

FOCUS ON FINANCE

Dealing with Enterprising Physicians: Proactive Approach Preferred

Preston Gee

One of the biggest challenges that healthcare executives face in the current environment is dealing with entrepreneurial physicians. Some executives handle this better than others. Of course, some markets are better than others. And even in the most favorable circumstances, there are complexities and nuances that can undermine the soundest strategy and most elegant execution. Nevertheless, there are a few basic principles that differentiate the successful from the doleful organizations.

The key is to deal with the situation in a proactive or preemptive fashion, rather than reactively, as so often occurs. This requires advance planning and astute management and, critically, having a satisfactory rapport with the physicians. Even good rapport with the medical staff, however, is no substitute for a comprehensive strategic plan that is well executed.

Some executives are surprised and disappointed when members of their medical staff peel off business from the hospital.

On occasion, their disappointment turns vitriolic and their response unprofessional. Such a sequence can be counterproductive and ultimately deleterious to long-standing relationships and overall organizational success.

The preferred approach offers a continuum of possibilities for consideration.

All-Out Competition

Some hospital executives choose to pursue the route of full-throttle competition, rather than seeking to align with their physicians. While each market is unique, this is usually a suboptimal approach when applied on a broad scale. There may be particular instances in which going head-to-head with a specific subspecialty or group of physicians sends a needed message and achieves an organization's objectives. But in general, all-out competition will usually hurt more than help an institution. The harsh reality is that the public (and the individual patient) values physicians more than they do hospitals, so forcing a choice is often a zero-sum game.

Increased Involvement in Planning and Decision Making

One relatively easy path to pursue is to offer physicians on the medical staff more input and involvement in the critical functions of hospital operations, including strategic planning and organizational direction. As seemingly elementary and innocuous as this may sound, some organizations have found that it can go a long way to bring many physicians in line.

Multiple studies have shown that physicians would like to be more involved, but often feel that their participation is either belated or perfunctory in terms of the actual decisions that affect the hospital's long-range strategy and market approach. Somewhat inexplicably, healthcare executives have been remiss in inviting long-standing and highly loyal physicians inside the planning circle, both to provide insight and offer suggestions. Note that simply having a few physicians on the board of directors does not guarantee medical staff engagement in the long-range planning function and

direction of the facility. This needs to be done at a subcommittee level, and involve more than just a single appointed physician executive, who, after all, is employed by the hospital.

Joint Ventures

Joint ventures offer a great opportunity to align with the physicians on the medical staff. Increasingly popular with enterprising physicians, joint ventures can ensure that the hospital gets at least a segment of the involved revenues. Such enterprises are usually outside the hospital and often removed from the medical campus itself. They can range from major undertakings, including ambulatory surgery centers and even complete hospitals, to more streamlined ancillary enterprises such as imaging centers. Certainly there are legal issues and political ramifications to work through, but the phenomenal increase in these types of ventures indicates that systems (and hospitals) throughout the country are figuring out how to make them work legally and operationally.

An important caveat: Don't do a deal just for the sake of doing one. This lesson should have been learned in the 1990s, when hospitals, like lemmings to the sea, rushed to pursue ill-conceived and ill-fated ventures simply because their competitors had done so, or might be about to. The deal should stand on its own merits, regardless of what the competition is doing—or what physicians are demanding.

Physician Employment

While on the subject of nonstarters from the 1990s, another strategy that is fast gaining popularity is the employment of physicians by the hospital or health system. This might come as a surprise for some in the industry, given that the first time around, at least for most organizations involved, was an economic boondoggle. However, it is not quite déjà vu all over again, as the strategy this time comes with a slight twist. Although some hospitals and health systems are employing primary care physicians, just as

in the 1980s and 1990s, many are going after the specialists. In some cases, it seems to be working.

There are many reasons why this strategy appeals to both parties. For the physicians, these include the high cost of malpractice insurance (especially for specialists) and the desire for more stable hours and an enhanced quality of life, especially important for many female physicians. For the hospital, the reasons range from ensuring emergency department coverage to the mitigation of legal issues, such as might exist with joint ventures, to the prospect of capturing the referral and admission base that specialists provide.

A Case Study in Synchrony

One of the most progressive models of strategic synchronization can be found in a one-hospital community in the picturesque Northwest. Approximately six years ago, the executives of the hospital and several members of

the medical staff began designing a model that would align incentives and meet community needs.

After two years of initial planning, followed by two more years of legal review, program development, and facility construction, the result was a highly successful, state-of-the-art medical complex located adjacent to the main hospital, which provides a full range of surgery, leading imaging technology, and an impressive array of other health-related services.

Arguably, the most intriguing element of this particular venture was the extent of physician involvement in the arrangement, which includes most of the medical staff, and most notably, the primary care physicians. This innovative enterprise—proof that executives and physicians open to collaborative solutions can find common ground and achieve mutually beneficial goals that enrich the quality of care—is today being used as a model by other healthcare organizations.

Whatever course you choose to pursue, it is essential to remember that physicians are, and will continue to be, incontrovertibly integral to the long-term viability of every hospital in the country for the foreseeable future. If for no other reason, physicians and hospitals should use the most suitable models of involvement for their particular market to synchronize their strategy, their delivery model, and their quality improvement efforts. ■

Preston Gee is a managing director for Phase 2 Consulting in Austin, Texas (epgee@phase2consulting.com).