Comanagement
Educational briefing for providers

What is comanagement?
Comanagement agreements are formal relationships typically administered through limited liability corporations, joint ventures, or direct contracts between hospitals and independent physician groups. The agreements are more extensive than medical directorships because the hospital pays an independent physician group to manage daily operations of a medical specialty service line. Critically, these contracts include physician incentives tied to specific goals for quality and operational improvement.

Comanagement contracts can offer independent physician groups several benefits including: securing business from a critical hospital or health system partner, gaining more control over inpatient efficiency and quality, diversifying revenue streams, expanding market presence, supporting outpatient strategy, and driving hospitals toward risk. Hospitals pursue comanagement contracts to reduce input costs, recruit specialists, grow and develop service lines, and improve quality.

How does comanagement work?
Hospitals can either contract directly with a single independent group or with a collection of physician groups who have formed a comanagement organization for contracting purposes. Hospitals and physicians must define three fundamental features of comanagement contracts during the negotiation process:

- Define scope of services
  - Define service line (e.g., inpatient, outpatient, multi-site services)
  - Pinpoint management services and determine degree of physician involvement in and control over each service

- Determine contract value
  - With fair market value (FMV) appraiser, determine total contract value of providing identified services

- Establish physician compensation model
  - Define two types of payments:
    - **Base compensation**: Guaranteed compensation for services
    - **Incentive compensation**: Based on performance against set of agreed-upon metrics

Sample management services:
- Workflow process improvement
- Physician and patient scheduling
- Nurse and clinician oversight
- Patient case management activities
- Credentialing activities
- Medical staff committee service, leadership

Sample performance metrics:
- Readmission rates
- Length of stay reduction
- Per unit costs
- Patient experience
- Percent on-time starts

Source: Advisory Board research and analysis.
Comanagement

Educational briefing for providers (continued)

Comanagement agreements are not right for all groups. Three reasons independent physicians may choose not to pursue comanagement include:

- **Scope of control**: Comanagement contracts are generally worthwhile for physicians only if the hospital is willing to offer physicians real control over the service line.

- **Valuation**: Some physicians find the fair market valuation of the contract too low to justify the use of physicians’ time managing a service line.

- **Hospital competition**: Groups in highly competitive markets may be wary of aligning too closely with one hospital because it might hinder other valuable hospital relationships.

Other alignment models include: professional services agreements, management services agreements, clinically integrated networks, joint ventures, management services organizations, and employment.

**Why is comanagement a key issue for medical groups?**

- **Groups have flexibility to achieve strategic goals while maintaining autonomy**: Due to consolidation and the shift to value, many specialists feel the need to foster stronger relationships with hospital partners. Comanagement allows groups to maximize influence while maintaining autonomy.

- **Comanagement contracts offer groups greater control over inpatient efficiency and care quality**: Physicians gain influence over areas that affect their reputation like satisfaction, efficiency, and care quality. Successful comanagement agreements can substantially improve metrics in these areas. Orthopedic, cardiovascular, and imaging service lines are particularly amenable to co-management agreements due to the high potential for both quality gains and cost reduction.

- **Comanagement is a low-risk revenue opportunity for groups**: Under a comanagement agreement, physician groups can operate a facility without the significant capital investment required to own one. As physician reimbursement declines, this strategy can also help diversify medical group revenue streams so they’re less vulnerable to future reimbursement cuts. Groups may also benefit from increased volumes by securing hospital referrals and network inclusion.

**Additional Advisory Board research and support**

Learn [How to Secure Valuable Comanagement Partnerships](#) with your hospital or health system, or explore alternative alignment models in our webconference [Hospital-Physician Alignment Models 101](#).

You can also contact your group’s Dedicated Advisor or email **pprresearch@advisory.com** for more research on this topic or other strategic priorities for your group.

Source: Advisory Board research and analysis.