

SPECTRUM

Society for Healthcare Strategy and Market Development®

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Physician Relations

Can Oil and Water Ever Mix? Strategies for Developing and Maintaining Effective Hospital-Physician Relationships

Becoming a partner instead of a competitor with your medical staff begins with understanding the concerns of your physicians and offering solutions to their problems.

“Developing and maintaining effective hospital-physician relationships” is a simple statement, clear and understandable, yet the underlying concept is elusive to many and unattainable by some. Even so, implementing the statement is universally critical if hospitals and physicians are to be mutually successful.

Years ago, before the dark days of managed care, federal budget pressures, and stagnant reimbursement, hospitals and physicians worked together and thrived. Now, it seems, for one to succeed, the other must not. Can this trend be reversed, or is it an inevitable outcome in a field that is trying to learn to live on a revenue stream that is lagging cost growth?

The goal of both hospitals and physicians is the same: a stable and beneficial environment. But must one succeed at the expense of the other? Shouldn't it be possible to create an environment in which both can reach a degree of financial stability that will allow them to exist comfortably, if not to prosper? The answer must be yes; the alternative is not acceptable. However, achieving this partnership is difficult. Perceptions must be changed, control must be shared, and true power must be better understood. A brief review of market dynamics may be illustrative.

Hospitals: The Power of Cash

Historically, hospitals were the “haves” in the relationship with physicians. Hospitals had trained management, a formal planning process, data, and a significant cash flow, even when margins were small. Hospitals could afford to undertake new programs



and projects, acquire technology, and promote themselves to the public.

As outpatient care became an attractive arena, many hospitals moved aggressively to develop ambulatory campuses and expand service lines. Physicians saw this development and became envious of hospitals' ability to pursue new markets and opportunities. They became disenchanted as they came to understand that although they were the fuel that made the engine run, they did not share in the fruits of their labor.

Physicians: The Power of Patients

The undeniable fact is that it is physicians whom patients come to see. They don't come to a building or a program, no matter how attractive or well promoted, unless they sense that the medical care offered is of high quality and compassionate. It is physicians who direct and deliver that care.

Recently, physicians have become acutely aware of the power of this dynamic. The federal government, through its Stark regulations, recognized the power of physicians to steer patients to services they own. The Centers for Medicare and Medicaid Services (CMS) recognized physician power in its recent moratorium on specialty hospital development. Physicians, with this new awareness, are aggressively seeking to develop ancillary services within their individual practices. Power equates to

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cash. Physicians are questioning why, if everyone agrees on their power, they are sending patients to services owned and controlled by others and allowing that revenue to flow into others' pockets.

It would be simple if hospitals could just agree to split the bottom line with their loyal physicians. Unfortunately, this is illegal. The issue, then, is, What can hospitals do to help their medical staffs that is both within the law and capable of providing physicians with tangible benefits?

Creating a Cooperative Environment

Fact: physicians can compete effectively with hospitals. Fact: many physicians need hospitals to be able to deliver some or all of their care. Fact: patients need both. The realities of medical science are that patients must have skilled physicians, healthy hospitals, and a system of care that offers a broad range of care services. How, then, in the competitive market, with the diverging incentives outlined above, can this service coordination and cooperation be attained?

Understanding Needs

Each player in the "game" of hospitals and physicians understands its own needs, but has little understanding of the needs of the other. At times, some physicians may not even have a good understanding of what could help their own situation. Hospitals may be in the best position to initiate discussions that can educate both players.

Simply put, physicians are facing a revenue crisis. The bottom line is that medical practice expenses are rising faster than revenue.

Hospitals need to be able to align resources with demand. At times, incremental business may actually be disadvantageous if it results in staff shortages and the need to call on agency personnel. Although "more business" is a typical goal, the business should be anticipated and there should be sufficient capacity to handle it.

Hospitals also need to control costs involved in the delivery of care. The cost of equipment, supplies, and staff is growing exponentially. Often physicians create the demand for these items, but are clueless about the implications of their decisions.

Finding Answers

If physicians need to improve their bottom line and hospitals need to be able to anticipate demand and control costs, the challenge is to discover how each can address the needs of the other. Clearly, hospitals cannot provide free or low-cost services to their affiliated physicians, and physicians cannot respond to economic incentives to reduce hospital costs. How, then, can the interests and needs of these two parties be aligned?

The dialogue between physicians and hospitals needs to be expanded beyond social and technical topics and steered toward strategic issues. This means that each must share information and be willing to compromise. This interchange can only be successful in an environment of mutual trust. This trust, unfortunately, is seldom found in current relationships.

How to Begin

If the hospital is to take the lead in initiating this new relationship, who in the organization will lead the way? Many hospital employees have routine interchanges with the medical staff; a few have contacts with physi-



cians who are not actively supporting the institution; but seldom is any one individual the clear focus for developing and maintaining effective relationships with the physician population.

Some hospitals maintain a staff of physician “liaisons,” but often this role is essentially tasked with selling hospital services. Sometimes liaisons identify problems, but these are seldom of a strategic nature. As the focus of the interchange moves up the organizational chain, it typically follows the marketing or planning track. These are often staff positions with only limited policy-making power.

Step one, then, is to **restructure the team charged with developing and maintaining meaningful relationships with the physician community**. The physician outreach staff needs to be knowledgeable about the physician practice environment. Those that manage these staff members need to have the ear of senior management so the messages brought from the market quickly reach the policy makers. Most critical, perhaps, is charging the physician program staff with responsibility for identifying, understanding, and finding solutions for the needs of the medical staff. They need to become spokespeople for the physicians, and senior management needs to be comfortable with the fact that the messages and recommendations they receive will not always be in line with hospital thinking.

Step two is to **use the information brought back from the physicians to develop programs to bring value to their practices in the market**. Of course, the physicians must perceive the programs’ value, and this may require some education and marketing.

Addressing Physician Needs

Although every market will have differences, most physicians are facing the following challenges:

- Finding, attracting, and retaining talented and responsive staff.
- Locating affordable benefits for themselves and their employees.
- Understanding and responding to the growing regulatory requirements.
- Moving from a manual to an automated environment through the adoption of technology.
- Handling the growing burden of operating a small business while also being a full-time employee.

By understanding and finding answers for these key issues, hospitals can demonstrate that they are aware and interested. Once physicians perceive that the hospital is developing solutions that are not selfishly driven, they will be more open to returning the favor. This is not to suggest that the relationship will transform overnight – there are years of tensions to overcome – but it is easier than many think to find common ground. Physicians perceive hospitals as having endless resources and as being the very poster children for inefficiency. If you begin to understand the concerns of your medical staff and offer solutions to their problems, you can become a partner instead of a competitor.

Action Steps

- Re-energize your physician liaison program. Think of all of the money that was spent on employed physician practices and consider the value of a similar investment in your community physician resources. Give the folks with responsibility for physician bonding the tools they need to succeed.
- Conduct a series of focus-group interviews with loyal, and not so loyal, physicians to find out what they like, and don’t like, about your facility. Why do they choose to utilize your services or use someone else? Remember, if you ask what you should do to improve the relationship, you need to be prepared to act on the answer. Ignoring the input could be fatal.
- Take the information you learned in your sampling and survey the staff as a whole. You may be pleasantly surprised at the high response rate.
- Make changes. Address the suggestions and complaints that have the highest visibility or seem to be the most basic causes of discontent. Build on the points that are in your favor and promote these to the less-than-loyal physicians.
- Measure and monitor your progress. Don’t leave something this important to subjective perceptions. Your relationship with the medical staff really is about numbers; collect them, track them, trend them, and understand them.
- Reward the success of your physician liaison staff. If volume grows, give credit to the troops that made the difference. Yes, you may have spent the dollars or made the changes, but the eyes and ears of your organization are the reason you were able to improve.

Can oil and water ever mix? Indeed, they can – and it’s time they did. 🌊

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