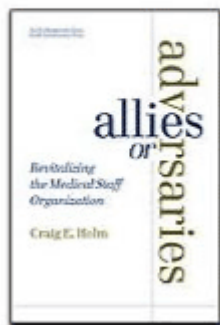


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Four Essential Strategies for Developing Formal Business Relationships with Physicians

One of the most serious challenges facing hospitals and systems today is developing and maintaining positive and mutually beneficial relationships with physicians. Numerous techniques can be used to foster productive and positive working relationships. The most successful ones create value for the hospital and physician partners and more closely align medical staff members so that health care organizations can effectively measure and demonstrate quality of care, grow service lines, and improve operational efficiency.



A technique that is having significant impact on physician-hospital relationships at many organizations is developing formal business relationships. For organizations considering business relationships with their physicians, a number of questions emerge. Where do we start? With whom do we partner? How do we establish priorities?



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Business relationships that create value for the hospital or system and physician partners use four strategies.

1. Establish a Context for Business Relationships

Health care organizations should establish guidelines for physician business relationships that describe the overall purpose and strategy. Example guidelines are:

- The hospital and physicians will enter into relationships that share risk and reward through joint ventures, joint program development, and other partnerships with physicians whose goals are consistent with those of the hospital.
- Formal relationships with physicians will help position the hospital and medical staff to proactively expand markets, protect existing services from external competitors, and share in the growth of ambulatory services.
- The hospital will measure and monitor the results of its business relationships with physicians to ensure that objectives and performance targets are being met, and will have the ability to modify the structure or terms of the relationship if objectives are not being met.

2. Narrow Down the Options for Formal Business Relationships Based on Fit and Financial Capacity

Formal relationships between hospitals and have multiple business and legal features that must be considered, as well as strategic pros and cons for potential participants. Options and alternatives should be evaluated relative to the core issues and needs articulated by each party. Of particular focus should be the financial benefit of any formal business relationship. What is the return on investment? What will be the drain on administrative time? How will capital investments be shared among participants? What is the economic value to physicians and the hospital? Will the value be perceived as competing favorably against offers physicians may be receiving from other potential partners?

Presumably several alternatives can satisfy the objectives identified by the health care organization and physicians. Most hospitals and systems

have learned an important lesson about working with physicians—there is no one-size-fits-all approach. Options need to be consistent with the strategic priorities of the hospital and the business planning objectives of individual practices. Tailoring is key.

3. Develop Guidelines to Help Select Physicians to Work With

Specific guidelines for selecting physicians who may be good candidates for formal business relationships should be thoughtfully crafted and thoroughly discussed. The guidelines should be applicable to a variety of situations and opportunities. Guidelines may include considerations such as

- Precedent: Is the relationship likely to be acceptable when working with other physicians/practices in a similar arrangement in the future?
- Market position: Is the relationship likely to improve quality of care, increase volume, or help the hospital capture additional market share?
- Quality of partners: Are potential physician partners trustworthy? Do they have realistic expectations for the partnership?
- Consequences of inaction: What happens if the business relationship isn't formed? What is the chance that a key physician/practice may develop a venture separately or with a competitor?

4. Use the Guidelines and Choose Wisely

Once guidelines have been selected, apply them evenly and fairly. The best candidates for formal business relationships may be physicians currently on the medical staff or those the health care organization would like to target to be on the medical staff. Focus is crucial. Two or three well-planned and fully implemented business development initiatives are better than several works in progress that may not come to fruition.

Keys to Successful Physician-Hospital Business Relationships

When evaluating the feasibility and potential benefits of formal physician-hospital business relationships, keep in mind these issues.

- Focus on implementing two to three business relationships at first, then add others, as needed. Don't try to do too much—know what the organization's capabilities are and work within them.

Trust will be forged when the business relationships are accomplished in a manner that demonstrates responsiveness to physician partners.

- Business relationships with physicians should be continuously evaluated to identify if changes in reimbursement, the regulatory environment, or competitor initiatives warrant a change in the structure or terms of the relationship.
- Successful physician-hospital business relationships can become the springboard for achieving other organizational goals and objectives such as service line development, more effective physician recruitment and retention, and quality improvement initiatives, so give physician-hospital relationship building the high-priority attention it deserves!

To learn more about formal business relationships with physicians, call Craig Holm at (215) 636-3500, ext. 103, or send e-mail to him at cholm@hss-inc.com. You can also visit our website at www.hss-inc.com



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