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Carson F. Dye

# building strong partnerships with CMOs

## AT A GLANCE

- CFOs and chief medical officers (CMOs) can build on common traits to form productive partnerships in guiding healthcare organizations through the changes affecting the industry.
- CFOs can strengthen bonds with CMOs by taking steps to engage physicians on their own turf—by visiting clinical locations and attending medical-executive committee meetings, for example.
- Steps CFOs can take to help CMOs become more acquainted with the financial operations of health systems include demonstrating the impact of clinical decisions on costs and inviting CMOs to attend finance-related meetings.

**Oil and water. Republicans and Democrats. Cats and dogs. Physicians** and finance people. Chief medical officers (CMOs) and CFOs. These pairs simply do not go together—or so one would think.

Amazingly, finance officers and physicians actually may go together like ham and eggs or Laurel and Hardy. These healthcare leaders in fact may be the executives who can most capably team up to make positive differences in the changing world of health care.

Clinical integration requires a full blending of formal care management and care coordination, and the capability to bill for services and manage, track, and distribute payments from diverse payer contracts. Moreover, with the move to value-based payment systems, it also will require strong partnerships between finance and physician leaders.

Organizations in which the CFO and the CMO work in tandem may find the secret to top-decile performance. Fostering a culture in which other finance and physician leaders and managers work closely together produces positive effects throughout the organization.

The differences between healthcare administrators and physicians are often underscored in the literature (see, for example, Cohn, K. H., and Hough, D.E., *The Business of Healthcare*, Westport, Conn.: Praeger, 2008). The contrasts suggest establishing a collaborative relationship between these two seemingly disparate professions is a difficult proposition.

Among the differences:

- Administrators are more oriented toward large-scale team interaction, while physicians tend to work solo or as part of small clinical teams.
- Administrators make decisions in group settings and delegate frequently, while physicians make individual decisions and do not delegate their authority.
- Administrators focus on the organization, while physicians focus on patients.
- Administrators are more future-oriented, while physicians focus more on the short-term tasks of providing care.

Interestingly, the differences between physicians and administrators may be
far more pronounced if the administrators lack strong financial backgrounds.
A closer look discloses many significant similarities between physicians and administrative leaders with strong backgrounds in finance.

Both finance personnel and physicians:
- Are precise in their approaches to their work, relying on scientific and quantitative analysis
- Tackle problems by testing assumptions and proposing solutions based on logic and measured judgment
- Have personal codes of ethics (the Hippocratic Oath and the American Institute of CPAs Code of Conduct) and organizational guides (evidence-based clinical-practice guidelines and standards-of-care protocols for physicians; generally accepted accounting principles for finance leaders)
- Deal with systems (physicians with biological systems and finance leaders with organizational systems)

Building off this framework of similarities, let's explore how CFOs can establish strong partnerships with CMOs.

### Become a Familiar Face

CFOs should feel at ease in the physician lounge, making rounds in patient care areas, or sitting in on selected meetings of medical staff committees.

*Get comfortable in patient care settings.* CFOs should meet with physicians outside of administrative offices or conference rooms. Holding some meetings in clinical settings not only enhances a CFO's understanding of clinical work, but also goes a long way toward building stronger ties.

*Visit clinical locations.* One CFO I know would set aside half a day each month to spend quality time with a physician. Another frequently spends half a shift every month or so rounding with a hospitalist or donning scrubs and spending time in the operating room. The cath lab, intensive care units, and the emergency department also are ideal rounding locations. Although these visits may seem time-consuming, they give CFOs and other finance managers a keen sense of operations at the point of service.

*Attend medical-executive committee meetings periodically.* The med-exec meeting usually is the forum in which significant changes to the medical staff take place. A profound understanding of the dynamics and politics of this forum is fundamental to understanding how physicians govern themselves.

*Work on a clinical project.* Cost analyses of clinical services and studies of new programs under consideration are among the many possible projects that promote collaboration between CFOs and CMOs.

*Establish ties with employed-physician practices.* Finance and physician leaders often clash in the management and financial reporting of these practices. Contemporary organizations understand the need to build and sustain a strong cadre of employed physicians. Finance leaders would get a great ROI by increasing the level of communication and sharing of financial practices relating to employed-physician groups. "I just wish my CFO would come and visit some of our employed-practice locations," one CMO said. "I think he would have a better sense of what we are doing if he did."

*Understand physicians' educational demands.* The education of a physician is an exceptionally long journey. One physician noted he was 33 before he got his "first real job." A grounded awareness and appreciation of this process may help finance managers establish strong professional relationships with their physician counterparts. Organizations with medical education programs such as residencies provide additional opportunities for finance managers to gain a deeper understanding of the education process. CFOs also should consider attending medical education meetings.

*Recognize the evolution of the CMO position.* In the past, CMOs typically were responsible for credentialing and the operations of the medical staff's office, and for serving as a liaison between physicians and the medical staff. Many CMOs these days have full operations responsibility for significant centers of revenue—for example, authority over the employed-physician network or hospital revenue-producing departments such as radiology and lab. Some CMO positions are beginning to resemble COO jobs, and this trend likely will intensify. CFOs should recognize that many CMOs are full-fledged business-operations executives.

**Expose Physicians to Financial Issues**

The CEO and CFO should work with board leadership to appoint the CMO and other physicians to permanent membership on the board finance committee. Such positions enhance physicians' understanding of the broader financial picture of an organization and give them a chance to carry the message back to their colleagues.

CFOs also can take their CMOs to a local chapter meeting of HFMA, among these many other approaches.

*Use financial systems to create clinical dashboards.* The cost-accounting system—probably the best-kept secret in health care—can be the backbone of clinical-quality reporting. Every diagnosis, procedure, and charge—e.g., drugs, supplies, surgical procedures—is captured in the accounting system. This information can be the source of sophisticated clinical dashboards and physician-level reports.

*Demonstrate the cost impact of clinical decisions.* CFOs can show physician leaders the true cost of supplies, pharmaceuticals, technology, and procedures, and the cost of alternative therapies. They should communicate that physicians are believed to influence almost 80 percent of the cost of care (Goodman, L., and Norbeck, T., "Who's to Blame for Our Rising Healthcare Costs?" *Forbes*, April 3, 2013), and they should encourage physician leaders to share cost data with their peers and choose lower-cost alternatives when clinically appropriate. CFOs should be sure to include physician leaders on the value analysis team and the CMO on the capital appropriations committee.

The CFO of one organization established a course called "Finance for Physician Leaders." It became the most popular two-hour segment in the physician leadership series.

*Show physicians around the finance shop.* For CMOs and other physicians who show interest, CFOs may want to provide tours of the finance department and offer insight to aspects such as the billing process, accounts payable, and payroll. They also should consider inviting physicians to financial meetings.

By attending the monthly close, for example, CMOs can experience the process of preparing the monthly financials and bringing the monthly budget report to life. The CMO could become motivated to establish a similarly disciplined process for the production of the monthly quality reports.

CMOs also can benefit from attending budget variance meetings. One organization had a monthly review meeting that was attended by clinical department directors and their administrative counterparts. Departments with significant variances would present a review and action plan, giving the CMO and physician leaders a powerful example of how to manage quality and safety performance.

Physician participation in bond-rating agency meetings is an indicator of strong physician alignment. The CMO can present the organization's quality performance, which is becoming a stronger consideration in bond-rating decisions. Meanwhile, attending these meetings gives CMOs greater insight into the rating process and can deepen their understanding of the financial aspects of borrowing money.

*Don't speak a foreign language.* Physicians tend to think in terms of cash accounting, not accrual accounting, and are unlikely to be familiar with the practice of income deductions. Using unfamiliar terminology and complex approaches to accounting can sow distrust among physicians.

**Effective Partnerships Take Time**

Readers may conclude that many of these recommendations require significant time and effort, but these investments likely will produce great returns. The new world of health care requires balancing quality, stewardship, and resource management, making the partnering of finance and physician leaders critical to an organization's success.

Carson F. Dye, FACHE, is senior partner, Witt Kieffer, Toledo, Ohio, and a member of HFMA's Northwest Ohio Chapter (carsond@wittkieffer.com).