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**Physician Sales and Service as a Strategic  
Component, Competitive Maneuver 2010**

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# Physician Sales and Service as a Strategic Component, Competitive Maneuver 2010

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About Corporate Health Group (CHG): CHG provides expertise in strategy, business development and all aspects of sales, marketing and service. Exclusive to healthcare, we partner with clients to provide solutions to enhance their customers' experience. Focused on consumers, employers and physicians as customers, CHG helps clients build the strategic business case, model the infrastructure to achieve success, train the staff to ensure ongoing tactical relationship management and finally, build return on investment models to prove the value of the effort. To access our free resources, newsletters and articles, visit our website at [www.corporatehealthgroup.com](http://www.corporatehealthgroup.com) or contact us at 888-334-2500 (toll-free) or [CHGTeam@corporatehealthgroup.com](mailto:CHGTeam@corporatehealthgroup.com).

This publication is intended to provide accurate and authoritative information in regard to the subject matter presented. It is provided with the understanding that Corporate Health Group engaged in its third update of their national survey seeking input of healthcare providers on the subject matter and combined it with internal research and experience from client engagements.



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## Methodology

This white paper is based upon Corporate Health Group's third update of the Physician Sales and Service Benchmarking survey. Previous surveys were conducted in 2005 and 2008; the update was completed in the fourth quarter of 2010. Surveys were distributed to current subscribers and clients in the CHG community, previous survey participants, members of various national associations and large healthcare systems and consortiums. In the 2010 survey, the core survey questions from 2005 and 2008 were used in addition to new questions to reflect changes in the industry, trends or topics of interest.



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## Respondent Profile

A total of 323 respondents completed the online survey. The maximum margin of error for 2010 results in general is +5.42% at the 95% confidence level. The response rate in 2010 held steady compared to 2008's rate. A continued diversity of respondents provides validation of trends and best practices across provider types.

Respondents At a Glance

Organizational Profile		2010	2008	2005	
		n=323	n=377	n=180	
Figure 1	Type	Non-profit	79%	82%	89%
	Beds	400+	42%	38%	15%
	Gross Revenue/year	\$250 million	23%	23%	28%
	Operating Margin	2-3%	31%	31%	27%
	Location	Urban	49%	54%	54%
	FTEs	1001-2500	22%	23%	30%
	PCPs in market	0-100	19%	15%	24%
		1000+	19%	23%	16%
	Specialists in market	501-1000	18%	12%	12%

## Benchmarking Survey Overview

### History and Evolution of Sales in Healthcare

Early physician sales and service or physician relations programs focused on retention and issue management for loyal specialists and referring primary care physicians. These programs evolved through managed care and service line centers of excellence each with a dedicated representative. Today's hybrid model encompasses generalists that represent a comprehensive service line portfolio as well as outpatient specialists and outreach service line or geographic representatives.

Likewise, historic approaches focused on fixing problems, telling physicians and their staff about offerings and the provision of meals sometimes coupled with educational meetings. The approach has changed from "telling and selling" and asking about problems to having an ongoing proactive dialogue and strong communication with the physician community. Now, organizations have acknowledged the controlling role that physicians play in patient referrals and clinical and financial outcomes. This has resulted in continued support of the physician relations and sales programs as evidenced in CHG's trended survey results from 2005, 2008 and the most recent 2010 survey.

Programs today have clearly evolved from the beginning of the decade and are now focused on three crucial areas: growth, retention and service. All are collectively driven by strategic goals, market potential and organizational focus. This trend will continue as long as the top concern of CEOs remains focused on physician engagement and alignment.

It has never been more crucial than now for organizations to align with physicians given healthcare reform and the introduction of Accountable Care Organizations (ACOs). No doubt your organization's leadership is deep in planning and considering a strategy focused on ACO development. That strategy is likely centered on operations, finances, quality outcomes, information systems and physician employment.

These strategic conversations have many similarities to the discussions that occurred with the birth of capitated HMOs and PHOs in the late '80's/early '90's. And much like the '80s/'90s, having a proactive, positive working relationship with the referring physicians will be the key to success or failure for many organizations.

It is the responsibility of physician relations to remind leadership of past behaviors of treating our referring physicians as commodities and the positive strides and results achieved through a physician relations initiative. As the future of healthcare reform and ACO development unfolds, physician relations programs will need to position how they can continue to support the organization and its physician alignment and engagement goals.

## Introduction to 2010 Survey Data Results

Physician relations programs have been integrated into all strategic initiatives of healthcare organizations. Successful programs are able to adapt their models, structure and approaches to support varying initiatives and goals such as service line (growth/retention), facilities (inpatient/outpatient) and physicians (employed/non-employed). A primary goal of physician relations programs regardless of whether focused on growth or retention is the positioning of the organization and its services as a valuable extension of the physician's practice - thus creating a long standing trusted partnership in caring for the patient. Cornerstone to successful physician relations programs is treating the "physician as customer" coupled with creating a customer experience culture - one focused on continuity of proactive relationship management, communication and engagement for mutual objectives.

A great **customer experience** (Figure 2) is only delivered when there is a strong cultural foundation, one that is distinct to your organization and marketplace. At the core of the customer experience is your approach, your people and processes. Combined, they create your culture.



Figure 2

Organizations should assess their “physician as customer” culture annually and for each new market or service line launch. Questions such as these help guide the model and approach:

- Does your organization have the right approach to create a positive customer experience?
- How do you find the right people and keep them by providing the right tools and training?
- Do you have all of your processes in place?
- Are your processes customer specific and customer centered?
- Do you have aligned messages that are communicated effectively at all levels?
- Is there a balance of role responsibilities and accountabilities at all levels?

Your culture affects all of your customers – physicians, referring staff, employees, employers, referring facilities and patients. How your culture affects the customers is then translated into results:

- Quality - *good or bad outcomes*
- Financial - *growth or loss*
- Alignment - *with you or against you*
- Branding - *positive or negative*
- Return on Investment (ROI) - *good or bad investment of resources*
- Satisfaction - *positive or negative*

Whether they view physicians as partners or customers, savvy healthcare organizations recognize an old truism in an ongoing relationship: they need physicians more than physicians need them. Thus, healthcare organizations must make a dedicated, consistent effort to manage that increasingly critical relationship. In order to ensure your physician relations program is at the “top of its game” you should conduct an annual assessment of strategic goals and their alignment to your program goals, staffing models and the organizational approach to physicians, whether employed, partnered or independent. CHG offers a white paper and free assessment tool so you can serve as an internal consultant to your team. To request a copy of the assessment tool contact us at 888-334-2500 or [CHGTeam@corporatehealthgroup.com](mailto:CHGTeam@corporatehealthgroup.com).

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It is our hope that you will be able to use the survey white paper and subsequent data to assess your current physician relations program, identify enhancements to take your program to the next level and continue to align the program with your leadership’s initiatives and overall national healthcare reform. While best practices exist to establish baselines and trends, remember there are various methods to build and manage these programs. Make sure to reflect your organization’s culture, goals, medical staff relationships and strategic direction within your physician sales and service model and approach.

## **2010 Survey Results At a Glance Physician Relations Sales and Service Programs**

The chart below lists the majority percent (%) response per category for 2010. The majority percent (%) response from the 2005 and 2008 surveys are included for trending purposes. The yellow highlight indicates a change in the #1 category of response for 2010. (Figure 3)



Figure 3

2010 Physician Relations			2010	2008	2005	
At a Glance						
<b>Structure &amp; Leadership</b>						
Longevity	+5 years		69%	55%	50%	
Budget	\$100,001-\$300,000		27%	29%	38%	
	Don't Know		29%	21%	13%	
Department Location	Marketing/PR/Communications/Planning		40%	43%	31%	
Reports to	Leadership (C-Suite)		24%	23%	36%	
<b>Staffing</b>						
<b>Manager</b>						
Title	Director of Physician Services		28%	26%	39%	
Experience	7+ years		58%	51%	59%	
Background	Sales inside healthcare		44%	46%	70%	
	Non-clinical		42%	48%	56%	
<b>Sales Staff</b>						
FTEs (tie)	1 FTE		28%	34%	40%	
	+4 FTEs		28%	22%	6%	
Experience	+7 years		45%	37%	35%	
<b>Service Staff</b>						
FTEs	1 FTE		28%	34%	NA	
Experience	+7 years		51%	40%		
<b>Compensation</b>						
Manager Base Salary	+\$98,000		20%	16%	17%	
	\$68,000-\$77,000		17%	20%	16%	
	\$58,000-\$67,000		13%		22%	
Sales Base Salary	\$58,000-\$67,000		30%	27%	22%	
	\$48,000-\$57,000		24%	30%	30%	
Service Base Salary (tie)	\$58,000-\$67,000		25%	20%	NA	
	\$48,000-\$57,000		25%	32%		
Incentive Compensation	Yes		68%	36%	45%	
Based on	↑ volumes		64%	74%	69%	
% of base	6%-10%		34%	18%	39%	
	11%-15%		11%	24%	14%	
<b>Strategy</b>						
Territory	Geographic		54%	57%	45%	
Important to success of the program	1. Customer Service-Issue Resolution		74%	71%	NA	
	2. Leadership's commitment/support for sales		73%	72%		
	3. Coordinated between sales and operations		67%	65%		
	4. Sales Planning		64%	57%		
Top priority/goal (tie)	Revenue growth and retention		36%	35%	51%	
	Revenue growth		36%	27%	33%	
Program is "Very Important to".... Compared to Program is "Very Effective at"...		<i>Important</i>	<i>Effective</i>	<i>Gap</i>		
	1. Adding new MD referrals	84%	17%	67%	63%	50%
	2. Retaining referrals	77%	26%	51%	52%	47%
	3. ↑Service line volumes	71%	15%	56%	46%	46%
	Handling complaints	65%	36%	29%	33%	23%
% time spent doing	Selling		35%	36%	41%	
	Customer Service		30%	28%	27%	
<b>Support</b>						
Use CRM?	Yes		59%	64%	61%	
Type of CRM system?	ACT!		26%	35%	NA	
	SalesForce.com (emerging)		21%	NA		
CRM used for...	Tracking sales activities		96%	98%	94%	
	Customized reports		73%	70%	80%	
Do you offer training?	Yes		66%	66%		
Type	Customer service		56%	66%	62%	
	Product/service line		54%	65%		
Frequency	Yearly		44%	54%	NA	
Method	Web based		53%	53%		
	Conference		43%	67%		
<b>Return on Investment</b>						
Have ROI formula?	No		83%	83%	73%	

## Key Findings

Accountable Care Organizations (ACO) and healthcare reform have captured leadership's attention, energy and resources. ACOs and reform have been broadly defined; thus, the industry continues to await fine-tuning and clarity to targeted populations and stricter criteria for eligibility and reimbursement. Meanwhile, organizations are realizing the importance of keeping the "physician as customer," a prioritized strategic initiative alongside of alignment with innovations driven by future versions of ACO and reform. With this evolution affecting our industry, this white paper will insert "ACO" comments where applicable.

### • Structure & Leadership:

- o Physician sales and service programs are reporting at a leadership level ensuring a seat at the strategic table. However, with ACOs, healthcare reform and emphasis on physician employment and alignment, many physician relations programs are beginning to be placed in a holding pattern or are being excluded in planning initiatives. It is vital that physician relations continues to be involved in the process of targeting and planning to share their depth of knowledge about the physician and practice environment. Support can be offered tactically through the continuation of visits, messaging and differentiation in addition to providing assistance to employment and quality initiatives with the physicians. It will be imperative for physician sales and service to continue to position the value of their efforts at the leadership/strategic table.
- o Respondents indicated that program budgets have remained steady, with 27% of programs reporting an annual budget of \$100,001-\$300,000. Of special note are 29% of programs responding "Don't Know." This gap should be corrected and programs should know what the organization has invested in the program; including that investment amount in your return on investment (ROI) formula.

### • Staffing:

- o Many organizations have enhanced their physician sales and service programs by having dedicated service staff to focus on retention and service allowing the sales staff to focus on growth.
- o In 2010, 87% of respondents report having a service FTE (1-4+ FTEs) as compared to 81% from 2008. That represents a 6% increase of programs reporting having service FTEs. These service roles help support strategic goals such as improvements in physician satisfaction, engagement and loyalty. Their focus is on rounding loyal physician practice staff, educating office staffs about working with your organization and responding to issues and physician concerns. Additionally, these staff members continue to heighten internal awareness of barriers to referrals, assisting the organization in improved operational and clinical quality measures, all of which further differentiate the organization in the referral decision. Employing staff dedicated to service should continue to be a trend, as long as "customer service/issue resolution" remains the top component of successful programs.

### • Compensation:

- o Staff compensation continues to increase, resulting in higher compensation that correlates with more years of experience and program longevity.
- o Variable incentive compensation is becoming a mainstream element. Sixty-eight percent (68%) of responding organizations now offer this, proving a statistically significant change from the reported 36% in 2008.



- o The leading incentive range paid is 6-10% of annual base salary for 34% of respondents. In 2008, the top incentive compensation range was 11-15% of annual base pay.
- o Sixty-four percent (64%) of programs offering incentive compensation based the payout on “increasing volumes.”
- o Incentive compensation data indicated that payout is based on attainment of the following results: 1) “actual number of volumes;” 2) “achievement of performance standards – completed visits;” and 3) “issue management.”

• **Strategy:**

- o Respondents indicate that their program is “very important” for impacting: 1) “adding new physician referrals;” 2) “retaining existing physician referrals;” and 3) “increasing the volume of patients to a service line.”
- o Programs report their number one top priority for the physician sales and service program in 2010 is evenly split between “growth and retention” and “growth” (36% each). Only 3% reported “physician satisfaction” as a top priority. We anticipate a shift in priorities and growth in the category of “physician satisfaction” as more organizations employ physicians and/or engage in risk sharing ACO arrangements with them.
- o The top three components most important to a successful physician sales and service program are: 1) “customer service/issue resolution;” 2) “leadership commitment and support for sales;” and, 3) “coordination between sales and operations.” Of special note is the increase of importance for “sales planning,” thus proving the importance of planning your sales strategy to maximize results and demonstrate the program’s ROI.
- o The trend in the past has been to assign a territory “geographically” followed by “product/service line.” In 2010 that still holds true, however the numbers show a decrease from 57% to 54% in the “geographic” category and an increase from 24% to 33% in the “product/service line” category. While this may seem to be a small shift, it has occurred because of the increased outpatient service line focus and service line outreach in secondary markets. This trend will continue to increase as healthcare reform and ACOs drive utilization of inpatient services down in exchange for more outpatient settings and as organizations target profitable, quality service lines under the ACO model.
- o With the changes in focus from inpatient to outpatient and the potential to capture targeted markets through the ACO, sales planning and targeting will need to segment the desired patient population by service lines, physicians, utilization, outcomes and payer mix in order to fine-tune prioritization of physician practices for frequency of visits and focus (growth, retention or service).

• **Support**

- o Organizations offering training remained the same at 66%, as did the type of training; however, the preferred method has changed from attendance at conferences to Web-based training. Just under half of the organizations report the use of annual training at 44% with a shift to quarterly training at 29% in 2010, up from 15% in 2008.

- o Fifty-nine percent (59%) of respondents indicate use of customer relationship management systems (CRM), down from 64% in 2008. Implications are shifts to integration of current physician sales and service CRM systems to more macro-level, organization-wide systems, or internal call center systems. Challenges are still present in the marriage of inpatient and outpatient data to referral sources and alignment of sales/service staff's tactical efforts with targeted physicians. Additionally, in order to track and prove ROI, a CRM system will be a critical tool.

- **Return on Investment (ROI):**

- o Eighty-three percent (83%) of programs report having no ROI formula. ROI remains a top priority for organizations to implement in order to demonstrate their program value and alignment with organizational goals. This will ensure program survival in a healthcare environment that must do more with less.

## **Considerations for the future:**

Regardless of whether or not your healthcare organization is seeking to build an ACO, the physician and/or their practice remain at the center of referral growth. Healthcare reform, ACOs and reimbursement shifts have driven an expansion in outpatient services focused on patient care and disease management. Several factors have improved as a result of these industry changes: management of a patient's continuum of care with the application of electronic medical or health records and call centers and Web portals enabling access, combined with handheld devices and social media methodologies.

This greater focus on the physician and patient referral mechanism has increased market competition for the consistent referral base and valuable payer mix. The result has heightened a need for the integration of physician sales and service strategies into overall organizational goals. However, challenges continue to affect these strategies, including increased difficulty in accessing the physician for meaningful dialogue, a need to continually differentiate to meet each physician's individual needs and, as always, the organization's ability to deliver or exceed the service promised.

The complete findings of this study are invaluable as you review your current approach, people and processes to develop or enhance your physician sales program.

The six years (2005, 2008 and 2010) of comparative data will provide the following organizational insights:

1. Are we where we need to be in terms of our approach to the "physician as customer" – and properly aligning our goals with the physician at our side?
2. Do we know where we have an opportunity to grow referrals, who to target for that growth and what our approach may be?
3. Are we structured properly (right people in right jobs with the right training) to ensure success?
4. What are we doing to retain the referrals and loyal physicians? Are there processes we should establish to enhance communication, standardize issue management and differentiate our value to the physician and their practice?
5. What are we going to do to stay relevant when leadership is focused on an ACO and the goal of the ACO is to bend the cost curve by reducing utilization while increasing quality outcomes?

Looking for more detail on a particular hot topic? [Click here](#), to access the comprehensive white paper, and review the comparative data, "[Physician Sales and Service as a Strategic Component, Competitive Maneuver 2010](#)".

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## About the authors:



**Carolyn Merriman**, President and Founder of Corporate Health Group (CHG), comes with over 27 years in healthcare management, business development, sales, marketing and training. She built sales and service models for two hospitals, and then opened a consulting firm in customer experience consulting, providing clients with strategic development, program build out and training. Carolyn holds a degree in Fine Arts from Ohio University, is a Fellow of the Royal Society and a past SHSMD Board Member.



**Jill Stratton**, President JMS Associates, Incorporated and Corporate Health Group (CHG) Consultant has nearly 25 years of experience working in healthcare at systems in the Midwest. She's held various leadership roles ranging from clinical operations to business development, marketing, physician relations and sales. As a consultant for CHG, she helps clients create functional customer relations programs that deliver return on investment. Jill holds a Bachelor of Science degree in Exercise Science from Indiana University.



**Laurie Slater** recently joined the Corporate Health Group with 12 years experience in corporate management training, business development, sales and marketing for a large health system's ambulatory care division. Her experience includes the launch of four physician relations programs, all with proven ROI. Laurie holds a degree in Psychology from Emory University and an MBA from the University of Sarasota.



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