

Developing a Regional Referral Strategy

Regional strategies can build physician relationships and expand your customer base.

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To grow and sustain their business, many hospitals rely on inpatient tertiary care, and the competition is steep. If your market's immediate service area is "locked in"—either by payor mix or because of competitive challenges—perhaps the regional market offers opportunity. For some organizations, regional referrals account for up to 60 percent of their inpatient business. While such an impressive statistic might incite many to immediate action, healthcare organizations should take the following steps to successfully expand their regional referral presence—with a keen eye on physician relationships.

Assess What You Have. Before considering any new strategy, first assess current system. Components of this assessment should include:

- **Evaluating the volume of patients coming from outside your immediate service area.** Determine why they come, the payor mix, the existing referral relationships, and any current efforts to enhance regional referral relationships.
- **Identifying the differential advantages for the referring physician.** Ask yourself what your organization has that referring physicians might want and/or may not currently be getting. How have you done work in the region historically? Your answers will tie directly to the cost and effort side of development.
- **Evaluating your capacity, such as beds and specialists, in clinical areas most likely to be of interest.** It is expensive to work so hard to earn the business of rural physicians only to have them hear you say, "We can't accept that patient today; our unit is full."
- **Including interested members of your medical staff.** All too often an organization wants to develop a regional orthopedic referral program, for example, but the orthopedists aren't interested. Without medical staff support, your best-laid plans will backfire. Regional referrals depend substantially on long-term physician involvement.
- **Evaluating financial opportunity.** Carefully look at the demographics and payor mix of the region you hope to develop. Remember that the referring physician will not want you to be selective just because of payor mix.
- **Determining which organizations are currently serving the region's referral needs.** If there's already formidable competition in the specialty area you hope to develop, the strategy becomes more expensive. Steep competition requires that you have determined you have something better or different to change referral patterns.

Put Your Plan on Paper. Once you've completed your assessment and determined that justifiable market opportunities exist, develop a business plan. It can follow the standard planning methodology—with a few caveats. A large part of traditional business planning relies on studying marketplace demographics. In your strategy, you'll focus more attention on the regional physicians, their numbers, and the size or volume of their practices, rather than focusing on patients in the area. As you put together your business plan, make sure you obtain market intelligence about the true potential of a referral network. A solid plan evaluates the physician market opportunity— something easier said than done. Forecasting is a difficult task and requires the help of someone working in the rural market to provide an estimate of referral potential. If your organization is fortunate enough to have reliable admitting data that tracks and trends referring physicians, look at the current revenue/volume and the opportunity to increase it by 1 to 2 percent.

Cultivate New and Existing Relationships. Once you've confirmed that your business plan supports the regional effort, begin to cultivate new physician relationships and enhance existing ones. The four essential elements of a regional referral strategy that is physician-relationship driven include (1) identifying your target audience; (2) offering a product or service that is of interest to prospective referring physicians; (3) creating a focus to influence or change referral behaviors; and (4) building internal awareness and commitment to keep new referrals.

Keep Communication Flowing. As your plan develops, make certain that the physicians who play a key role in developing regional referrals are at the very center of the communication strategy, that you garner their input, and that you use the information to customize your approach. Additionally, when a new approach is implemented, continue communicating with this audience.

Put Reps in the Field. We can no longer assume that if we build it, they will come. Today, it takes dedicated personnel to communicate the offerings of your program, create interest, and work to obtain the business. Field representatives can serve as resources for developing new business through physician-to-physician dialogue, positioning referral opportunities, and delivering measurable results. Some organizations want their representatives to report to a service-line leader. The belief is that reps can do a better job with a deeper understanding if they have a single service-line focus. While it makes sense from inside the organization, this model doesn't account for the needs of a regional physician. For example, rural physicians tell us they want—and need—a single source of information, a resource for any and all service lines. Given a choice, they say they prefer one representative who assumes responsibility to find the clinical expert or specialist to link with the physician.

Meld Operational Commitment and Communication. Even if you have the best representative in the country, your referral volume won't grow without an internal commitment to quality and communication with your referring physicians. This can start with something as basic as having each department record the name of the referring physician on every patient's record. Success with internal referral development also requires a need to diligently follow up on patient outcomes, questions, and records.

Support Your Strategy. Never underestimate the power of education as a tool for reminding your target audience about your organization. CME programs can be offered to the referring physicians in your region as well as to your internal staff. Using your specialists to work with local staff for community screenings also generates goodwill among physicians. And while the impact of these programs is difficult to measure directly, they do speed the process and validate the wisdom of a referring physician's decision to refer to you.

Track Trends. As your organization determines who to target and what specialties to position, the decisions should be made with a careful understanding of contribution margins and market opportunity. Many organizations struggle to obtain good data and to develop good systems for tracking and measuring the success of regional referral programs. Whether your finance team chooses to track and trend changes in referral volume by key service lines or by targeted physicians, develop a clear understanding of goals at the outset. Many programs need to start by tracking the key service lines. First, they look at revenue and volume for the past three years and establish a trend. Then they determine what other factors are likely to directly influence referrals and what percentage of growth would be likely.

Programs that have implemented a focused plan are the ones that are reaping internal rewards. They are the organizations that know exactly what they are doing and what they have achieved.



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