

How to Create a Regional Presence with Referral Relationships Gaining Market Share in Competitive Tertiary Markets

Article printed permission of Strategic Health Care Marketing, September 2003

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Health care organizations of every size are having to look beyond their traditional markets for patients. A regional referral strategy is one of the most effective methods for building new physician relationships and creating an expanded customer base. However, it's not a strategy to be undertaken without careful consideration of the effect on existing relationships, communication methods, and the bottom line.

Many hospitals rely on inpatient tertiary care to generate revenue, and the competition is steep. If your immediate service area is "locked in," either because of payer mix or competitive challenges, it's prime time to think about opportunities in the surrounding region.

For many organizations, referrals from the regional market can account for up to 60 percent of inpatient business. That's an impressive statistic, but first you need to determine if an expanded regional referral presence is right for you. Begin by analyzing your situation.

Assess what you have

- Ascertain the volume of patients coming from outside your immediate service area. Determine why they come, the payer mix, the existing referral relationship, and any current efforts (by your hospital or specialists) to enhance regional referral relationships.
- Identify the advantages that your organization brings to referring physicians in your region. What referral support services do you have in place that only require coordination, packaging, and promotion? How have you worked with referring physicians and/or community hospitals in the past? Your answers will tell you something about the cost and time needed to develop a new market.
- Evaluate your capacity, including number of beds and availability of specialists, in those clinical areas most likely to be of interest to referring physicians. You don't want to spend the money to develop a regional strategy and work hard to win the trust of rural physicians, and then have them be told, "We can't accept that patient today, our unit is full."
- Consider the willingness of medical staff members to help develop the regional market. If you're in a physician-driven organizational structure, you may be able to get some physician leaders to influence, educate, and support their regional referring colleagues. Be aware that even though your organization may want to

develop a regional orthopedic referral program, for example, your physicians may not want any additional business. If there's no medical staff support, your best plans will backfire. Regional referrals are very dependent on long-term physician involvement.

- ❑ Assess the financial opportunity. Carefully look at the demographics and payer mix of the region you hope to develop. Don't even think about cherry-picking the region's most profitable procedures. Although you can certainly focus your regional development on one or two specialties, you have to be open to accepting all of a referring physician's patients.
- ❑ Determine which organizations are currently serving the region's referral needs. Use a survey or field representative to mine this information. If there is already a formidable competitor in the specialty area you hope to develop, the strategy becomes more expensive and demands a significantly better or different approach.

Put it in writing

Once you've determined that there are justifiable market opportunities and offerings, develop a business plan. The plan can follow the standard methodology, with some customization to accommodate the physician-specific market.

You'll want to focus on the number of physicians in the region, the size of their practices, and their loyalties. Because patients rarely make independent decisions regarding tertiary care, less attention to usual market demographics is required. As you put together your business plan, make sure you gain market intelligence about the true potential of a referral network. Some physicians may have a patient base outside your reach.

Forecasting requires the help of someone working in the rural market to provide an estimate of referral potential. Most organizations are very conservative and start with a model that can generate break-even numbers. If your organization is fortunate enough to have an admitting system that tracks and trends referring physicians, look at current revenue and volume figures and the opportunity to increase those numbers by even a modest 1 percent to 2 percent.

This is an excellent point in the process to determine whether individuals within your organization are already involved in some form of regional referral development. This may include outreach clinics, regular CME invitations, a nurse or physician calling on doctors, and social invitations sent out by departments. Some service lines will have clinicians designated to spend part of their time on referral development.

This decentralized approach is generally more expensive and less effective than a centralized plan. There are frequently more FTEs and dollars assigned to individual

Six Questions to Ask When Developing a Regional Referral Strategy

1. What is our current regional presence?
2. How do we differentiate our service from others?
3. What is our capacity and access?
4. What is the level of medical staff interest and commitment?
5. What are our regional demographics and payer mix?
6. Who is the biggest competitor in the region?

service lines than if the organization were to centralize the function. You will need to decide how a centralized plan will incorporate existing activities and staff.

Putting reps in the field

An initial step in executing your business plan is hiring one or more representatives to work in a generalist role and serve as a resource for developing physician-to-physician dialogue, positioning referral opportunities, and delivering measurable results. Such an individual represents the entire portfolio of hospital or system offerings. The representative serves as an administrative liaison and works closely with specialists and referring physicians. The individual is ideally someone who understands and can relate to physicians at their level.

Some organizations have the representative report to a service line leader. The belief is that the representative can do a better job and have more depth of understanding if he or she focuses on a single service line. Although this model may make sense from the organization's perspective, it doesn't consider the needs of referring physicians.

Rural physicians say they want — and need — a single source of information, a resource for all service lines. Given a choice, they say they prefer one representative who takes the responsibility to find the clinical expert or specialist to link with the physician. One centralized representative, usually reporting to the vice president of business development, not only can meet the needs of the customer, but also can provide a more cost-effective approach. It is also much easier to track and trend revenue generated by an individual versus a team.

You may have to review and plan for the management of current referring physicians. Do you need to enhance your issue resolution process and how your hospital and specialists communicate with current referring physicians? Some organizations employ a representative to work internally in a "service and retention role." This staff member may serve as the point person for issue resolution, internal organizational services, and support to referring physicians. The person may also support the external field representative in call management and processing.

Service line and operational commitment

Even with the best representative, your referral volume can't grow without an internal commitment to quality, involvement, and communication with referring physicians. That commitment can start with something as basic as recording the name of the referring physician on the patient's record. Some organizations involve a hospitalist in capturing referring physician information at the time of referral.

Although the specialist may intend to communicate with the referring physician about the patient's progress, the hospital often has little or no role in the process. However, success with referral development requires follow-up on patient outcomes, questions, and records.

Everyone, from the physician to the administrative staff member, must work to enhance admitting profiles. Consider assigning one individual to monitor communication for

Four Elements Essential to a Successful Regional Referral Strategy

1. Accurately identify your target audience.
2. Offer a product or service of interest to prospective referring physicians.
3. Create a focused approach to influence or change referral behaviors.
4. Build internal awareness and commitment to program maintenance.

referred patients and see how this can improve your referral tracking.

Develop a formal process to resolve issues, one that is similar to quality improvement or customer service processes. Capture physician complaints and comments in a central location for prioritization, resource allocation, and corrective measures. This area requires operational ownership and accountability. The representative can capture key information and bring it in-house, but there must be a staff member with the authority to address issues in a timely manner.

Communication takes consistent effort

Communication is paramount. Physicians often say they don't feel included. Make sure that physicians who play a key role in developing regional referrals are at the very center of the communication strategy. Get their input and use it to customize your approach. Additionally, continue this communication when a new plan is implemented.

Value-added offerings support the plan

Never underestimate the power of education to remind your target audience about your organization. CME programs can be offered to referring physicians and to internal staff. Using specialists to work with referring physicians in their region to conduct community screenings also generates good will. Some programs have installed clinics or telemedicine programs as a way to enhance the referral process. Although the impact of these programs is difficult to measure directly, they can speed up the process of building trust among referring physicians.

Solid referral development programs, such as the one described in the case study on page 8, have made the referring physician feel part of the referral network. This goes a long way in building credibility, trust, referrals, and ongoing loyalty.

Measurement

Determining which audiences and specialties to target must take into account both market opportunity and contribution margins. The goal — whether determined by changes in referral volume by key service lines or by targeted physicians — must be established at the outset. Consider working with human resources to establish a performance measurement and incentive-based compensation plan for the field representative (See 'Worth the Investment: Compensation Strategy for Physician Relations Staff' in the July issue of *SHCM*).

Many programs start by tracking key service lines, looking at volume and revenue for the past three years. Then they determine what other factors are likely to directly influence referrals and what percentage of growth would be likely — even without a representative in the field. By setting a benchmark, everyone can understand what growth is attributable to the representative's efforts.

Taking steps to do it right

With the proper strategy and implementation, any organization can develop a regional referral system. So if it's an attainable objective, why aren't more organizations pursuing it and demonstrating their success?

In reality, a number of organizations of all sizes are examining this approach, and many have embraced the concept. They realize that although contractual relationships are critical, in many markets physicians are still responsible for filling beds. The challenge is to do it right — not just throw people who are "good with doctors" into the field and assume they are able to significantly increase revenues from referral sources.

Programs must match the organization's strategic initiatives and market; they must be customized and staffed to fit the culture and desired relationship approach. Successful programs have the commitment and support of operations and financial leadership.



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