PHYSICIAN BONDING

Developing a Successful Hospital Program

Steven T. Valentine

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Preface

The rapidly changing health care industry is causing pressure on the financial performance of hospitals. Hospitals have tried diversification, marketing directly to the consumer, joint venturing with physicians, vertically and horizontally integrating the continuum of health care and contracting with third-party payors to build their census and improve financial performance. However, with increased competition among not only hospitals but also physicians, both groups are looking to each other for mutual improvement of relationships. Many hospitals today are suffering because medical staffs that had been previously closed resulted in inadequate replacement of retiring or relocating physicians and because hospitals did not pay close attention to their physicians' needs. During 1988 an explosion of articles and seminars focused on the topic of allocating resources to the hospital-physician relationship. Physician bonding is not new; as a matter of fact, many hospitals have some bonding components, but they are usually offered in a fragmented manner. The concept of joint ventures reached its peak in 1983 and 1984. This was the first attempt to tie the hospital and physician together economically.

In light of proposed and recently enacted federal legislation, it is clear that Congress has targeted investigation of the "conflict of interest" associated with physicians who refer patients to businesses and services they own, particularly when the physicians receive financial incentives for referrals. Many hospitals are exploring ways to coordinate and organize their physician bonding activities. They are developing methods to assess medical staff needs and to determine how best to satisfy these needs. Hospitals are expanding their budgets for the purpose of enhancing relationships with their medical staffs.

This book is intended to benefit senior management team members of hospital and multihospital systems. It presents a comprehensive overview of physician bonding programs and examples of hospitals' successes and failures. Individuals responsible for planning, marketing, medical affairs, and public relations

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activities will find the book particularly useful. For the chief executive officer, chief operating officer, president, or administrator, case examples are offered that identify strategies and approaches used in successful physician bonding programs. Finally, physician liaisons and coordinators can use this book as an integral component in developing or enhancing their hospitals' programs.

In addition to strategies and activities related to physician bonding programs, the book discusses the major components of a program: organization, physician liaisons, referrals, legal issues, joint ventures, marketing physicians' practices, and identifying physicians' needs.

Two case studies discuss a specific hospital's situation, organization, strategies, and approach. The first, Toledo Hospital, is a large teaching medical center with a regional referral approach to attract physicians. The second case study refers to Riverside Community Hospital, a community hospital with a variety of other businesses.

Physician bonding is a topic that is receiving tremendous attention from the health care industry. Many hospitals have allocated more resources to develop or enhance physician bonding programs, and physicians are expecting more assistance from hospitals as they fight to preserve their practices. This book will assist hospitals that are seeking to meet the needs of their medical staffs.

I would like to thank the contributing authors. Their commitment to the book and their personal interest in the subject have resulted in its high quality and potential usefulness to the health care industry.

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Chapter 1

The Physician Bonding Concept

Steven T. Valentine

As hospital admissions continue to decline and operating margins shrink and as physicians experience decreasing incomes (adjusted for inflation), health care management is challenged to work with its medical staff for the mutual benefit of both parties. The fact that physicians control an estimated 60 to 75 percent of all inpatient referrals makes it essential for hospitals to engage in physician channeling in order to influence physicians' choices (Coile, 1988). Hospitals develop activities for this purpose and include them under an organized structure that is often called a physician bonding program. This program also may be referred to as physician support services, physician practice enhancement, medical management assistance, or medical affairs. The program, regardless of its title, is an organized and coordinated set of activities provided by a hospital to physicians in order to unite or bind them with its organization.

Economic pressures on physicians are causing increased concerns about their future. Five primary areas of concern are (1) discounting of fees to health care providers such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs), (2) set fee structures of various payors (primarily Medicare and Medicaid), (3) fewer visits by patients to physicians, (4) increasing expenses of operating their practices, and (5) indications that a surplus of physicians exists in certain specialties and geographic areas. Additional pressure is placed on the solo practitioner as physician group practices multiply. Many physicians recognize changing factors in the medical practice environment. Some seek assistance from a hospital. They often have a general notion of what they want but are often unwilling to listen to what the facility has to offer.

MEDICAL STAFF MARKETING BY HOSPITALS

A recent study conducted by the American Hospital Association profiles the state of medical staff marketing (Society for Healthcare Planning and Marketing,

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1988). The study used a randomly selected sample of 300 hospitals representing various sizes and geographic regions.

Small Hospitals (50–200 Beds)

In small hospitals (50–200 beds), 21.8 percent of respondents report having a formal physician marketing office, usually in the marketing department. Average staffing level is 1.1 and is expected to remain stable. The average budget in 1988 was $250,000; about half expect the budget to increase by an average annual amount of $42,000.

The person most responsible for physician marketing activities in small hospitals is the administrator (45 percent) or a director (26 percent) reporting to the governing board. About half of the individuals have masters' degrees. The average compensation is $43,000 to $57,000, and 29 percent receive bonuses.

Medium-Sized Hospitals (201–400 Beds)

The job title of the person most responsible for physician marketing activities is an executive director (32.7 percent) or a director (43.9 percent) reporting to the administrator. The average salary is about the same as small hospitals ($45,000 to $51,000), and 29 percent receive bonuses averaging about $4,000.

Large Hospitals (over 400 Beds)

Of large hospitals (over 400 beds), 55.4 percent have formal physician marketing offices, usually called medical staff or physician relations departments. Average staffing level is 3.6, with 38 percent anticipating an increase of two full-time employees in 1989. The average annual budget in large hospitals is $666,000, with half the respondents expecting an average increase of $165,000 for 1989.

In large hospitals, the most frequent job titles are director (37.6 percent) and executive director (32.7 percent) reporting to an administrator or executive director. Average annual salary is $53,000 to $59,000, with 29 percent receiving bonuses averaging $5,000.

COMPONENTS OF A PHYSICIAN BONDING PROGRAM

The *Physician Support Services Newsletter* ("Hospital's Future," 1988) discusses physician support services and their importance to the hospital. It states,

"The result is intense effort to develop comprehensive physician support services in hospitals across the country."

Because of increasing pressure from the federal government to limit or, in some cases, to eliminate the ability of a physician to refer a Medicare patient to an institution where the physician receives some economic reward, a hospital must augment the joint venture arrangements it has with its medical staff by utilizing more bonding activities. Exhibit 1–1 lists many components of a typical physician bonding program.

Exhibit 1-1 Physician Bonding Program Components

* Physician referral services
Speakers' bureau
* Diagnostic screenings of patients
Library resources
* Seminars for physicians (nonclinical)
Hospital-physician computer linkages
Marketing resources (e.g., demographic data and vendors)
Hospital services directory
Medical staff directory
Review of physicians and office staff
Videotapes for patients (library check out)
Newsletter for physicians to send to patients
Audits of practice efficiency
Practice management assistance
Market plans for individual physicians
Financial and retirement planning for individual physicians
Equity joint ventures
Malpractice insurance
* Medical directorships/contracts
Group purchasing
Independent practice associations
Physician social mixers
Banking relations
Loans at fair market
Recruitment of new physicians
Assistance in selling practice (retirement)
Obtaining grants for research
Orientation programs for new physicians
Orientation manual (loose-leaf)
* Physician liaison
* Brochures for display in physicians' offices

*Most effective

This list is not all-inclusive; however it does provide a checklist of activities. Each hospital is different and therefore activities that work for some will not work for others. The following components usually form the core of a physician bonding program:

- physician liaison
- physician referral service
- educational seminars (finance, marketing, practice management, non-clinical)
- physician recruitment
- physician practice development
- materials for physicians to offer in their offices
- HMO/PPO contracting support

Dan Beckham (1988), president of The Beckham Company, identifies 10 conclusions that reinforce a growing body of market research about the purchasing behavior of physicians.

1. Convenience is probably the strongest determinant in physician choice.
2. Familiarity is the most powerful determinant in patterns of physician referrals to specialists.
3. Familiarity with a hospital and an established "sense of belonging" are big roadblocks to shifting of physician loyalties.
4. Physicians refer to physicians and not to hospitals or programs.
5. Practicing physicians can refer patients across considerable distances for specialist care.
6. Selecting a practice site requires more than a quantitative assessment of physician manpower requirements.
7. Physicians' needs are not homogeneous.
8. Poor communication is a primary source of physician dissatisfaction.
9. Hospitals with "market momentum" will find it easier to attract or shift physicians.
10. Doctors are most interested in building successful medical practices.

Therefore, these factors should be kept in mind and incorporated into a hospital's strategies in developing a physician bonding program.

The cover story of *Hospitals*, February 29, 1989, (Grayson, 1989) ranked responses to the question, "What makes physicians loyal to your hospital?" Nursing competence (92 percent), quality of care provided (92 percent), level of technology (86 percent), and sound personal relationships (85 percent) were the highest responses. Financial incentives (57 percent), malpractice insurance

(45 percent), and practice management aids (40 percent) ranked much lower. These factors should be considered by hospitals during strategy development. Several popular and successful components of physician bonding programs are discussed below.

Physician Referral Service

A physician referral service links physicians and patients in need of a doctor. Typically the service advertises an easily remembered telephone number that patients may call to find physicians meeting their selection criteria. As an example, the Health-Finder system developed in 1985 by Scripps Memorial Hospital of La Jolla, California, takes the caller's request regarding geographic location, office hours, specialty, payor data, and gender and matches the caller to a physician. The caller then can be transferred by telephone to the physician's office.

Many physician referral programs have been enhanced and integrated with a general health information line. Callers can inquire, for example, about health questions, educational programs, and enrollment in a hospital-sponsored membership program. Most referral programs today are computerized, and they provide monthly reports of volume, mailing lists, profiles of callers, and immediate links to other hospital telemarketing activities. The Health Match program offered by Baxter Healthcare Corporation and the Ask-A-Nurse program developed by the Adventist Health System are examples of the new enhanced systems.

The key success indicators of a physician referral program include

- neighborhood with a high resident turnover
- high population growth area
- computerized system with reports
- promotion through direct mail, Yellow Pages, in conjunction with seniors' and women's membership programs, and targeted product-line marketing to at-risk population groups

Kelly Jensen (1989), executive vice president of The Beckham Co., Arlington Heights, Illinois, lists the following six components of a successful physician referral program:

1. adequate promotion with an annual budget of at least $40,000
2. physician support and a physician steering committee to determine criteria for including physicians in the service
3. counselors who are responsive to consumers

4. administrative support and a single referral line for all calls
5. computer support
6. direct marketing

Physician Liaison

A successful physician bonding program should have one person responsible for the program. This person is usually called the physician liaison; other titles include physician manager, coordinator, assistant to the president, and support service manager or coordinator. Exhibit 1-2 provides a sample job description for this position.

Preferably this person's full-time responsibility is focused on working with physicians. He or she is responsible for writing the physician bonding plan, surveying the medical staff, identifying a budget, and monitoring the program's effectiveness. The member of senior management to whom the physician liaison reports is a matter of great debate (see Chapter 4). In a large facility the physician liaison may be a vice president and coordinate activities of a physician sales force.

Practice Development

Many physician bonding programs include a variety of activities in the area of practice development. Activities appropriate to specific groups are often included, for example, physicians who are new to the area, recent medical school graduates, and physicians who wish to enhance the profitability of their practices. Hospitals have also tried to help physicians operate their practices by offering services such as billing, office staff, supply purchase, computers, and bookkeeping. Physicians, however, usually do not want hospitals to have access to the interworkings of their practices. Some hospitals have developed preferred lists of practice management vendors that offer negotiated discounts. These lists are often accepted and used by physicians.

Hospitals also negotiate arrangements with banks for loans, banking services, financial planning, lines of credit, and other services for physicians. Many hospitals provide new physicians with press releases, announcements, subsidized malpractice insurance premiums and office rent, membership in an independent practice association (IPA), diagnostic screening and speakers' bureau activities, and physician referral services.

Orientation Program for New Physicians

Hospitals often conduct formal orientation programs for new medical staff members. The programs may include personal introductions to senior manage-

Exhibit 1-2 Physician Liaison—Sample Job Description

Department:
Marketing or Medical Affairs

Title:
Physician Liaison

Job Summary:
Responsible for strengthening physicians' awareness of and relationships with the hospital. Analyzes data on physician activity and physician satisfaction. Recommends and coordinates specific initiatives to attract and retain targeted physicians. Follows up on physician problems. Evaluates success of program.

Experience and qualifications:
Bachelor's degree at a minimum, preferably a master's degree, professional health degree or certification, or equivalent experience in health care setting. Knowledge of medical staff organization, hospital organization and services, current national issues in health care, and sales/promotion techniques. Excellent human relations skills and ability to communicate with physicians verbally and in writing. Political astuteness and attention to detail and follow-up important.

Job functions and responsibilities:

1. Writes physician bonding plan.
2. Conducts personal interviews with physicians and office staff to
   - present hospital promotional materials
   - encourage use of hospital services
   - review hospital procedures
   - determine physicians' individual practice-building needs
   - determine levels of physicians' satisfaction with the hospital
   - solve hospital-related problems
   - respond to requests for data and practice management assistance
3. Analyzes physician activity data for
   - utilization
   - age
   - specialty
   - location
4. Develops and coordinates new physician orientation programs.
5. Prepares call reports and monthly activity reports.
6. Coordinates special meetings with physicians and key hospital personnel.
7. Schedules and coordinates activities for physicians and office staff (e.g., luncheons, educational programs, and social events).
8. Manages the physician referral services (annual update).
9. Develops and coordinates an ongoing communication program with physicians (e.g., newsletter).
10. Develops and coordinates annual physician satisfaction surveys; develops action plan in response to findings.
11. Assists retiring physicians with succession planning of their practices.
12. Develops plan to recruit physicians to fill hospital needs.
13. Analyzes impact of program through physician feedback, satisfaction survey findings, activity data, loyalty data, and incremental revenue.

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