



Physician Relationship Management:  
*Ensuring the Stability and Vitality of Today's Hospitals*

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## HOSPITALS RANK PHYSICIAN RELATIONSHIP MANAGEMENT AMONG TOP FOUR CONCERNS

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Twenty-first century hospitals face enormous challenges: low reimbursement rates and slim margins, patient safety and quality of care, labor shortages, government red tape and public distrust of healthcare providers. But many hospitals include another challenge on their laundry list of biggest discomforts – poor physician relations. In fact, in a 2008 annual survey by the American College of Healthcare Executives, physician/hospital relations was ranked as the fourth highest concern by hospital CEOs.

And well it should. Physician relations are critical to the hospital bottom line. According to a “2004 Physician Inpatient/Outpatient Revenue Survey” conducted by Merritt Hawkins, the average annual net inpatient/outpatient revenue generated by primary care physicians (family practitioners, general internists and pediatricians) for their affiliated hospitals was \$1.6 million, and the average annual net patient revenue generated by all specialists was \$1.9 million. Today, those revenue numbers more likely are at or above \$2 million for each affiliated doctor creating what, on the surface at least, appears to be a perfect symbiotic relationship between hospitals and physicians where everybody wins.

## SO, WHAT'S THE PROBLEM?

Upon closer examination, we find there are many. In today's complex healthcare environment, there are multiple business, financial and interpersonal obstacles that are constantly threatening to derail physician/hospital relationships.

One key threat is marketplace competition. Current market dynamics now allow physicians to supplant the hospital as the primary providers of certain services. For example, thanks to new technologies, many procedures once exclusively performed in the hospital setting can now be performed on an outpatient basis in a physician's office. In addition, there are a growing number of physician-owned medical entities – such as cardiac catheterization labs, imaging centers and specialty hospitals – which are creating expanded competition and financial threats for hospitals by siphoning off some of the most profitable and desirable business.

Another challenge to the delicate and historical physician/hospital relationship is dwindling physician loyalty to the local hospital. Part of this can be attributed to the fact that each primary care physician sees far fewer hospitalized patients than in years past (due to the increased utilization of hospitalists and intensivists), thus decreasing their time at the hospital and their connectivity to its issues. But beyond that, many feel that they have not been made part of the problem-solving team. In fact, a growing number of physicians believe that hospital senior leadership is disengaged from physician issues and simply doesn't understand a physician's professional goals and personal needs.

## THE STATE OF THE PHYSICIAN MARKETPLACE

There is another, deeper issue at work, too. Physicians are struggling with the high costs of private practice (including rising malpractice rates), mounting paperwork, escalating demands on their time and declining reimbursements. As a consequence, many are turning to hospitals for economic refuge.

## For example...

a growing number of physicians – especially recent medical school graduates – are opting to become hospital employees, rather than hassling with the challenges that come with owning their own practices.

Other, more established physicians and specialists – those who already have an investment in their private practices and a longstanding presence in their community – are turning to hospitals for new sources of revenue or greater autonomy. In the past, many hospitals favored joint ventures – such as surgicenters and medical office buildings – as opportunities to align the interests of the physicians with those of the health system, while sharing in the inherent risks and costs. Physicians viewed such ventures as opportunities to enhance their autonomy, professional accountability, quality of care and financial rewards. However, the climate for joint ventures may now be chilling. Due to the ever-expanding reach of regulations like Stark laws, the uncertainties of healthcare reform, and the current national and international economic meltdown, the future of physician/hospital joint ventures looks murky. In

fact, some models today are demonstrating that they cannot deliver the desired financial results. Still others are experiencing operational issues that are producing greater, not fewer, physician/hospital challenges. As a result, joint physician/hospital ventures that might have once helped to better cement physician relations are not looked upon as the panacea that they once were.

## Another issue

that is altering physician/hospital relationships is concierge medicine. Some physician groups are restructuring their practices into smaller, “concierge-style” practices that serve fewer patients. By reducing their patient base from an average of 2,500 patients to approximately 600, and requiring those patients to pay annual fees that can range from \$500 to \$2,000, doctors say they can afford to spend more time with each patient during office visits, provide 24/7 on-call service and deliver higher-quality care. Critics argue that concierge medicine is elitist because it allows physicians to basically “dump” thousands of patients who cannot afford to pay the annual fee. Other critics say the timing couldn’t be worse, as there is already a shortage of family doctors. For hospitals,

concierge medicine represents a shrinking base of patients that the provider group can refer to the hospital.

Absent the ability to overcome the multiple marketplace pressures, physicians are growing alarmingly unhappy. According to an October 2008 study for The Physicians’ Foundation, physicians today are so dissatisfied in their roles that a whopping 49 percent of them – more than 150,000 doctors nationwide – said that over the next three years they plan to reduce the number of patients they see or stop practicing entirely.

The confluence of all of these pressures and realities drumming physicians is having a profound effect on America’s hospitals. The potential loss of physicians and their patients, combined with declining numbers of graduating primary care doctors, is cause for considerable concern. Hospitals that currently have nonexistent or weak physician-relations programs could be hit doubly hard if they don’t respond to the undeniable reality that they can no longer afford to let physician relationships languish. There is simply too much at stake given today’s poor economy and the state of the physician marketplace.

Hospitals recognize that physicians do have a choice in where they send their patients.

High-performing hospitals understand that loyal physicians are a competitive advantage.

The nation's pool of physicians is shrinking as medical schools are graduating fewer doctors and as many practicing physicians are growing dissatisfied with the state of medicine.

Hospital competitors are working to grow their business by earning physicians' loyalty, thus driving more market share to their own doors.

Providing quality services, good public relations and marketing outreach are no longer enough to grow market share.

Hospitals must improve physician relationships and physician loyalty to retain and increase positive physician referral patterns.

In the years ahead, hospitals that hope to compete and prosper must find ways to encourage physician loyalty and inspire a motivated medical workforce that will cultivate a viable revenue stream. This means utilizing new tools and opportunities in physician relationship management where "win-win" isn't a thing of the past.

## THE HIGH STAKES GAME OF PHYSICIAN RELATIONSHIP MANAGEMENT

Most hospitals already have some kind of physician relations program. Yet, despite recent surveys revealing that a majority of these programs are ineffective, the programs continue to remain in place year after year. According to a 2008 survey by the American College of Physician Executives (ACPE), only 16 percent of ACPE members surveyed rated the relationship between the hospital and private practice physicians as "doing well." On a little more positive note, 41 percent of ACPE members surveyed rated the relationship between "employed" physicians and hospitals as "doing well." In another national study on physician hospital alignment strategies conducted in 2005 by Noblis and the American Hospital Association's Society

for Healthcare Strategy & Market Development, a key finding was the "disconnect" between the perceptions of hospital CEOs and physician leaders. Seventy percent of CEOs viewed their relationship with the active medical staff as "very positive" (a rating of a 5 or 6), yet only 31 percent of the physician leaders rated the relationship as "very positive."

Unless hospital leaders take the initiative, the chasm between their institutions and their physicians will only grow wider and deeper. Fortunately there are many avenues that hospitals can take to bridge this abyss. One of the most effective, according to the 2008 ACPE survey, is the implementation of a formal physician relationship management (PRM) program.

## A UNIQUE PRM MODEL

Today's PRM programs must be strategic and measurable. That's why Aegis Health Group, the nation's leading provider of healthcare business-development strategies, offers hospitals new PRM tools that provide measurable results and accountability. The Aegis data-driven approach provides a structure that is focused and allows hospitals to identify their growth markets, target physicians who could drive new referrals, and enhance relationships with their medical staff by addressing physicians' core needs and professional goals.

For example, the Aegis PRM model utilizes a unique and proprietary database and contact management software (PRISM) designed specifically for PRM. Many hospitals create "homegrown" systems, but this requires technology and capital to build and support. Other hospitals piece together off-the-shelf products to try to get a workable solution, but this lack of customization results in a patchwork program that doesn't exactly fit their individual needs.

Along with its proprietary software, Aegis' PRM program includes specific strategies to help participating hospitals increase physician loyalty and solidify the local physician community's alignment with the facility.

## HOW THE PRM PROGRAM WORKS

A vital first step in developing any PRM strategy is to evaluate and understand a hospital's current strategic development plan, key lines of business and market share differentiations. Through this evaluation, the PRM program can identify service lines with the greatest growth potential based on current market share, organizational capacity, the region's demographic profile and opportunities for improved physician alignment. Aegis then layers on top of this the current physician referral patterns to those targeted service lines.



Aegis's PRISM software includes:

- » A platform that is browser-based, user-friendly and customized to fit.
- » Detailed and robust physician practice profiling.
- » Issue identification and management that is linked to an email system.
- » Data gathering, tracking and real-time data reporting (activities, physician issues, referral recovery and physician market intelligence).
- » Frequent reporting that guides the PRM process to be responsive and results-oriented.
- » Links to hospital data, enabling hospital to track PRM efforts with results that demonstrate ROI.

Once service-line growth opportunities are identified and understood, the PRM program develops a targeted list of physicians who offer the best chance of generating revenue for the specific service lines under review. This targeted approach to physician relationship building is a key differentiator from traditional programs that view physician relations as an “equal-opportunity” outreach effort. The problem with such traditional programs – which can target anywhere from 500 to 1,000 physicians – is that they are unwieldy to manage and fail to recognize that all referrals are not created equal. Consequently, goals and physician relationships suffer from lack of accountability and a shortage of resources to provide the necessary “high-touch” relationship building and maintenance that produces real results in areas that the hospital has identified as most desirable.

Aegis has found that by targeting a smaller group of physicians, it can nurture referral gains of 3 to 5 percent in the first year of the program.

*These translate into real dollars that go directly to the hospital's bottom line.*

The Aegis PRM program also uses a unique approach that focuses on splitter physicians – those who split their referrals between a number of local hospitals. By targeting physicians who are currently low referrers, hospitals have the biggest opportunity to grow the referral business and realize referral gains of up to 5 percent in the first 12 months of the program. This is new business or “found revenue,” which not only has immediate benefit but can often lead to long-lasting relationships that drive recurrent revenue into the facility.

To further vet the list of potential referring physicians, Aegis examines physician inpatient and outpatient revenue volumes, productivity, and barriers to potential referrals. Aegis also ensures that a Physician Relations Specialist (PRS) meets with the hospital's most loyal physician champions in order to acquire candid insights into potential political and personal pitfalls that may hinder relationship development with certain targeted physicians.

Following this complete evaluation of the hospital's goals, growth strategy, and potential physician referrers, Aegis develops a written physician strategic development and alignment plan designed to keep goals on track and progressing.

## PHYSICIAN SUPPORT AND GOAL SETTING

A critical component of the PRM program is the PRS. Depending upon the needs of the hospital, Aegis can hire, train and manage the PRS at each hospital. The key goals of the PRS are: issue identification, issue management and issue resolution. By laying a strong foundation of issue resolution, the PRS is able to build relationships that lead to greater trust between the physician, the PRS and ultimately the hospital.

The PRS is a skilled professional with proven experience in physician, pharmaceutical, or medical sales and business development. The PRS is well versed in gaining access to physicians' office managers and physicians by creating new opportunities that will advance their relationships. For example, the PRS initially may work closely with a physician's office staff to understand special challenges they may be facing with the hospital or their practices, to eliminate obstacles, and provide resources that enhance patient care and improve office efficiency. They also share with the physician new hospital technologies, services and resources that can enhance the physician's capabilities, help grow their practices and make life easier.

Once the PRS has earned the trust of the physicians, he or she can begin to share with them the goals of the hospital, introduce them to the referral program, and map out the meaningful ways in which the physician can participate in the hospital's growth. Sales forecasting, performance metrics and frequent reporting ensure accountability of the PRM program. An ongoing high-touch relationship management plan ensures the continued interest of the physician.

Successfully building physician relationships requires a high-touch “sales” strategy. In order to “complete the sale” with a physician, the PRS must typically make three to six positive contacts with each targeted doctor. A PRS will ease into the relationship through initial meetings that focus on understanding the physician's needs. Through the course of the initial meetings, the PRS will develop a profile of the doctor, listening to concerns, identifying barriers to care or to hospital referrals, and building trust. For ultimate effectiveness, the PRS must be able to respond quickly to physician issues and get back in a timely manner with solutions. The more rapidly solutions are provided, the more quickly trust is built. In many cases, by the fourth visit, the PRS has provided enough value that he or she can obtain some kind of commitment from the physician – to meet with a hospital champion, for example, or to attend a CME event – that will provide a bridge to future commitments and deeper engagement.

## MEASURING RESULTS

A truly strategic physician relationship program should provide quantifiable bottom-line value. To achieve both financial success and long-term sustainability of the program, hospitals must be able to:

- 1 Analyze and understand the hospital's greatest growth opportunities.
- 2 Understand physicians' volume and referral metrics.
- 3 Create alliances with physicians who can best support the hospital's growth goals.
- 4 Focus on effectively enhancing relations with a smaller group of physicians who have the most potential to increase referrals.
- 5 Align the hospital's resources with the needs of a target group of physicians.
- 6 Establish goals and utilize technology to track and meet those goals.

The Aegis PRM program helps both hospitals and physicians achieve their goals, and positively reinforces the important interdependencies that are critical for mutual, long-term sustainability.

## SUCCESS STORIES

An intensified focus on physician relationships affects changes in attitudes and performance in a very short period of time as evidenced at three hospitals that implemented the Aegis program.

**West Coast:** A 301-bed health system with nearly 700 physicians implemented Aegis' physician relationship management program in late 2007. As a result, the hospital has seen a 21 percent increase in pathology usage by a premier OB/GYN practice as well as significantly increased referrals to specialists from family practice physicians. In addition, the hospital reports improved communication and engagement as well as higher participation in the hospital's nice service lines like the Weight Management Program from physicians who were targeted by the physician relationship management program.

**Southeast:** A 185-bed community hospital with 500 physicians in 36 specialties sought to attract and retain medical staff in a highly competitive market. Within a few months of implementing the program, the physician relationship specialist assisted in the recruitment of two OB/GYNs away from the hospital's greatest competitor and resolved an ongoing and critical issue involving one of the neurologists on staff (the doctor was impressed with the expediency and agreed for the first time to take ED call). Also as a result of this program, the hospital conducted its first formal physician survey and results were used by the Medical Executive Committee to make strategic short- and long-term decisions regarding the implementation of a medical staff services program to support community-based physicians.

**Mountain West:** A 381-bed regional medical center implemented a physician on-boarding program to link newly recruited physicians with key community-based medical providers. One of the first initiatives for the PRS was to facilitate introductions of physician specialists to family and internal medicine doctors. In less than three months, the program's success led one of the physician specialists to request the PRS to curtail his efforts due to an overwhelming influx of new patients.

Physician relationship building is especially vital in markets where primary care physicians are not employees of the hospital. Since many PCPs have never met the specialists to whom they refer patients, a key goal of the PRS is to personalize these relationships. At Mission Hospital in Mission Viejo, CA, Aegis developed a monthly physician education newsletter called Physician Link. The newsletter offers a brief article each month directed at PCPs, informing them of the latest clinical updates in the hospital's specialized lines of care, such as cardiovascular, neuroscience and orthopedic. The newsletter features key specialists and facilitates opportunities for primary care providers to get to know the specialists to whom they are referring their patients. Specialist profiles, bios, photos, and service line contact information are part of the newsletter. By enhancing these relationships, the PRM program facilitates increased referrals, increased utilization of specialty service lines and increased patient admissions. Through the development of meaningful relationships, true alliances can be forged between the PCPS, specialists and the hospital.

## FOSTERING TRUST

Hospitals and physicians need each other to succeed and essentially exist for the same purpose: to provide quality medical care. Here are seven tips for breaking down barriers to create the kind of trusting relationships that not only serve the interests of both partners, but engenders the kind of lasting relationships that will make the competition ask "How'd they do that?"

- »» Listen to physicians and understand their frustrations. Honestly respond to their concerns – even if it's not possible to immediately resolve the issue for them.
- »» Determine what each physician values, then show them what the hospital offers that coincides with their values.

- »» Communicate openly and provide support when appropriate.
- »» Give physicians an opportunity to contribute ideas. Involve them in decision-making and clinical service planning. Let them know they're being heard; and whenever possible, implement those ideas.
- »» Don't waste time with unproductive meetings or activities, and avoid physician-only committees. Establish combined physician and administration work groups.
- »» Differentiate the hospital's services and capabilities from others in the region.
- »» Have integrity and keep your promises.

## SUMMARY

As financial pressures mount for physicians and hospitals it is more critical than ever that hospitals re-evaluate their current physician relationship programs to determine whether they are providing maximum value and truly solidifying physician/hospital relationships. The Aegis PRM program uses sales methodology, strategy, and technology to build and nurture strong, deep and value-driven relationships with physicians that results in additional revenue to the hospital. The PRM program:

- + *Facilitates dialogue between the hospital and its physicians.*
- + *Aligns the medical community with the hospital's growth initiatives.*
- + *Drives measurable revenue to targeted service lines.*
- + *Identifies and manages physician issues that act as a barrier to increased utilization.*
- + *Demonstrates value and ROI results.*

**CONTACT US TO DISCUSS YOUR COMPLIMENTARY PERSONALIZED MARKET ANALYSIS:**

[www.aegisgroup.com/contact-us](http://www.aegisgroup.com/contact-us)  
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For 20 years Aegis has helped hospitals across the country form lasting and profitable relationships with area employers by pioneering the concept of employer-directed health-management partnerships. Today, Aegis has taken that same concept of relationship management to hospitals to build PRM programs that enhance the stability and growth of both physicians' practices and hospitals' vitality.

Aegis programs can be found in many of the most progressive for-profit, nonprofit and academic medical centers across the country. No other company has been able to match the breadth of services, track record and bottom-line proven performance of Aegis' reimbursement-sensitive business-development strategies.

To create enhanced relationships between hospitals, physicians, employers and employees, Aegis utilizes proprietary software, Internet applications, educational initiatives and the relationship-building skills of a talented team of associates. Hospitals win by driving profitable market share into their facilities and enhancing their standings in the community. Physicians win by developing enhanced operational efficiencies, improved patient care and expanded access to new patients. Employers win by reducing their health-related costs. And employees win through increased health improvement and access to hospital services and programs geared specifically to them.

It's no wonder Aegis' success has been chronicled in many of the nation's leading healthcare publications.

The Power of Relationships.™

