

# Hospital News

## Hospitals and Physicians as Partners: Solid Relationships as a Foundation for Success

By: James Burns and Robert Ramsey, III

As another year unfolds, healthcare experts have again predicted what will be "hot" in our ever-changing industry over the next 12 months. As in the past, physician partnering remains not only at the top of the list, but also 'top of mind' for many C-suite hospital executives. Exploring the evolving relationships between hospital and physician leaders in the context of a dynamic cardiovascular industry can help progressive organizations capitalize on the many options available for effective collaboration between these two principal drivers of the CV service line.

In cardiovascular services, this issue has significant implications. The reimbursement decrease that physicians will experience in 2006 is just the tip of the proverbial iceberg. That, coupled with spiraling malpractice costs, rising office staff and support wages, the omnipresent restrictions of the Stark law, and decreasing quality-of-life time has many cardiac and vascular physicians looking for alternate ways to practice medicine. Corazon believes that hospitals striving to remain competitive must strategize about how best to provide what their physicians want.

Hospital-Physician partnering is gaining increased attention in the CV services arena as a means to capture market share and optimize the performance of existing heart and vascular programs. Based on the latest trends sweeping the nation, and on Corazon's client experiences developing leadership and governance models of all types, partnership in healthcare no doubt brings great opportunity, but not without significant challenge.

The overall goal of any successful program – to maintain quality and grow CV market share – works in conjunction with keeping doctors "satisfied." Gone are the days when hospitals merely needed to provide its medical staff with a building in which to practice. Today, there is more to creating a solid hospital/physician relationship. Hospital and Health System leaders are now being faced with a significant question: "If I am not working with my physicians, who is?"

With an aging population, there will be no shortage of cardiovascular patients; however, employing a high-performance medical staff large enough to address growing volumes for angioplasty, open heart, and other specialized cardiac and vascular procedures will be the biggest hurdle to overcome.

Indeed, mastering the strategic and legal challenges of developing strong partnerships to ensure success at every level of your organization involves being equipped with the right tools to create a strong foundation upon which success can be built. But, a partnership doesn't have to be a one-sided arrangement; there are many ways to ensure a win-win for both the hospital and physician sides of the continuum. **Corazon recommends these six strategies for formulating sustainable relationships with your physicians:**

### **Step 1: Know your marketplace**

Any hospital leader considering a partnership with physicians must be fully armed with solid market and financial data. This information, which is invaluable for gaining endorsement and buy-in, should include hospital market share and revenue per physician. Knowing exactly what your physicians bring to the table *and* what they can take away is essential to setting the stage for a discussion.

### **Step 2: Know the price and the benefit of partnership**

Gaining a full understanding of the market/financial paradigm is essential as it relates to new benefits that can be realized with a partnership. Not considering downstream revenue and halo effect could be a critical mistake, because the long-term value of working together may far outweigh the short-term costs of doing so. For instance, moving non-invasive CT angiograms into physician offices may seem like a viable arrangement, but when considering the lost volumes and revenue from resulting angioplasties, the option no longer seems as attractive from the hospital perspective. Working together to find a more mutually-beneficial solution would be necessary.

### **Step 3: Learn what's important to your doctors**

Initiating a dialogue about physician partnership without really understanding what your physicians need can lead to lost productivity and lost momentum. To remain knowledgeable about such issues, someone in your organization

needs to keep a 'finger on the pulse' of physicians. This individual - your Chief Medical Officer, Chief Operating Officer, or even the CV Service Line Leader - should be listening to and engaging your docs in all matters of service line business. If no one in your organization has assumed this role, nominating a liaison who maintains positive physician relations can work to bridge the gap between the sometimes opposing sides of hospital/physician dynamics. Moreover, bringing physicians into the discussion as early as possible can work to build trust and consensus, while eliminating unnecessary time spent guessing. This approach can also avoid unnecessary legal implications that can unduly complicate your options. For example, offering a Cardiologist part of the hospital's nuclear imaging business when full imaging capability has already been established in the private practice office could be interpreted as an offer of referrals in violation of federal laws.

### **Step 4: Be fair and open-minded**

Creating a solid relationship may mean employing your physicians. Whether through salaries or other financial means, establishing a more formal arrangement can be tricky, and each option has pros and cons. For instance, just a decade ago, only a select few centers paid on-call rates to their doctors. Today, however, many doctors expect (and receive) paid on-call time. Physicians seeking "market value" for their time should be treated fairly when this time makes a noticeable difference in the cost and quality of cardiovascular care at your facility. Every hour spent in patient care activities at the hospital keeps them from earning money seeing patients or performing procedures in their practice, so coming to an agreement about how time is spent can lead to discussions about a formal relationship.

### **Step 5: Remember that you don't know what you don't know**

Skepticism about physician partnering exists partly due to unfortunate stories of deals -gone-bad or un-kept promises on behalf of either the hospital or physicians. Making sure that all options are clear before deciding on any one is important. Also, appropriate outside support to help see things objectively - whether legal, accounting, or consulting – constitutes dollars well-spent to ensure that any offer is truly viable and well worth the investment. Many organizations are unaware of the intricacies of physician partnering and all the steps involved, including business valuation, Stark and Anti-kickback statutes, and revenue and investment forecasting. These are important issues to consider, as they could cause serious implications further along in the process.

### **Step 6. Address legal issues early**

Any option related to hospital-physician partnering by its very nature involves legal issues such as the Stark and other anti-referral laws. These laws carry with them extremely serious penalties and, therefore, should be considered very early in the parties' discussions. Such laws can typically be addressed by competent counsel with experience in these matters. However, it is critical that a hospital embarking on this course address these issues early in the discussions to avoid the loss of credibility with the physicians if an agreed-upon venture is pulled off the table due to legal concerns. In such a scenario, the "win-win" sought by the hospital has turned into a loss from which recovery will be a very difficult if not impossible undertaking.

In conclusion, very simple oversights and mistakes can be very costly in the long run. If you follow our six key strategies for building solid relationship, and learn from the above case study, your organization should be ready to keep your physicians happy, healthy, and sitting at *your* table.

---

*Jim is a Vice President with Corazon, a national leader in specialized consulting and recruitment services for CV program development. Corazon is a 2003 Ernst & Young Entrepreneur of the Year Company and one of the 2004 "Pittsburgh 100." Call 412-364-8200 or visit [www.corazoninc.com](http://www.corazoninc.com)*

*Robert Ramsey, III is an Attorney with Pittsburgh-based Buchanan Ingersoll, one of the largest institutional healthcare provider practices nationwide. Call 412-562-8800 or visit [www.buchananingersoll.com](http://www.buchananingersoll.com)*