

**CHEAT SHEET**  
for all health care sectors

# Independent Medical Group Decision-Making

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Understand central dynamics prior to your next proposal

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## Key takeaways

- The board has the most extensive authority over governance decisions at independent medical groups, but all decision-making bodies need to work cohesively to be truly effective.
- Securing physician buy-in is essential to any partnership with an independent physician group.
- Division of powers will vary depending on the group you work with. Know who has decision-making power, or the ability to influence decisions, before you present your pitch.

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# What is it?

Most independent medical groups are governed by three decision-making bodies: the board, C-suite, and shareholders. Some medical groups also have a corporate executive team involved in decision-making. Each governing body plays a distinct role in effectively managing day-to-day operations and guiding the group's strategy.

**Board:** Independent medical groups are typically governed by a small physician board. The board sets the strategic vision and is responsible for the medical group's overall success. To do this, they approve the annual budget, monitor performance indicators, oversee the CEO, and vote on major decisions like acquisitions. A shareholder-governed board is unique to independent medical groups. While the CEO may sit on the board, the board chair, often a physician, is a separate role to prevent any overlap between governance and management. The most effective boards are small and highly centralized.

**C-suite:** The C-suite manages day-to-day operations and executes the strategy set by the board. This includes implementing new initiatives, managing group finances, running practice operations, and engaging staff. The CEO reports directly to the board and is often a health care administrator with a business background. The C-suite at an independent medical group will look very similar to the executive team at other provider organizations, including roles such as chief executive officer, chief operating officer, chief medical officer, chief strategy officer, and chief financial officer.



## WHAT IS IT? (CONTINUED)

**Shareholders:** Shareholders are physicians who own shares in the medical group. In addition to working as doctors, they profit when the group grows and succeeds. Since they are financially invested in the practice, they have a stake in group success. Shareholder power varies by organization, but many independent medical groups restrict shareholder authority to what is legally required. This includes decisions around practice sale or acquisition, bylaws changes, and board member elections. This limited power helps streamline decision-making and ensures that leaders make decisions that are in the best interest of the entire group. Increasingly, independent medical groups are offering employment models for physicians who are not interested in being shareholders.

**Corporate:** Not every independent medical group will have a corporate leadership team. This model is most common at integrated physician practice entities with a regional or national footprint, such as coalitions, aggregators, and national chains. Corporate leadership sets the overall strategic vision for the business and grows it to scale. While the leadership team often leaves day-to-day operations up to local practices, corporate oversees the medical group's successful integration and ensures the group is directionally aligned with the larger organization. The corporate leadership team is often made up of representatives from member practices. At more integrated organizations, like aggregators and chains, there may be a separate corporate leadership team.

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# Why does it matter?

**A vendor's most important first step is identifying key decision-makers at the independent medical group.** While most physician practices have similar governance structures, the decision-making process and dynamic between the board, C-suite, and shareholders will vary. It is critical that vendors perform due diligence before bringing forward a proposal, so they understand who has authority and influence over the decision. Vendors should ask themselves the following questions:

- Who will vote on this decision? Can the C-suite use their own budget, or will this need to go through the board? Does it only require board approval, or will shareholders vote as well? Is there a specific person who has final say?
- Are there key stakeholders who can influence the proposal even if they don't have direct decision-making authority? What is their role and relationship to the decision-maker?

**Physician buy-in is more important at independent practices than other medical groups.** Since independent physicians are also shareholders, they have a greater financial stake in group success. Depending on the group's structure, they may also directly fund any needed investments. Be prepared to demonstrate your product's value, a clear business case, and a WIIFM (what's in it for me). Potential partners should come with a thoughtful physician buy-in strategy. Even if shareholders don't have decision-making power over your proposal, physician buy-in is essential for any successful implementation, so make sure your pitch proactively includes mechanisms to communicate with and convince physicians.

- How essential is physician buy-in to the specific organization you're pitching to? What can you do to tailor your proposal to be more physician-centric?

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WHY DOES IT MATTER? (CONTINUED)

**As practice aggregation continues, corporate leadership structures will become more common.** As physician practices get larger and more geographically disperse, they will need corporate leadership teams to set an overarching strategy and ensure that practices are directionally aligned. While corporate governance is the minority today, it will become more common as coalitions, aggregators, and national chains continue to grow. Begin by learning who sits on this team, what they have decision-making power over, and how they mediate with local practices. Since corporate teams are focused on strategic alignment across the enterprise, be sure to highlight how your product can be integrated seamlessly and at scale.

- Does corporate leadership include representatives from individual practices? If so, how will you help get their member practices on board with your proposal?
- If your proposal is approved, how can you work with the corporate leadership team to integrate your product throughout the entire organization at scale?

# How does it work?

Many different factors influence how governance runs at an independent medical group, specifically the relationship between the four decision-making bodies. Below are a few areas where it is important to be mindful of these dynamics.

**Different decision-making bodies must be responsible for governance versus management to be effective.** Governance is high-level strategic planning that sets an organization’s strategy and vision, whereas management is the oversight of everyday planning, communication, and execution. Governance and management are easily conflated, so it is important for medical groups to delegate these responsibilities to separate leadership bodies. Management concerns often feel more urgent in the moment, which would detract the board from overarching priorities if not handled by the C-suite. Highly effective boards use their limited meeting time to address issues only they have authority over, such as setting group policy, vision, and strategy. As a prospective partner, consider what type of problem your solution solves for and which governing body will make the final decision. Be prepared to demonstrate how your solution helps the practice address an immediate problem or support a long-term ambition.

**Physician interests often undermine group interests.** Since physicians are shareholders in the group, they may have individual interests that are at odds with the larger group strategy. This comes into play when decisions that increase shareholder profits in the short term do not align with the practice’s long-term goals and growth ambitions. To balance competing interests, independent groups will often elect representative board members and carefully scope shareholder roles in the decision-making process. This means it will be crucial for vendors to highlight how their product or proposal supports both physicians and the interests of the practice overall.



## HOW DOES IT WORK? (CONTINUED)

**Incorporating input from different stakeholders is essential but delays the decision-making process.** The range of governing bodies in independent groups complicates efficient decision-making. The board must be able to effectively bring the C-suite and shareholders along with any decision, which inevitably adds time. A member of the C-suite, often the CEO, will serve as a representative to the board. This keeps the board informed of what is happening from a management standpoint, gives the C-suite an outlet to make recommendations, and enables the C-suite to execute the board's decisions. Similarly, shareholder voting is intentionally limited to avoid diminishing the board's authority, however, certain decisions require shareholder approval in addition to the board's. Prior to presenting your pitch, understand the respective roles of the board, C-suite, and shareholders at each step of the decision, as well as the standard turnaround time for a decision like this. Bringing all stakeholders along will promote a successful, long-term relationship—even if you have to put more effort and time in upfront.

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# Questions you should be asking

**01** Does your solution solve for a governance or management issue? Which decision-making bodies need to be involved?

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**02** What role does the board, C-suite, shareholders, and (if applicable) corporate leadership play in each step of this decision? Are there other influencers outside of these leadership bodies who you should build relationships with?

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**03** What is the average turnaround time for a decision like this? Who is involved at each stage?

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**04** Where will funding for the product come from? Is there a budget already allocated, or does it require additional capital from shareholders or an outside partner?

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**05** If the board votes to pass your proposal or purchase your product, how can you support the leadership teams with educational resources to facilitate integration across the organization? What is your plan to pilot and ultimately scale the solution? How will you recruit physician champions?

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**06** Where do incentives align for you to create win-win opportunities that independent practices can't find with other partners? How can you help support shareholder buy-in that others don't offer?

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