and expertise, and an integrated, systemic approach to allocating resources.

"Hospitals and physicians must be willing to change their operational and structural processes if they want to stay competitive in today's marketplace."

Nathan S. Kaufmann

As part of his recommendation for restructuring healthcare, Nate also suggested sliding scale subsidies for low-income people to enroll in state-approved private, Medicaid-like managed care



Above, Southwind Institute attendees mix and mingle: Dr. Don Kerner and Dr. Christopher Doehring, from St. Francis Hospital in Indianapolis, Indiana. Top, Tracey and Matt Parker, of St. Bernard's Healthcare, Jonesboro, Arkansas, with Margaret Hoban, Southwind Executive VP.


plans, and advocated annual fees be paid by businesses and individuals that do not provide insurance.

"A major investment should be made in Medicare's capability to develop, implement and refine payment systems to change the inherent incentives in the fee-for-service system and instead reward quality and efficient use of resources."

Nathan S. Kaufmann.



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THE
SOUTHWIND
INSTITUTE
FOR SENIOR HEALTH
SYSTEM EXECUTIVES
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{ 2008 }

OPTIMIZING THE VALUE OF YOUR EMPLOYED PHYSICIAN STRATEGY

The 2008 Southwind Institute promises to be as dynamic as last year's session. Once again, we are inviting selected senior health system executives and physician leaders to Nashville for a one and a half day education conference on health system sponsored physician practices. Focusing on the theme, "Optimizing the Value of Your Employed Physician Strategy," expert speakers will address some of the most critical issues facing health care executives today.

Participants arriving early have the opportunity to attend the popular and informal pre-conference roundtables, where this year hospital executives will learn and share from each other's experiences related to physician compensation and productivity, physician recruitment policies, information technology and practice acquisitions.

Among the speakers we welcome back from 2007 is **Nathan Kaufmann**, Managing Director & Founder, Kaufmann Strategic Advisors. Nate draws on his strategic, governance and operational experience with major U.S. healthcare systems to describe how health care reform, new economic realities, and legal and regulatory trends are helping to alter traditional provider relationships.

Another much anticipated session is a panel discussion on successful partnerships between physician leaders

and professional administrators. Moderated by **Dick Wright**, Southwind Senior Partner, the panel is comprised of a lay leader and a physician leader representative from the ProMedica Physician Group, Toledo, Ohio, and the Carilion Clinic, Roanoke, Virginia.

In total, more than 15 speakers will share their expertise and experience on a range of topics, including:

- Financial pillars of a successful employment enterprise;
- Assembling the optimal management team;
- Information technology issues for the employed physician enterprise;
- Current legal and regulatory challenges; and
- How quality initiatives and physician alignment interact.

All presentations at the 2008 Southwind Institute take place in the intimate and historic surroundings of The Hermitage Hotel, a setting conducive to dialogue and peer interaction. The conference is limited to the first 75 senior executive enrollees so available space is likely to fill quickly. We recommend registering early to reserve your place. For information or to register, go to www.southwindhp.com or call Mitzi Matlock at (615) 620-5160 or Bob Vernon at (615) 620-5165. ■

The Details:

Opens: Thursday, November 6, 2008; 12:00 PM

Adjourns: Friday, November 7, 2008; 2:00 PM

Location: The Hermitage Hotel
231 6th Avenue North
Nashville, TN 37219
Phone: (615) 244-3121

To Register:

Call (615) 620-5165

Full details online:
www.southwindhp.com



HIGHLIGHTS FROM THE FIRST SOUTHWIND INSTITUTE

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WHY PHYSICIAN EMPLOYMENT IS A SOUND STRATEGY AND GROWING REALITY

John A. Deane, Founder & CEO, Southwind Health Partners, Nashville, Tennessee

John Deane drew on Southwind's experience in physician practice management to talk about the current status of health system sponsored physician practices. He started by looking at national trends making physician employment a sound strategy and growing reality for health systems and physicians.

John explained how an effective employment model works, the return on investment and how to minimize losses. Amid growing regulatory restrictions, physician employment permits the not-for-profit, tax-exempt hospital to subsidize physician practices. Positive incentives for physicians include access to better facilities, infrastructure and cash collections systems, leading to greater productivity for the practice. Physicians can also improve reimbursement through pay-for-performance incentives.

The model does require ongoing health system investment, however, including infrastructure, teaching, liability insurance and the investment in newly employed physicians. John recommended evaluating three key factors when investing in a physician: quality of care, productivity and personality.

“Ultimately, the thriving hospital-sponsored physician enterprise supports itself by building dedicated capabilities in both systems and people.”

John A. Deane



EMPOWERING PHYSICIANS TO IMPROVE QUALITY OF CARE AND THE BOTTOM LINE

Herbert A. Fritch, Chairman & CEO, HealthSpring, Inc., Nashville, Tennessee

Herb Fritch spoke about how his company empowers physicians to radically change patients' health care experience. HealthSpring is a large managed care organization focusing on the Medicare Advantage market and providing HMO, PPO, commercial health plans and management services to independent physician associations. Herb helped pioneer HealthSpring's innovative physician contracting model and shared key components of their strategy.



John Deane, Southwind CEO, shares lessons learned from ten years experience with health system sponsored medical practices.

Above all, HealthSpring leadership is motivated and challenged by two ideas: creating physician incentives that improve clinical and financial outcomes; and, developing a model for delivering tangible, sustainable value for patients and providers across the delivery system.

HealthSpring aims to have 15-20% of physician compensation be performance based, variable reimbursement. Unlike traditional health plans, HealthSpring offers physicians a great deal of support, including HealthSpring's Pay for Quality (P4Q) program for primary care, frequent reporting and EMR technology, all aimed at helping doctors be more accountable to the patient and motivated toward quality and financial success.

Pay for Quality is a major part of HealthSpring's physician engagement and support strategy. The goal of P4Q is to improve patient and physician outcomes by aligning point of care data, quality improvement incentives and fully-funded nursing resources. During its first three years, the program has demonstrated significant quality and cost improvement.

“Our Pay for Quality program, designed by practicing physicians for practicing physicians, creates a system of coordinated care around evidence based guidelines for Medicare beneficiaries.”

Herbert A. Fritch

Herb described another innovative idea developed by HealthSpring: the Living Well Health Center (LWHC). The LWHC builds on the Advanced Medical Home concept and is modeled to expand the impact of P4Q. LWHC recognizes the “whole-patient” nature of illness and health and holds to four core values:

- Care – Attend to the healthcare needs of HealthSpring members with genuine concern and affection;
- Community – Create ties and search for solutions that move us forward together;
- Comfort – Build confidence and integrity with each HealthSpring member; and
- Commitment – Deliver beyond expectations and encourage increased HealthSpring member involvement

Herb's presentation described a highly proactive approach to health care where patient care is of the highest standard and innovative physician alignment tactics are proving to be effective.



“Investing in quality care at the outset, through the personal physician, ultimately results in better care and better quality of life for member and physician alike.”

Herbert A. Fritch



LESSONS LEARNED FROM THE ALVARADO CASE: KEYS TO PHYSICIAN RECRUITMENT

Randy Gott, Sr., Senior Vice President, Southwind Health Partners, Nashville, Tennessee

Randy Gott spoke about the need for hospitals to be proactive and assertive with their physician recruitment strategies. Randy focused his remarks on how “community need” is of central importance to successful physician/hospital alignment. Community need, Randy pointed out, is best understood by analyzing many factors beyond simple demographics; these include the scope of practice, community trends, physician accessibility and acceptance of Medicare/Medicaid.

Randy also cited the Alvarado court case, which dealt with federal regulatory issues related to recruitment policies and practice as a precedent-setting example of the need to have well defined recruitment policies. Randy served as an expert witness in the

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Top, The beautiful ambiance of The Hermitage Hotel in downtown Nashville was the backdrop for one-on-one interaction between health system executive peers from across the country. Above, Randy Gott, Southwind VP, recommended an assertive and proactive approach to physician recruitment.

Comments made by 2007 Participants:

“Excellent topics and speakers providing timely and highly relevant content.”

“Great seminar – right on target.”

“Excellent conference in all respects.”

“Content of the meeting was excellent.”

“Very good & informative.” “Great two days!”

“There was a good balance of ‘outside’ as well as Southwind speakers, topics and opinions. This was a very good experience and an excellent venue.”



HIGHLIGHTS FROM THE FIRST SOUTHWIND INSTITUTE

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case and offered in-depth commentary on proper physician recruitment policies and guidelines as they relate to the running of a successful employed physician enterprise. His talk helped attendees gain an understanding of the necessary steps to prepare their organizations for successful physician recruitment and retention.



THE QUEST FOR INTEGRATED HEALTH CARE

Daniel K. Zismer, Ph.D., President, Essentia Health Consulting, Duluth, Minnesota

Daniel Zismer delivered the Institute's Closing Address, "The Case for Integration: Why and How Markets Will Drive Healthcare Consolidations and More Integrated Health Systems." Dan laid a foundation for the need for integration and defended the new model against detractors. In building his case, he looked at key "drivers" of consolidation in health care. For instance, as health systems evolve there has been a reduction of private specialty centers due, in part, to recruiting problems, and increased costs related to quality and safety transparency. Another "driver" is the new breed of younger physicians entering the workforce who desire predictable schedules and want to avoid personal capital investments in practices.

Dan described the characteristics of a well-integrated health system: a unified mission, vision, set of values and strategy. Financially, the system will have a consolidated balance sheet and aligned financial incentives, and a balance of power and responsibility among physicians.

"The key to full integration is to see all physicians employed by and co-leaders of the health system."

Daniel K. Zismer

Managing a newly integrated system was another issue Dan tackled. According to Dan, physician incentives are central. There must be a new model of "productivity" that calls each physician

to a higher level of engagement. Managers must seek to invest capital wisely and avoid inefficient joint ventures. Manufacturing processes must be "leaned" and payor risk understood.

Dan defended integration against the "affiliation" approach, stating that integration is the best choice because the financial piece of a successful affiliation takes too much time and energy in the short and long term. He also addressed fears associated with integration, arguing that the benefits of the system outweigh initial hesitations.

"Fully integrated health care is the most rational option for today's evolving market, and the best part of this system is what's not there: lost time, effort and miscommunication."

Daniel K. Zismer



The Southwind Institute also featured three panel discussions. On Thursday, **Jonathon Bush**, Chairman and CEO of athenahealth, and **Stephen Gorman**, VP and General Manager of IITS Practice Solutions, GE Healthcare, spoke about Physician Enterprise Management Information: "What the Health System Executive Needs to Know" in a discussion moderated by **Margaret Hoban**, Executive VP at Southwind.

Friday morning's panel discussion on legal and compliance issues in physician employment was moderated by **Anthony D'Eredita**, Southwind VP, and featured panelists **Thomas Dutton, Esq.**, Partner, Jones Day and **S. Craig Holden, Esq.**, President and COO, Ober Kaler. This discussion was followed by another expert panel looking at case studies of health system sponsored physician practices, with moderator **Dick Wright**, Southwind Senior Partner and panelists **Louis Joseph**, Central Group VP from HCA Physician Services, **Michele Molden**, EVP and CAO, Piedmont Healthcare and **John K. Tolmie**, President and CEO, St. Joseph Medical Center. In this discussion, a case study of physician alignment/acquisition was presented for the panelists' reaction, and the panelists answered related questions from attendees.

While the Southwind Institute was designed to maximize learning opportunities for the busy executive, the schedule allowed time to enjoy The Hermitage Hotel's five star amenities. After Thursday evening's cocktail reception and dinner, participants were treated to a special Nashville experience: Singer/Songwriters in the Round. Three renowned Nashville singer songwriters, including one Grammy award winner, performed original acoustic music for a private audience of Southwind Institute attendees. ■

SOUTHWIND NEWS

Published Periodically For Southwind Clients and Friends

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HEALTH PARTNERS, L.L.C.®

ALIGNING PHYSICIANS AND HOSPITALS
IN SYSTEMS THAT WORK

210 25th Avenue North, Suite 1112, Nashville, TN 37203

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NEW SOUTHWIND CONSULTANTS ADD STRENGTH TO REVENUE CYCLE AND FINANCE SERVICES

Southwind Enhances Revenue Cycle Management and Consulting Team

Southwind's expertise in revenue cycle solutions has been enhanced with the addition of three new consultants. As members of the Southwind team, these individuals serve on Southwind engagements that focus on improving the financial and operating performance of employed physician enterprises, particularly the professional fee revenue cycle, including front-end practice operations and back-end billing, collections and accounts receivable management.

Margaret Hoban, Executive Vice President responsible for revenue cycle management functions, commented on the new team members: "Each of them bring important strengths to our client engagements. Will's years of customer service experience gives him an ability to integrate a disciplined approach to information capture and time of service collections with a patient-centered visit experience. Dianne's methodical approach to revenue cycle redesign and her ability to expedite problem resolution make her a great asset to the revenue cycle team. Shelby's extensive revenue cycle and practice management system knowledge lends itself to easy extraction of data from systems, regardless of their origin, and her reporting capabilities provide customers with meaningful dashboards of information. We are thrilled to have these highly qualified individuals on board."

Will Ables, Consultant

Will Ables is a Southwind consultant specializing in revenue cycle process analysis and improvement. Since coming to Southwind, Will has focused on revenue cycle front end processes, including improving customer service and collection policies, procedures and follow through. Will's major assignments have included work on the establishment of new revenue cycle operations for the creation of a major heart institute in the Southeast, and for the re-design and standardization of revenue cycle processes for a rapidly growing hospital sponsored physician practice in the Southwest.

Prior to joining Southwind, Will spent five years in management and customer relations management positions of increasing responsibility at the Hyatt Hotel system. He has done free-lance

work in video and audio production in Nashville and New York City. Will holds a bachelor's degree from George Washington University.

Dianne Adams, Consultant

Dianne joined Southwind as a specialist in revenue cycle analysis, re-design and interim management. She brings more than 20 years of multi-industry experience in operational improvements and implementation to consulting and interim management engagements for Southwind clients. Her work at Southwind has included revenue cycle operations assessments for several health



Will Ables, Consultant



Dianne Adams, Consultant



Shelby Allen, Senior Consultant

system owned medical groups. She has also served on the interim management team charged with improving the operational performance of a growing medical group sponsored by a major multi-hospital health system in the Southwest.

Previously, Dianne spent nine years with The PIC Group, Inc., a Canadian based company providing comprehensive quality control solutions and consulting services to suppliers in the automotive industry. As Quality Resource Manager, Dianne established regional offices in Tennessee and Michigan. She also served as Operations and Training Manager and Regional Operations Manager responsible for developing new employee training and operational improvement programs in the company's southeast region.

Before PIC, Dianne was Managing Director for Questar Partners, Inc., an employment and training business in Middle Tennessee. As a Director, she established and implemented financial procedures which increased efficiency and profitability, in addition to managing day-to-day operations. Dianne has also held several government positions focused on workforce development and training.

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NEW SOUTHWIND CONSULTANTS

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Dianne completed her Bachelor of Arts degree at Troy State University.

Shelby Allen, Senior Consultant

Shelby serves as a Southwind Senior Consultant specializing in physician group practice administration, information systems, revenue cycle improvements and data analysis and reporting capabilities. Shelby's Southwind assignments have included leading the installation and implementation of a practice management information system for a large independent group practice in the Northeast, and working with Southwind's interim management team to implement a practice management system for a regional medical center's growing employed physician practice. She has also helped build a staffing model and participated on a revenue cycle operations improvement team for a major multi-hospital health system in the Southwest.

Prior to joining Southwind, Shelby was with Tennessee Oncology in Nashville, Tennessee for 17 years, where she held positions of increasing responsibility and developed a thorough understanding of business office operations, human resource management, billing functions and reimbursement analysis. Her previous work as a System/Business Analyst and Practice Management System Administrator gives Shelby in-depth knowledge of technical and operational processes as they relate to EDI and eCommerce, extensive knowledge of billing guidelines and the proven ability to manage and maintain successful collection statistics.

Shelby is a member of the Medical Group Management Association and is pursuing a Bachelor of Science degree at Austin Peay State University.

Southwind Expands Capacity for Financial and Compensation Plan Analysis

A core strength of Southwind's capabilities is our ability to provide accurate and in-depth analysis of practice finances and physician compensation. Our clients rely on this analysis to make far-reaching decisions about the future of their employed physician enterprise. Recently, Southwind augmented its finance team with several new members. Commenting on the additions, Peter Kindrachuk, Southwind President & COO, said: "The Southwind finance team has consistently provided timely and quality analytical services. Many of our clients are familiar with the financial services that Eric Passon, Kathy Poston, Jack Hickey, and Sue Mackintosh have provided. With the addition of these new individuals, we are positioned to continue to provide industry-leading financial expertise to a growing list of clients."

Andrew Coulton, Consultant

Andrew joined the Southwind team as a specialist in financial and compensation plan analysis for health system sponsored physician practices. Andrew's work on behalf of Southwind clients has included designing compensation plans for an academic medical center in the Northeast and for a 210-bed, not-for-profit community hospital in the Mid-Atlantic region. He has provided financial analysis for a 100 physician hospital-sponsored medical group in the Southeast. Andrew has also researched academic faculty compensation plans for a major rehabilitation referral center in the



Andrew Coulton, Consultant



Seth Wilhite, Consultant

Midwest, and researched and developed a physician employment agreement for a community hospital in Michigan.

Andrew began his career in health care in 2006, when he served as Administrative Intern and Interim Practice Manager at University of Maryland Medical Center, Department of Orthopedics, managing an outpatient clinic with eight orthopedic surgeons and seven employees. Previously he was a consultant for Summit Property Management Company, where he developed financial statements, performed market research and devised strategies to develop the business plan during the company's start up phase.

Andrew completed his Master of Health Administration at Washington University in Saint Louis and holds a Bachelors degree in Art History and Business Administration from Trinity University in San Antonio.

Seth Wilhite, Consultant

Seth brings 14 years of progressive practice management experience to the team, and is responsible for providing financial analysis services and support of Southwind interim management engagements. Seth brings substantial financial and operations experience in the physician practice management, insurance and managed care industries to his work with Southwind clients. He has worked as a financial and compensation analyst on several Southwind interim management and consulting projects in the Northeast and Southwest.

Previously, Seth was Project Manager for Advanced Health Strategies, LLC where he managed extensive recovery projects for health insurance companies and led teams of employees in the effort. While with PhyCor, Inc., he served as Director of Finance in two markets and successfully led a team to recover \$2.5 million in provider overpayments. He also served as Manager of Managed Care Support at PhyCor, assisting the controller with monthly financial close and consolidation of thirty-five markets for six months. As Director of Finance for North American Medical Management, Seth recovered more than \$500,000 in overpayments and participated in negotiations with HMOs and providers.

More recently, Seth provided consulting services to successfully complete claims payment recoveries for six companies, served as Interim Director of Finance for Inpatient Medical Services in Houston, Texas and compiled an operations assessment for a Chicago-based IPA.

Seth completed his MBA and Master of Science in Health Administration at the University of Alabama, Birmingham and his Bachelors in Commerce and Business Administration at the University of Alabama, Tuscaloosa. ■