

## Beyond Medical Staff Planning—Improving Stakeholder Expectations in Physician Recruitment

*This article published in Spectrum, November/December 2003*

**Often the success surrounding a signed physician recruitment agreement is short-lived. It is replaced by the realities of miscommunication, unrealistic expectations and misguided critical timeframes that result in strained hospital-physician relationships and disappointing financial performance.**

Problems frequently arise from gaps in communication and expectations between the hospital and the physician before the practice even opens its doors to patients (see Figure 1).

At a minimum, this disconnect can create hard feelings between the physician and hospital in a competitive market. The worst-case scenario results in a physician departing the facility and even the community, leaving all stakeholders with unexpected financial and operational burdens. The stakeholders in this process include hospital planners, recruiters, hospital management, existing medical groups and physician recruits.

Being proactive and establishing a process that helps physician recruits make better decisions can provide a competitive advantage to practices or facilities in the process of recruitment. According to Carolyn Merriman and Kriss Barlow, “Like it or not, economic volatility is here to stay. That includes looming physician shortages, a fleeting sense of physician and patient loyalty, and the fact that increasing competitiveness—and no new markets to tap—means it’s necessary to take business from someone else” (Merriman 2003).

We had the opportunity to discuss trends with numerous medical staff departments across the country. Trends that emerged from the interviews include the following:

- Physician recruiting is becoming more competitive.
- Recruiting into established groups is more prevalent than solo start-ups.
- Problems with “splitter” physicians—physicians who split their admissions among two or more hospitals—are more common than physicians leaving the market.
- Establishing and communicating realistic expectations is critical to successful physician recruiting.
- Understanding timing and expectations is the shared responsibility of all stakeholders.

Problems with making informed mutual decisions are costing hospitals and physicians millions of dollars per year in recruitment fees, lost revenue guarantee dollars, investments in practice infrastructure and opportunity costs. The calculated cost of a failed recruit might include recruiting costs (trips, meals, agent fees), relocation expense, revenue/salary guarantees and internal resources to coordinate the process among other things.

The following three guidelines are pivotal to improving stakeholder communication and expectations.

- **Start the physician recruitment process with a medical staff plan that goes beyond the basics.**

There has been significant research and development on approaches to determine the community need for various physician specialties. Documenting the community need for physicians in the service area is of utmost importance due to increased regulatory scrutiny of physician-hospital relations (Herrod 2002). A well thought out and accurate community need assessment not only provides benefit from a regulatory standpoint, but can also enhance strategic planning efforts.

Sophisticated service area analysis can help in assessing physician supply data, determining multiple office locations, understanding and quantifying patient migration patterns and evaluating the impact on hospital/health system business units. However, the process has several weaknesses that create a poor foundation for establishing shared information and competitive/performance expectations with new recruits.

- ❑ Planning/service areas often do not capture all relevant competition to new physician recruit practices, understating the real competition for the new practice.
- ❑ Physician supply estimates are often linked only to medical staff directories or health plan directories, potentially missing many physicians relevant to competition.

### **Figure 1 Questions to Consider Beyond Medical Staff Planning**

- ❑ Apparent deficiencies in certain surgical specialties on a hospital's medical staff are inappropriately identified as community need.

1. Who would be the recruit's competition? Where are competitors located? On what information is this competitive analysis based? Is it current?
2. How many physicians in the recruit's specialty are planning retirement in the next five years?
3. How long is the loan guarantee period for? Does your loan guarantee cover only physician salary or also practice operating expense needs? What are the terms for forgiveness?
4. What resources does the hospital currently have that can assist the recruit with the practice launch? 'What resources should the hospital acquire for this purpose?
5. After the hospital payments (loan guarantee) end, what are the financial performance expectations for the practice and/or the physician newly recruited into the practice?
6. What is the process for credentialing and contracting with facility and individual health plans? Who can help the recruit with this process?
7. What is the expected payer mix for the recruit's practice?
8. What are the strengths and weaknesses of the medical group to which the recruit is being directed? Who has developed this information?
9. Is office space available for the recruit? Where? What are the lease rates/terms? What are the contractual leasehold improvement allowances (three/five/ten-year lease agreements)? Does the recruit work with the hospital on space or is this handled through a broker?
10. How will the hospital help the physician recruit market/grow his or her practice? (Physician referral, open house, introductions to medical staff, brochures, etc.) What are the limitations and why?

- ❑ Adjustments for mature physicians and their departure from practice may be understated because they fail to reflect prevailing economic conditions that are extending the practice horizon for mature physicians.
- ❑ Many plans use aggregate demand ratios (such as GMENAC, Graduate Medical Education National Advisory Committee) that do not accurately represent the demographics/socioeconomics of the study area and the impact on healthcare utilization.

Hospitals and consultants should evaluate the planning process and perform additional analysis, as needed.

- **Take the medical staff planning results a step further with specialty-specific physician practice assessments.**

Medical practice recruitment-assessments can be performed to complement the hospital-sponsored physician recruitment and loan forgiveness programs. This analysis is not practice implementation, but rather focused due diligence to reduce the hospital financial risk associated with the physician recruitment process.

From the hospital's perspective, this process provides additional due diligence on the "goodness of fit" for the physician. From the physician's perspective the assessment provides additional insight to help make an informed relocation decision and create the foundation for a strong practice start.

An assessment might include the following steps:

- ❑ Structure a physician candidate interview based on the type of practice and services/procedures to be rendered.
- ❑ Have a good understanding of the practice or medical staff culture from work habits to hobbies and family life (quality of life fit).
- ❑ Develop a 24- to 36-month pro forma during and beyond the loan guarantee period.
- ❑ Compile a list of "Frequently Asked Questions" for the physician recruit related to the market opportunity.
- ❑ If the recruit is joining an existing practice, the stakeholders should work with the group to provide some organizational "housekeeping." Specifics include the following:
  - ❑ Ensure that all governance documents are up-to-date and well organized.
  - ❑ Ensure that processes relative to decision-making, partnership opportunities, and shareholder buy-in and buy-out are clearly stated in the governing documents.
  - ❑ Update and organize operational policies and procedures for scheduling, call and vacation.
  - ❑ Develop or update organizational policies for billing, compliance and standards of conduct.
  - ❑ If there are issues around performance or operations, establish corrective action steps.

Figure 1 provides questions to consider as you work beyond medical staff planning toward

successful practice implementation. This analysis can be modified if the recruit is being placed independently rather than joining an established office.

- **As the time for signing the recruitment agreement approaches, make sure all the practice management pieces are in place.**

In some cases, the hospital has a referral network of practice management resources for the physician to contact, but newly recruited physicians are often on their own to navigate the start-up process.

Critical paths to successful practice implementation include the following:

- State medical licensure
- Corporate structure/employment agreements
- Governance issues
- Compensation
- Credentialing
- Facility selection and build-out
- Managed care contracting
- Office policy and procedures
- Legal services
- Accounting services
- Banking reimbursement structure
- Compliance
- Risk management
- Telecommunications
- Technology selection/billing
- Office staffing
- Marketing

From our experience, the top three implementation issues are credentialing, space planning and billing.

Many steps depend on successful completion of a previous step; failure to complete one or more of these tasks can significantly delay a successful practice start-up. The stakeholders should develop a simple checklist or other working document that identifies the broad requirements and the resources necessary to execute the start-up effectively.

Helping the physician deal with these issues and understanding realistic time expectations are important to building trust and establishing strong initial relationships.

## **Summary**

Hospitals have a tremendous opportunity to enhance their return on investment in physician recruitment by improving communication, developing additional information and linking the physician recruit with needed resources.

Many hospitals and health systems have developed a broad array of compliance policies related to recruitment and recruitment assistance. Organizations that present a better business and market-driven case to prospective physicians will have a significant recruiting advantage over the competition.

## **References**

Merriman, C. and K Barlow. 2003. "Tips for Assessing and Enhancing Your Physician Relations Program." [Online article.] [www.corporatehealthgroup.com](http://www.corporatehealthgroup.com)

Herrod, K. 2002. "Identifying, Documenting and Validating Physician Recruitment Needs."  
*Spectrum*. Jan./Feb.

*Written by:*

**David White**, Director

**Christopher Rehm**, Director

**Lucas Hutchison**, Consultant

*The Pinnacle Group—Pinnacle Healthcare Consulting, Denver, CO*

**303.832.8296**

e-mail: [dwhite@medbizz.com](mailto:dwhite@medbizz.com)