

Physician Relations Programs Can Increase Referrals

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A physician relations program can enhance an IDS's relationship with both staff and community physicians, leading to an increased referral base and improved physician satisfaction and productivity. A tactical plan is essential for developing such a program.

In formulating its plan, the IDS should examine its goals and market opportunities with respect to physicians, as well as its current approach to physician relations and the current status of its relationship with physicians. The IDS then should create a new position for physician representatives to implement the tactical plan. Representatives may be charged with tasks such as increasing referrals to specific clinical services areas and developing relationships with physicians. The IDS's financial management should establish a baseline for financial returns to provide representatives with clear targets for increasing case volume and revenue.

The financial viability of IDS depends on the organization's ability to work effectively with physicians. All too often, however, IDS's lack a clear strategy for maintaining positive working relationships with physicians and building referral volume.

Accountability for physician relations often is fragmented in IDS's, with different people at different levels addressing physician-related issues as they arise. Such circumstances may be based on the reasonable assumption that everyone should be responsible for promoting good physician relations, but the result may be that no one actually takes on the responsibility of effectively managing physician relations. As a result, the healthcare organization may not adequately address the needs of physicians' and many physicians may not recognize their referral opportunities within the organization.

An IDS can effectively address physicians' needs, and thereby enhance referrals, by implementing a physician relations program with clearly defined roles for individuals charged with carrying out the IDS's physician strategy. Such a program might entail making regular visits to physician offices to ensure that there is ongoing dialogue regarding physicians' needs and how the IDS might fulfill those needs. Or it might involve facilitating ongoing physician education or other forms of out reach. The program should be tracked for results that can reveal whether the program is cost-justified.

Developing the Tactical Plan

Implementation of the physician relations program should begin with development of a clear tactical plan that includes the program's specific goals based on quantifiable data and direct input from physicians. To develop an appropriate tactical plan, an IDS should

review three aspects of its current relationship with physicians:

- ❑ Goals and market opportunities with respect to physicians;
- ❑ Current physician strategy; and
- ❑ Current status of the IDS-physician relationship. *Goals and market opportunities.*

The IDS should evaluate its market opportunities and determine how it wishes to work with physicians. This evaluation should involve a business analysis of all contractual referral and working relationship issues. If for example, the IDS already owns physician practices, it should evaluate the volume of secondary referrals coming from the owned practices relative to the total referral base.

The market evaluation also should include a demographic assessment of which physicians are referring to which service lines and the geographic distribution of the patients being referred. For example, the IDS might find that most patients in the past year were referred by 40 physicians, whereas in the previous year, most referrals were attributable to 50 physicians. In addition, the IDS might find that the geographic distribution of patients declined to just three zip codes from four zip codes in the previous year. Such findings might indicate specific target areas in which the IDS could work to improve physician relations and expand its market.

Current physician strategy. The IDS should consider how it defines its physician strategy, how it measures results, and how frequently it reviews and updates the strategy. In addition, the IDS should evaluate who makes the decisions with respect to the physician strategy. Important issues to consider are whether a single individual is involved in all decisions and whether decisions are made using a formal process. If a formal process exists, the IDS should define the elements of that process.

The IDS also should consider whether it has clearly defined referral expectations (e.g., by physician and by clinical service line) and the degree to which all physicians have benefited equally from the IDS's physician strategy. A strategy that tends to favor specialists, for example, may inadvertently alienate primary care physicians. Or an IDS's decision to open an occupational health clinic to serve an industrial park, for example, may alienate physicians whose offices are near the industrial park because the physicians could perceive the IDS's strategy as direct competition for patients.

Current status of physician relations. Criteria need to be established and consistently applied to evaluate the IDS's current relationship with physicians. Key criteria are the number of inpatient and outpatient referrals and whether physician-driven patient volumes have trended up or down over the past two years. Other criteria include the degree to which staff physicians are involved with committees, the degree to which physicians offer the IDS input regarding their concerns, and whether physicians have been offered and accepted hospital support in the past 12 months.

The analysis of physician relations should examine how often physicians made requests of IDS administration, and how those requests were handled. The analysis also should seek direct input from physicians through surveys and informal discussions. Such discussions may help reveal unsuspected factors contributing to physician dissatisfaction or changes in referral patterns.

Although some of the data obtained from the foregoing analyses may be qualitative rather than quantitative, the overall results should be telling and may underscore the need to modify the current practices or the healthcare organizations clinical focus. The data might suggest, for example, that 60 percent of the inpatient revenue is coming from just 10 percent of the medical staff, indicating a need to expand the scope of the clinical areas in which the greater profits are being realized, possibly by adding specialists to

the areas, To ensure the effectiveness of the plan, specific, targeted expectations and measures must be established.

The Physician Representative

The IDS will need to develop the role of physician representative to implement the specific elements of the IDS's tactical plan. A primary responsibility of physician representatives should be to position the organization's clinical offerings. For example, if the plan calls for increasing referrals to a newly constructed ambulatory care center, the physician representative might be charged with raising the awareness of primary care physicians regarding the center's ability to perform radiology, mammography, and other outpatient diagnostic services. The representative should be required to document visits to potential referring primary care physicians, the message communicated, and the outcome and be accountable for tracking referrals to the ambulatory care center from these physicians.

Other functions that physician representatives can perform include helping to design and develop physician-based marketing and education materials for referring physicians and working with clinical managers to develop and coordinate public education programs that allow referring physicians to share their expertise with potential patients and their families.

Establishing clear reporting relationships between physician representatives and IDS administration can help senior management to identify potential problem areas. Because representatives will be alert to physicians' concerns, they can inform senior management about problems before they reach the crisis stage.

Chief among a physician representative's qualifications should be skill in maintaining ongoing interpersonal relationships with physicians and the ability to facilitate physicians' use of IDS services. A clinical background is not essential, but physician representatives should have sufficient knowledge of the IDS's clinical service offerings to provide reliable information to physicians—or to know where to direct them.

The most significant cost for the program is the labor cost. A typical program might include two to six representatives and a director and/or a customer service representative. Salaries average \$45,000 plus an incentive package of 15 to 25 percent of base pay. Many IDS's also will want to purchase an over-the-counter contact management software package to track program results.

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Tracking Financial Results

Although the financial effect of employing physician representatives can be difficult to measure, it is important to track results to evaluate the overall financial success of this strategy. A team composed of strategic planning, finance, information technology, and physician program administrators, therefore, should develop a means to forecast, trend, and evaluate financial results.

Perhaps the easiest way to measure the financial benefits of a physician relations program is to track referrals to the organization. Financial results can be calculated by analyzing referrals, volume, and revenue associated with targeted clinical areas.

For example, part of an IDS's tactical plan may be to increase its volume for certain clinical procedures within an established time frame. The IDS would determine the

optimum contribution margin associated with each procedure as defined in the tactical plan and then give the physician representative a target number of procedures that need to be scheduled within each clinical service area to achieve the projected growth levels. The measure of the program's effectiveness is the degree to which the representatives achieve these targets.

To provide physician representatives with clear targets for increasing case volume and revenue, the IDS's financial managers need to establish a baseline for expected financial returns from the physician relations program using past results and realistic forecasts.

Although measurement is easier when physician representatives focus on specific clinical offerings, it also is important to assess program performance against total projected increases in both revenue and volume. If representatives are rewarded only for their ability to increase revenue from a specific service line, representatives may focus their efforts on that service line rather than represent the entire portfolio of the IDS. Measuring both service-line and total-case volume and revenue ensures that representatives have an incentive to promote all the services offered more or less equally.

Case Studies

IDS's that have successfully implemented a physician relations program include Cook Children's Medical Center, Ft. Worth, Texas; Saint Joseph's Health System, Atlanta, Georgia; and Sentara Healthcare, Norfolk, Virginia.

Cook Children's Medical Center established its physician relations program to strengthen its referral base and enhance its competitiveness. The organization credits its physician relations program with helping to secure its existing referral base, establishing relationships with 35 new referring physicians, and increasing referrals by 9 percent systemwide over a 12-month period. Cook Children's physician relations program has helped strengthen relations with area physicians by sponsoring more than 60 continuing medical education presentations a year in the physicians' areas of excellence and by presenting a variety of supplemental education programs for the local residency programs.

Saint Joseph's Health System realized a 14 percent increase in overall referrals in one year following implementation of a physician relations program. Saint Joseph's achieved this result through systematic planning to identify referral patterns of current and new physicians. Representatives routinely contact physicians and their offices to learn more about their needs and possible practice weaknesses and to address any points of contention the physician might have with the IDS. This information is recorded after every call to develop an ongoing profile of the physicians practice.

Saint Joseph's physician representatives also are regarded as valuable communicators of the IDS's hospital services. Saint Joseph's representatives regularly arrange for the hospital's leading staff specialists to meet with referring physicians for lunch or question-and-answer sessions. In 1998, Saint Joseph's introduced its Specialty Center for Diabetes Care. Physician representatives, working with a diabetes education team composed of staff physicians, made personal visits to targeted referring physicians to educate them about the program. In 12 months, the center had established a new base of more than 120 referring physicians for diabetes care,

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clearly an IDS defines its physician strategy and the degree to which the IDS's senior management is committed to the strategy.

For Sentara Healthcare, creating a physician relations program resulted in an increase of \$280,000 in overall revenue in the first eight months based on the measured growth of each service line targeted by the program. Sentara uses a variety of data to assist in referral development. Case-mix data are compiled internally and used to track physician procedures, volume, revenue, and margins on revenue by facility. Sentara also taps into data from the Virginia Health Information (VHI) system for the larger picture of each physician's activity and referral patterns. VHI is a not-for-profit organization formed to provide data that promote informed decision-making among healthcare consumers and purchasers. In addition, the information available to healthcare providers is designed to help support quality improvement; Sentara has an internally developed database to track physician representative activities, such as contacts with physician offices.

Sentara's physician representatives have worked closely with the IDS's strategic-planning group to position new clinical programs and services. For example, before launching a new neuroscience program, Sentara's strategic-planning group asked its physician representatives to survey physicians on potential components of the program, such as specialist access, nursing, and billing. The representatives learned that referring physicians preferred direct access to the specialists rather than the proposed central call center. This information was critical to the successful implementation of the new program.

Conclusion

A physician relations program can reap significant financial benefits for an IDS by strengthening the IDS's ties with both staff and community physicians and increasing the organization's referral base. The relative effectiveness of a physician relations program depends on how clearly an IDS defines its physician strategy and the degree to which the IDS's senior management is committed to the strategy. The CFO can play a crucial role in developing the program and ensuring its success by helping to identify the areas in which the IDS has the greatest opportunity for increased revenue and case volume.



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