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GP CME 2009

Governance vs Management

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Session Overview

- Governance/Management – what's the difference?
- General practice overview
- A GP governance/management model
- How do we get there (working together)
- Questions

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What is governance?

- System of direction and control
- On behalf of ‘owners’
- Purpose – to ensure the organisation achieves what it should and avoids what is unacceptable

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What is governance about ?

- Setting clear direction
- Defining policies and setting standards for management & governance
- Setting objectives for practice and monitoring performance
- Ensuring capital is used efficiently, practice is compliant and fulfils its obligations to owners, staff and society

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Governance Model (Corporate)

Legislation, regulations, constitution & other obligations of the organisation

The Board

Direction **Strategy** **Policy**

CEO competence, capability & performance

Meeting expectations and requirements of shareholders /owners

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Good General Practice Governance – How do you know?

- What are the primary performance measures of the practice? e.g. a corporate may be to ‘increase shareholder value’
- Assessment of overall board performance and individual directors
- Objective ‘to continually improve the effectiveness of governance’

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What is management?

Planning

Leading

Organising

Controlling

What is management about?

- Supports the board (governance) in developing strategic plan
- Develops and recommends operational plans (to achieve strategic goals)
- Ensures the board has information needed to fulfil their responsibilities
- Ensures the organisation implements the plans and policies, achieves goals etc.

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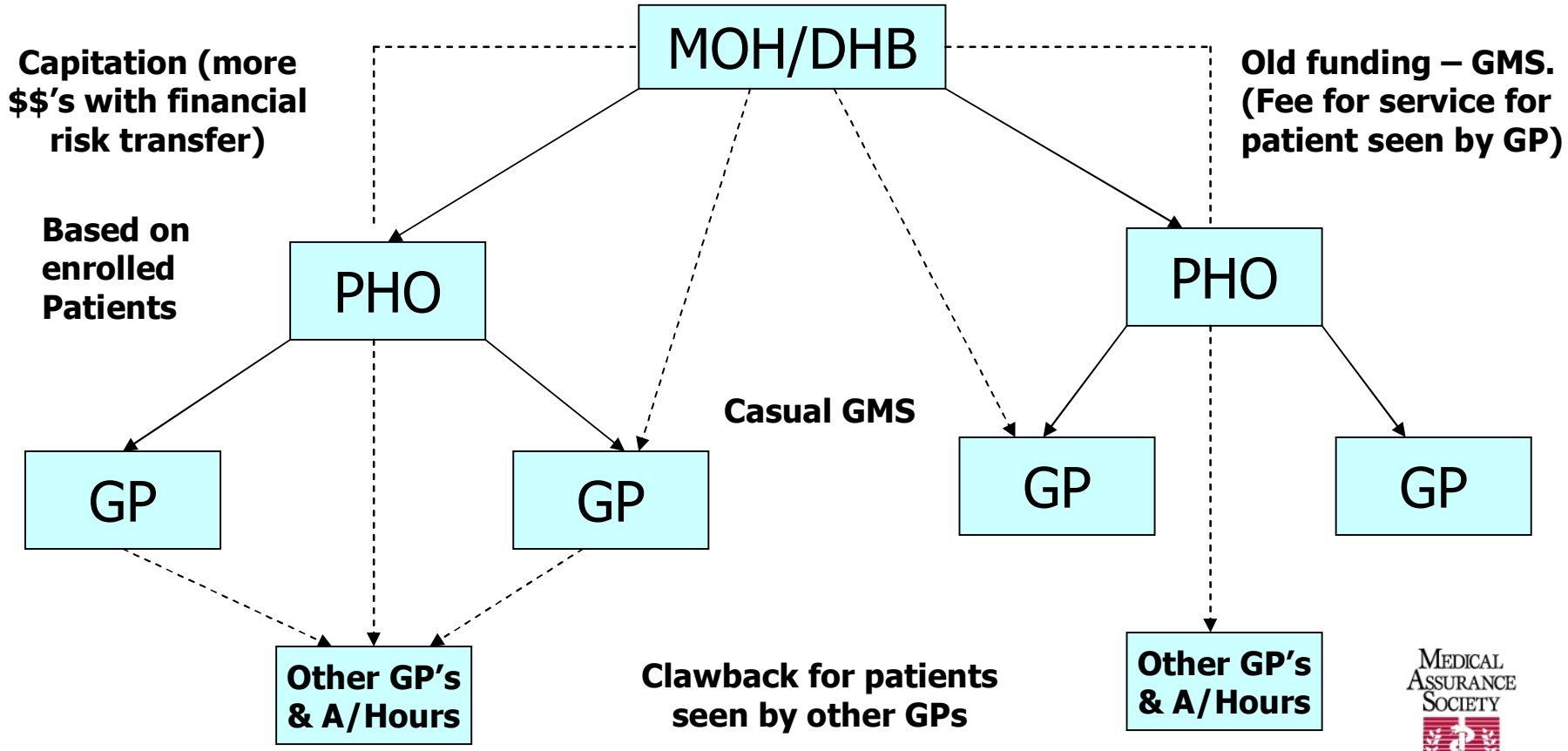
GP Overview - Capitation Funding



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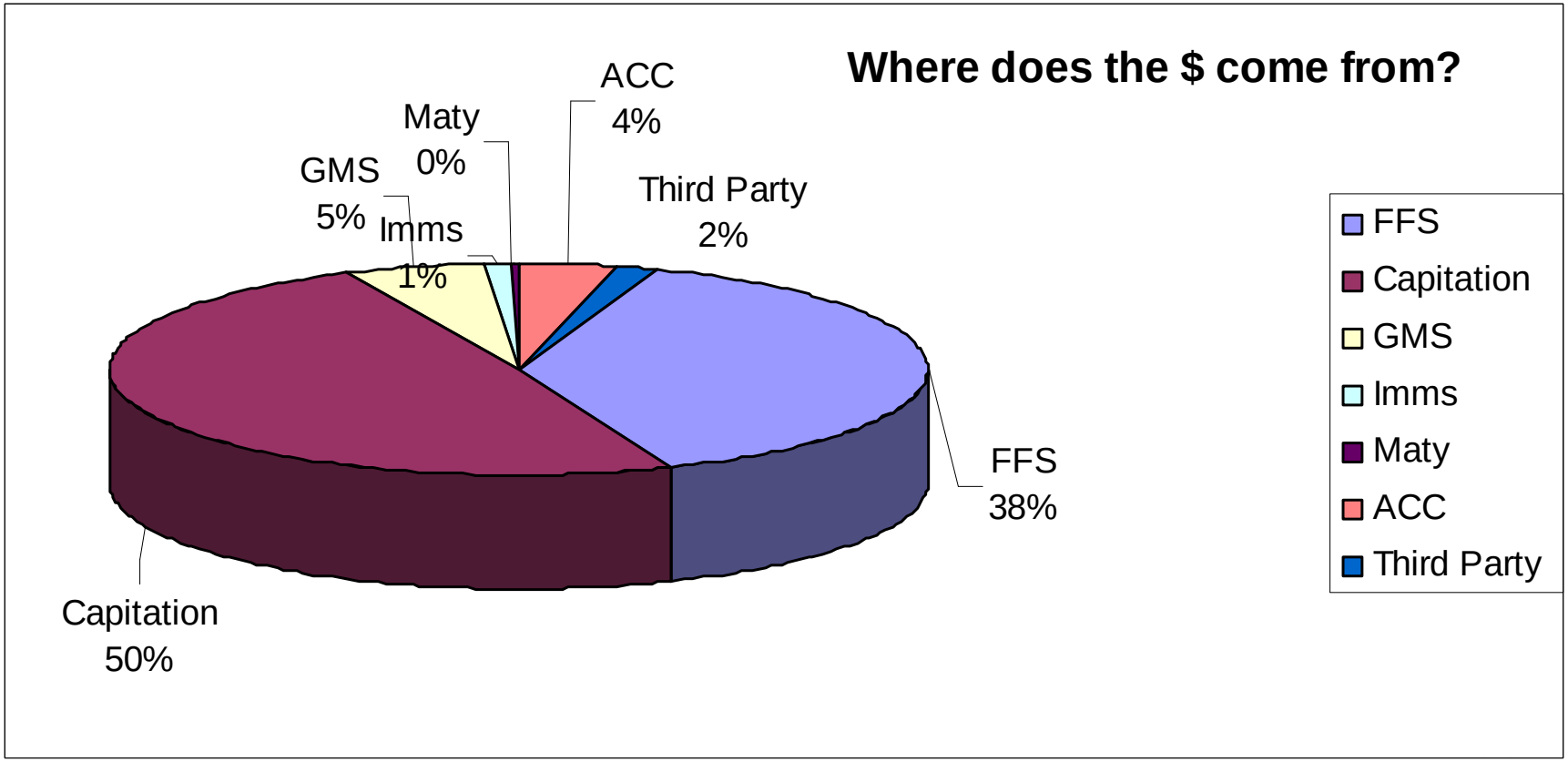
GP Overview - Revenue



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GP Overview – size

Number of GP practices in NZ = approx. 1,000

Sample = 418 Practices	All Practices		< 2 GP FTE		2 - 4 GP FTE		> 4 GP FTE	
(86 Rural, 332 Urban)	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Practice Numbers	86	332	33	129	38	151	15	52
Ppn of sample	21%	79%	38%	39%	44%	45%	17%	16%
Sample Medians:								
Patients per GP FTE	1,614	1,724	1,560	1,770	1,691	1,720	1536	1702
Patients per Nurse FTE	1,750	2,214	1,560	2,028	1,885	2,267	1789	2403
Nurse/GP FTE Ratio	0.92	0.77	1.00	0.83	0.79	0.75	0.84	0.74
Admin/GP FTE Ratio	1.05	0.95	1.39	1.01	1.00	0.92	1.03	0.74

Source – MAS HealthyPractice™ - Subscriber Analysis Report – Jan 09

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GP Overview – ownership

- Ownership models have expanded. In addition to privately owned (GP & 'corporate') there are now PHO, DHB, Community Trust, Iwi and other 'non-private' sector ownership models

- 2007 'Cornerstone' survey of 444 practices had
  - 84% Privately owned, jointly owned or private company
  - 7% Community Trust (mostly rural?)
  - 3% PHO owned
  - 2% Tertiary Institute
  - 4% Other incl. Iwi, DHB

GP Overview – business model

- Mostly private ownership and group practice generally still cost sharing arrangements
- Practice ownership (patient goodwill) at individual GP level
- Management role shared (GPs/Practice Manager/ some staff)

GP Overview - Cost Sharing

- Cost sharing group practice is still dominant
- Each GP retains business ownership (their practice) & receives their revenue streams related to their patients
- Capitation funds are received directly by individual GP (with/without internal clawbacks) OR internal/dummy GMS substitute
- Group practice employs staff, manages the 'costs' & some group practice revenue. Levies GP owners with share of net expenses

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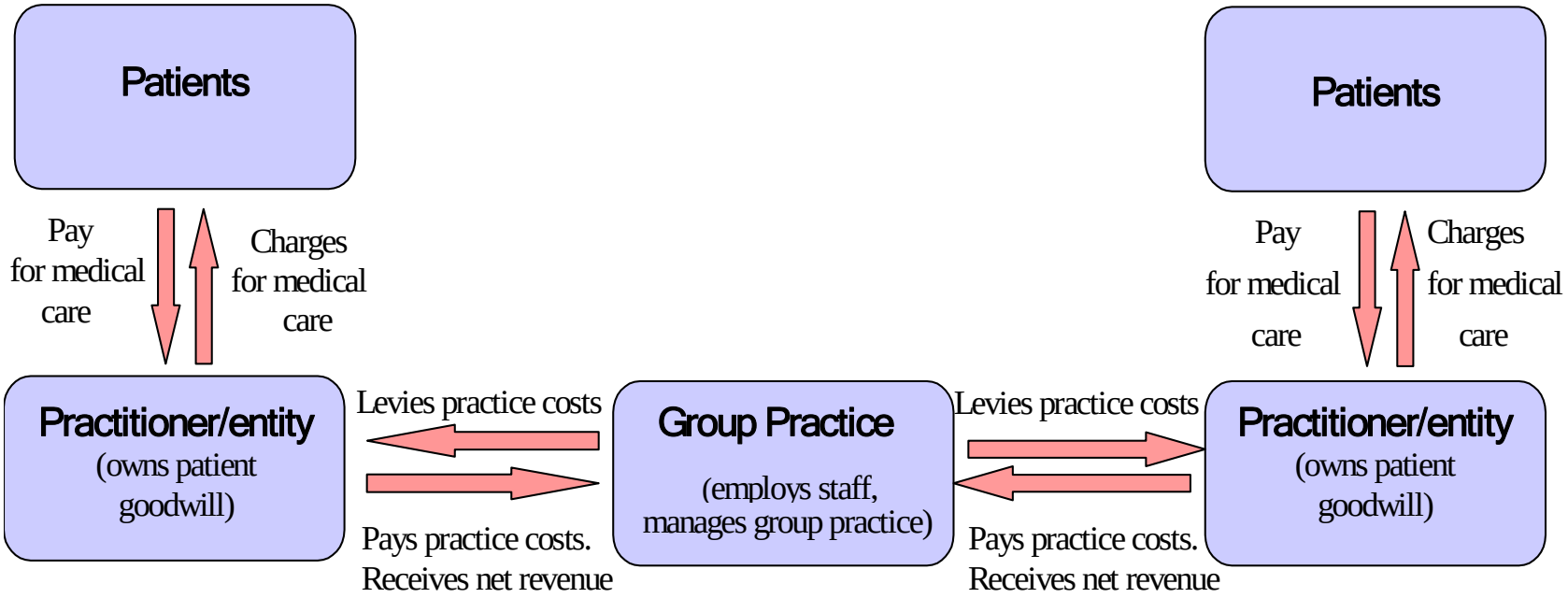
GP Overview - Cost sharing



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GP Overview - Cost Sharing

Benefits

- Fee for service model means GP take home income reflects personal activity/consults as well as enrolled base
- Allows more independence of working practice

Concerns

- More difficult to fairly reward for care of chronic illness patients, elderly or psychiatric
- Tensions between what's better for individual GP and the group
- Fee for service model not so attractive for new GPs - many seek salary or sessional based rem.
- More difficult to have good governance/management model with a number of separate businesses?

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GP Overview – Profit Sharing

- More group practices considering single business option but cost-sharing arrangements still dominant
- GP business & all assets owned by group
- Clinical income & profit separation for owners
- Financial risk (and return) held at group level

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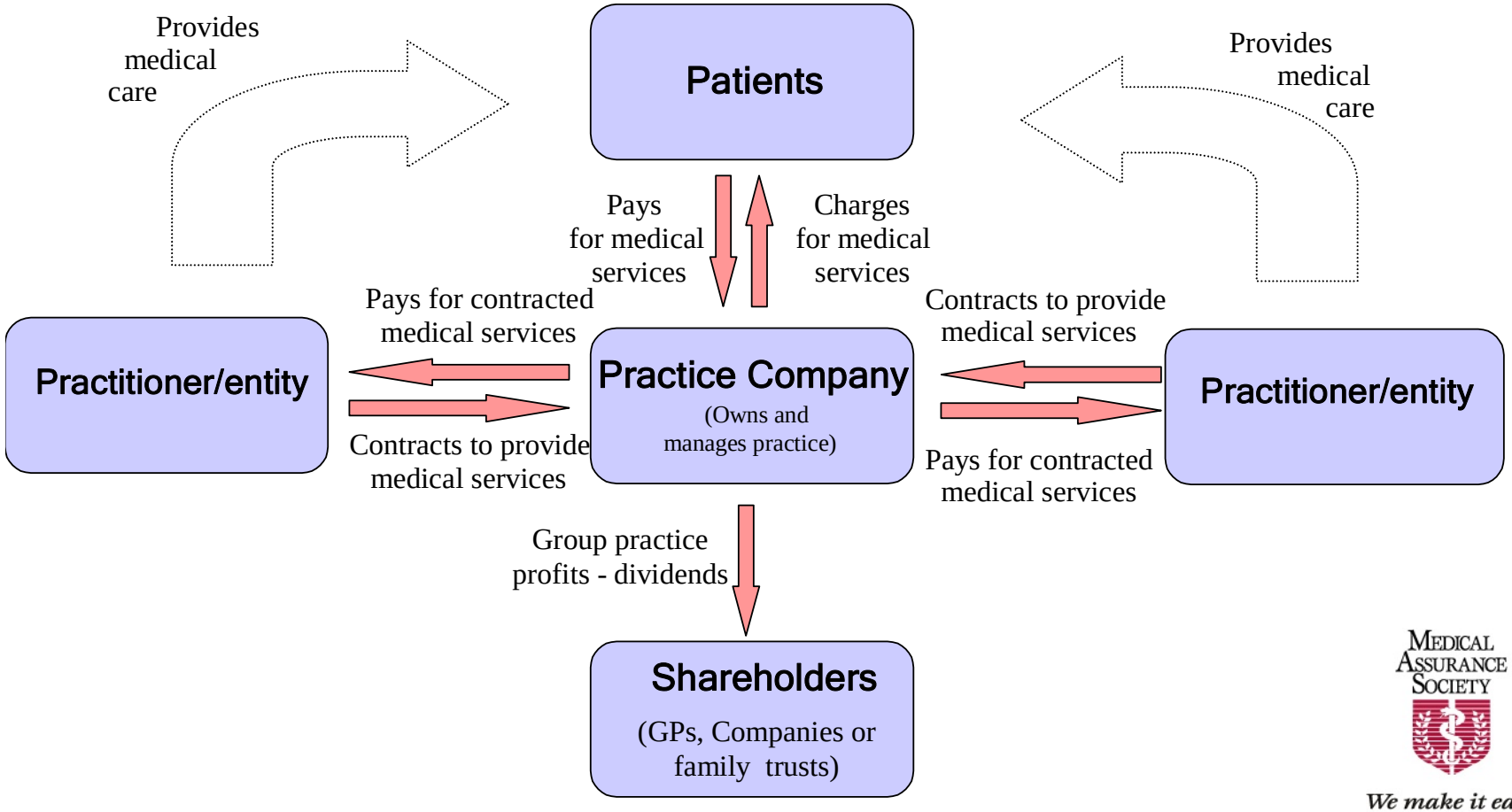
GP Overview – Profit Sharing



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GP Overview – Profit Sharing

Benefits

- Clearer direction from owners with a single business
- No more complex internal cost sharing arrangements
- Focus switches to group practice performance as financial impact (profits/losses) is on all principals
- Ability to manage all revenue opportunities and profit, not just costs
- Should encourage better teamwork, consistency, group standards and group practice compliance

Concerns

- Developing an equitable GP remuneration model
- Less practice independence, acceptance of group standards

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GP Overview - Environmental Changes

- Capitated funding and proactive population health management
- Increased financial risk
- Less direct revenue from GP/patient consult
- Group practice quality standards introduced
- Increased compliance and administration
- Business and management skill needs
- Different business model required by younger GPs

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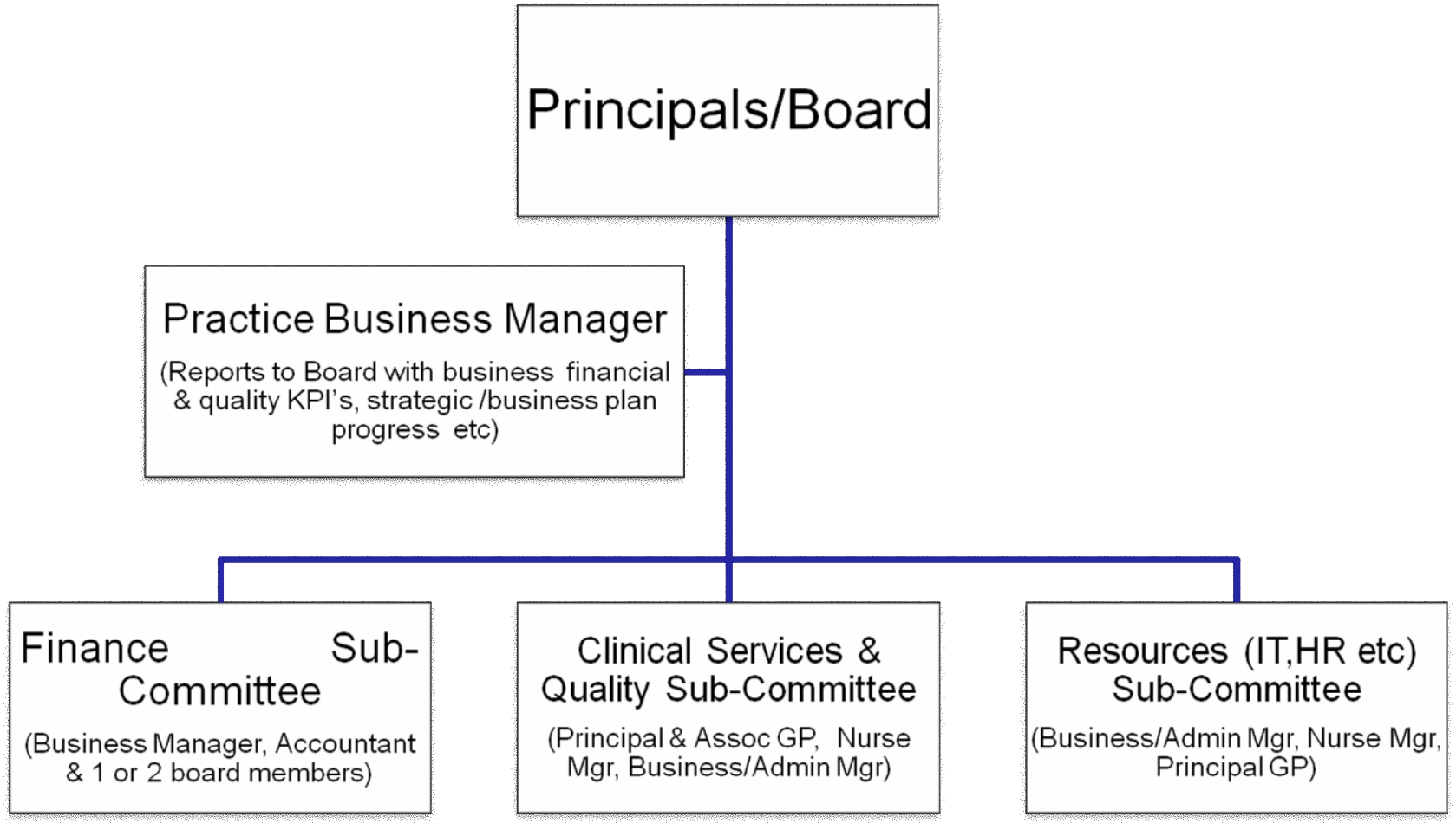
Large Practice Governance & Management Model



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Reporting to the Board

Typical board meeting agenda:

1. Apologies & previous meeting minutes
2. Matters arising
3. Strategic plan progress report
4. Sub-committee reporting
   - Finance
   - Clinical Quality
   - HR & Resources

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Reporting to the Board

What will be your key measures for reporting to the principals?

Group 1 – Financial

Group 2 – Clinical Quality

Group 3 – HR and Resources

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Summary & Questions?

Resources

MAS HealthyPractice® www.healthypractice.co.nz

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