

Physician Liaisons Confer Competitive Edge

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by Catherine Lackner

Having largely abandoned the idea of owning medical practices as a way to ensure loyalty and solidify lines of referral, hospitals increasingly use physician liaison programs to maintain and leverage their relationships with doctors. The physician liaison's job is to ensure that loyal admitters remain so, encourage "splitters" to increase admissions to the liaison's facility, and introduce non-users to the hospital and its service lines. Liaisons are usually women and frequently recruited from among the hospital staff.

David Kantor, president of Kantor Consulting Group in Shaker Heights, OH, notes that physician liaison programs aren't new and that there was considerable interest in the mid-1980s. They are experiencing renewed interest now because they fill hospitals' needs to strongly affiliate with physicians as both managed care controls and hospital ownership of practices have declined. The programs also provide a crucial link, he adds, because "it's becoming painfully obvious that doctors don't have time to pay much attention to the inner workings" of the hospital.

Jeff Peters, president of Health Directions, a Chicago-based consulting company, says that 75 percent of all hospitals have some sort of physician liaison program. There are, however, many different types.

Problem-solving

Many hospitals concentrate on the customer service end of the effort, using liaisons to remove obstacles to doctors' satisfaction. Linda Carter, a physician liaison at the Cleveland Clinic Health System, describes her job as "more problem-solving than anything else."

In Carter's region, which includes three of the system's Cleveland area hospitals, liaisons visit referring doctors' offices to build face-to-face relationships and leave marketing materials. Inside her three hospitals, a medical satisfaction committee composed of 18 doctors is "the eyes and ears for the entire medical staff," Carter says. The doctors "report back what they hear in the lounges and in the dining room. We found out doctors aren't looking for hot tubs and champagne — they want access to the system, they want walls and barriers removed to make their lives easier." The committee made 78 suggestions in 2000 and 100 in 2001. Liaisons tracked their implementation and published the results in a newsletter distributed to all referring physicians.

It's important that management be receptive to criticism and amenable to making

changes, not just provide a venue for complaints and then return to business as usual, says Carolyn Merriman, president of Corporate Health Group in Omaha, NE. “Physician liaison programs have to be strategically based, desired from the top down, and tied to the CEO.” Otherwise discontent escalates because the physician liaison has identified the problem but doesn’t have the wherewithal to have it corrected.

In an effort to stop the trickle of dollars, Children’s Hospital in Columbus, OH, has “a referral recovery service,” says Donna Teach, the hospital’s vice president of marketing, promotions, and development. Children’s system includes the hospital and a network of 18 pediatric ambulatory care centers. Faced with losing a referral because of a service or procedural obstacle, Children’s tells the doctor, “give us a chance to help you out.” The result is “an 85 percent-plus recovery rate on those referrals.”

However, problem-solving is only one aspect of satisfying physicians, says Orlando I. Alvarez, Jr., chief marketing and development officer at Miami’s 512-bed Mercy Hospital. “Our physician development representatives do anything that a physician needs, from getting a test result to dealing with credentialing issues,” he explains. The hospital’s marketing department, in which the liaison program is housed, even helps referring doctors get publicity for a new service or product. “Some don’t need us for anything, but we let them know we’re available.”

In some cases, liaisons have helped recruit, hire, and credential a new doctor for a referring practice that wants to expand, Peters says. As a result, the staff member who joins the practice has a relationship with the hospital and with the practice’s partners.

Boost market share

Hospitals can increase — not just preserve — market share by taking the liaison concept one step further, notes Peters. Encouraging split admitters to send more of their business to the liaison’s hospital and converting non-users to admitters can bring substantial revenue gains. Many times, a direct approach is best, he says. “When doctors are asked, they will often say, ‘I’d like to admit to your hospital, but I can’t get on the surgical schedule,’ ‘My patents are scattered all over your hospital,’ or ‘My other hospital gives me my X-ray results online.’ You’ve got to find out their priorities and orchestrate results.”

In the case of non-users, Peters says, the liaison may simply ask, “What would it take to get your business?”

For example, market research showed that a core group of admitters was sending all its radiology business but only part of its lab business to Children’s, says Teach. In other cases, practices were using the hospital’s rehabilitation services but not its other capabilities. A four-year-old marketing program has turned the situation around, delivering a 200 percent return on investment in the past 12 months. Its value has been tracked and proven to management by a sophisticated new computer program, she adds.

“Every lab contract we sell or bring into the system, we can track, as we can track the lifetime revenue of new referral sources,” continues Teach. “We’ve really refined our revenue tracking model over time. We can count referrals, referral recoveries, revenues brought into the system, new business generated,” all of which heightens support for the liaison approach.

“Building long-term relationships with our key referring physicians and their office staffs

is crucial,” says Marti Quisling, senior vice president of strategic marketing for Cook Children’s Health Care System in Fort Worth, TX. “There’s always going to be someone out there going after your best customer. We’re interested not only in increasing admissions but also in cross-selling our other services.”

In addition to a medical center, the system owns a health plan, a home health agency, and a physician network that either employs or contracts with 200 doctors. Four physician liaisons, also called physician managers, market the system across a 110-county area that covers 50,000 square miles. There are more than 200 competing hospitals in the area.

“Response has been excellent,” Quisling says. “We’ve seen gains in our overall share and have recruited hundreds of new referring physicians.” In Fort Worth, Cook Children’s primary service area, market share has increased from 62 percent to 72 percent in the five years of the program’s existence, she reports.

Physician managers, Quisling says, have to understand the concept of consultative sales. “I’m looking for individuals who have had experience calling on physicians and can manage rejection. They have to be extremely career-driven, good listeners, tenacious, articulate, self-starters. I guess the bottom line is, they’re not afraid to ask for the business.”

Compensation

How liaisons are compensated varies tremendously depending on their duties and their perceived value to the organization, experts say. “They’re not highly compensated staff,” says Peters. “They make reasonable salaries and it’s easy to get a good return.” He estimates that a well-run liaison program returns “10 to 20 times the annual cost.”

“It’s a very economical program,” agrees Teach. At Children’s, each liaison earns a \$35,000 salary plus a quarterly incentive. “Our operating expenses are low.”

“Many hospitals are still struggling with ‘incentivization,’ but in the past five to seven years I’ve seen more organizations embrace it,” says Merriman. The concept of straight commission “is pretty scary in health care.” Health care organizations, she notes, are more comfortable with a pay-for-performance program, which is “capped, not a runaway commission that’s unlimited,”

The incentive can be attached to growth of business from a ZIP code or a practice or to growth of market share within a service line, Merriman explains. She estimates that the average sales call costs \$250 to \$285. “You should see results in six to 18 months of having the program up and running.”

“Where else can you invest that kind of money and make \$1 million one year?”

Ken Mack, president of DMI/Transitions, a Brecksville, OH-based consulting firm, argues that the health care industry is making a mistake by its reluctance to give performance bonuses to anyone outside senior management. “If I want to get 100 more admits and each has a value of \$20,000, that’s \$2 million. For discussion’s sake, if it costs me \$120,000 to invest in a really superstar sales employee, and then I bonus them and give them a car, I’m still going to net more than \$1 million. Where else can you invest that kind of money and make \$1 million in one year?”

Performance measures

Quisling points out that different markets will generate different levels of revenue. “Some are high Medicaid, some have a high indigent population, some are going to be more commercial.”

At Cook Children’s, physician liaisons have a set number of weekly sales calls that they have to make in addition to follow-up calls. “When we first started the program, we wanted to see what our volumes were,” says Quisling. ‘We took that and said ‘that’s the benchmark — you’ve got to bump it up a certain percent.’ Then the bonus kicked in, based on percentage increase.” Expectations are adjusted for expansion of managed care plans or other variables that affect revenues, she adds.

However hospitals choose to use liaisons, however the results are measured, and however the employees are paid, it’s hard to dispute the importance of liaison programs in an increasingly competitive industry.

“Roughly 75 to 80 cents of the health care dollar is directed by the physician’s pen,” Mack points out. “For years pharmaceutical companies have realized this and have used sales reps to work with the doctors. Exclusive contracting is almost non-existent today, so the doctor has tremendous discretion in where he or she sends patients.”



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