

## **A Well-Run Physician Relations Program Is Critical to Hospital Growth**

### **Planning, Executing, and Sustaining Viable Programs**

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Whether they view physicians as partners or customers, savvy hospitals recognize a new reality in an old relationship: Hospitals need physicians more than physicians need hospitals. Thus, hospitals must make a dedicated effort to manage that increasingly critical relationship.

The scales have been tipping toward this new reality as changes in the health care industry have left more physicians dissatisfied and more hospitals seeking new revenue to offset declining reimbursements.

In a 2002 Kaiser Family Foundation study, 87 percent of physicians surveyed believed that morale among their peers had decreased from the previous five years. Reduced income, malpractice risks, and managed care headaches have led to a growing professional unhappiness that affects the physician-hospital relationship.

Meanwhile, physicians have more options for referrals. They can keep procedures within their offices or turn to new outpatient or specialty services that provide convenience for physicians and their patients. The increased competition intensifies financial pressures on hospitals.

Facing these trends, hospitals recognize that for the survival of critical service lines they must focus on the physician as a "must have" referral source. They are working to keep the referral base they can't afford to lose, while also boosting business by attracting new physician referrals. To better manage physician communication and referral relationships, hospitals have increasingly turned to physician relations programs using face-to-face visits. A survey conducted in fall 2005 by Corporate Health Group and Strategic Health Care Marketing showed that of the 180 participating organizations with physician relations functions, nearly 40 percent had emerged within the previous three years.

As many hospitals have learned, a physician relations program is not merely a staff member with a physician directory and a nice personality. An effective program requires a well-planned, well-executed, and sustained effort.

The bottom line is that a hospital must know what its customers need — in this case, physicians — and then work to meet their needs. That "outside in" thinking is relatively new to health care. It's no longer a "build it and they will come" environment. A hospital

focused on retaining and building its referral base must have an effective model in place for physician relations.

Successful programs have several common elements in how they are set up, executed, and evaluated. These critical components are discussed below.

### Setting up a program

Setting up a program is not as simple as copying another organization's model. Each program must be shaped by the hospital's present circumstances and future goals. Planning starts long before the first office visit. A well-planned program has the following characteristics:

✓ **Complete buy-in from hospital leaders.** Support must come from the top down. Achieving good physician relations is not a departmental initiative, but an organizational strategy. Leaders must understand the critical role the program plays in accomplishing goals. In 36 percent of the hospitals participating in the aforementioned study, the head of the physician relations staff reports directly to the CEO, president, or other senior officer, which helps keep leadership engaged in the program. The majority, however, report to a vice president or director. That reporting arrangement will work, as long as leadership fully supports the program.

Total Budget Related to Sales Efforts Directed to Physicians*	% Response
Up to \$100,000	17%
\$100,001 - \$300,000	<b>38%</b>
\$300,001 - \$500,000	18%
\$500,001 - \$800,000	7%
Over \$800,000	6%
Don't Know	13%

\*Include salaries & benefits of a sales manager, field sales representatives, and any allocated administrative staff; travel, entertainment, meetings, marketing materials/expenses; and any expensed equipment.

Source: National Survey of Health Care Providers, Conducted by Strategic Health Care Marketing and Corporate Health Group, October 2005

✓ **Clearly defined goals.** Program objectives should be concise, clear, and definable. A program that is charged with responsibility for increasing business is doomed to failure if its sales representatives are expected to devote considerable time and resources on the loyal referral base — physicians who already send all the business they can. While just over half of the respondents in the survey said they have both growth and retention responsibilities, most said they are more effective at retaining existing customers and less successful at achieving growth objectives.

✓ **A comprehensive business plan.** The plan must map a strategy to achieve the goals set by the organization's leadership. If the goal is to increase revenue, for example, a good plan starts with solid market analysis, which includes market share by service line, physician supply and demand, referral patterns, and medical staff perceptions. The data is critical to identify the best opportunities for increasing revenue.

✓ **Integration across the board.** An effective physician relations program

interfaces with operations. A program is courting disaster, for example, if it sets out to increase referrals in a service line that is not fully prepared to deliver the service. In a well-integrated program, the operational side of the organization develops and owns the issue-resolution process for physician relations. Operations is accountable for management of procedures, systems, and access — all critical to a physician referral. It's recommended that issues resolution be handled like other quality assurance areas — by identifying how information is captured, who manages and responds, and how the issue is tracked and reported.

✓ **Employment of the right people.** A physician relations program must have motivated salespeople, but the exact personnel fit is determined by the goal of the program. If business retention is the goal, the "right" people enjoy working with loyal physicians and addressing problems as they arise. For a goal of business growth, the "right" people like the thrill of seeking new opportunities and can persevere for oftentimes-delayed results.

Although a clinical background is an advantage for physician relations staff, it's less important than sales experience. The 2005 study showed that **the** majority of sales managers are seasoned sales executives from both within and outside of health care, and most are non-clinicians, although nearly one-third have some clinical background. One hospital found a good mix when it hired one marketer and one clinician for its sales staff. The two cross-trained each other and assumed different responsibilities based on their backgrounds. In addition, the marketer managed database issues while the clinician served as the point person to service lines.

✓ **An effective information system.** Program infrastructure must include an information system with the ability to track activity, report outcomes, and integrate with the hospital's admitting data. Although 62 percent of surveyed hospitals reported using sales contact management software, only 21 percent of programs are interfaced with hospital data systems. Effective programs use a customer management system for the physician relations staff and have an interface with the hospital mainframe for results reporting and measurement. It's important that the system be user-friendly. If a system is too complicated for staff to use, it's of little value. Organizations should study available software programs to determine which will work best for them — and then train staff thoroughly on the program's use.

✓ **Competitive pay.** Although hospitals may not be able to match sales salaries in other industries, they should stay competitive within their marketplace. They should also ensure internal pay equity. Sales representatives may not manage people, but they do manage an important revenue/volume source, so sometimes the positions are slotted as managers or directors to ensure internal and external position value and equity. The 2005 survey showed that base pay covers a wide range, with \$40,000 to \$65,000 most common for field representatives and \$50,000 to \$100,000 for sales managers.

A variable, or incentive, pay component on top of base pay is strongly recommended. It's expected by sales personnel experienced in other industries, but hospitals have been slow to adopt variable compensation. One hospital had two very effective sales representatives who were eventually recruited by a pharmaceutical company because the hospital did not provide incentive pay. According to the 2005 study, about 45

percent of hospital physician relations programs offer variable compensation in addition to base pay, with 6 percent to 10 percent of base salary most commonly offered. Performance pay is determined by expected and measured activity and/or results, such as number of physician appointments, increased revenue, increased patient volume, and number of new customers. Basically, a hospital gets what it rewards.

Percentage of Time Field Sales Staff Spends on:	% Response
Selling services	41%
Customer service	27%
Marketing (events, CME, etc.)	17%
Sales management/reporting	13%
Clinical duties	4%

*Source: National Survey of Health Care Providers, Conducted by Strategic Health Care Marketing and Corporate Health Group, October 2005*

### Implementing an effective sales strategy

A carefully planned physician relations program is only as good as its execution. A well-executed program includes the following elements:

✓ **A tactical sales plan.** Drawing on the business plan, staff members should develop a tactical sales plan for their assigned physicians. The sales plan details necessary activities, such as making appointments with physicians at their offices, linking primary care physicians with specialists, and assisting referring physicians in professional growth opportunities, including continuing medical education and grand rounds. A sales plan should identify how staff members target physicians, their frequency of contact, and the progression of the relationship. It should also include a timeline for achieving established outcomes and performance standards.

✓ **Comprehensive, frequent training.** Training is critical, beginning with hospital orientation for a new hire from outside the hospital. If sales objectives focus on particular service lines, the physician relations staff must become intimately familiar with the services through direct exposure. This might involve observing a new surgical technique, the scheduling operation, or a new CT in use. Classroom training should cover relationship management, which might involve role playing, scripting, and case studies. Training in the field is also valuable to reinforce skills and messages. According to the survey on sales efforts, most physician relations programs offer basic hospital training, but less than half provide comprehensive sales training. A continuous training program should keep skills and messages fresh.

✓ **Effective encounters.** An effective sales call is really a dialogue between the physician relations representative and the physician. By preparing and asking appropriate questions, the representative can learn what the physician needs and then position the hospital's services to match those requirements. Listening also enables the representative to gain valuable market intelligence. Whether selling a specific service or enhancing the hospital's image, the representative must make sure that the product is differentiated from the competition. The representative should also be prepared to address any anticipated concerns or barriers.

✓ **A relationship mindset.** The physician relations representative should establish a schedule of regular visits with targeted physicians and aim to strengthen the relationship with each visit. Follow-up visits should progressively orient the physician to the hospital and its services. These visits can include other physicians, clinical service-line leaders, or administrators. Encounters also may engage the physician in a survey, CME program, or social event. Consistency of message is critical.

✓ **Interaction with other departments.** Ongoing communication with other hospital departments is essential for physician relations staff members to stay abreast of new developments, including clinical changes and marketing initiatives. Doing so helps ensure that the message to physicians is fresh and accurate.

## **Evaluating the program**

To ensure that program objectives are being met, it's critical to have a sophisticated evaluation instrument for tracking, measuring, and reporting activities and results. Evaluation should cover the following areas:

✓ **Results measurement.** Many hospitals gauge referrals by changes in revenue and volume by targeted physician or by service line. Others measure changes at a broad hospital level. In the 2005 study, 94 percent of hospitals said their contact management programs track sales staff activity. However, only 62 percent track sales staff results. Worse still, only 27 percent of hospitals had a procedure for reporting return on investment. By starting with a focused business plan that includes baseline measurements, a physician relations department can demonstrate measurable results.

✓ **Regular reports.** Written reports on program results should be provided regularly to hospital leaders and appropriate service-line heads. The use of customized reports (a capability of most sales contact management software programs) can help prioritize issues for leadership attention and resource allocation planning. It's vital that leadership understands the sales program's contribution to the organization — preferably its ROI — to ensure continued commitment of resources.

✓ **Results analysis and program adjustment.** Reports should be used to identify strengths and weaknesses and to continuously improve the sales program. Hospital and sales program leaders shouldn't view the physician sales effort as fixed, but direct it to change as market circumstances dictate and better ways of achieving objectives are found.

Physicians are a hospital's best customers. However new or old the relationship, it should never be taken for granted, but rather nurtured and cultivated with care.



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