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## Managing the 'Power of the Pen'

*Yielding some control can result in great physician partnerships.*

It is no secret that physicians are becoming increasingly entrepreneurial. Physicians are interested in seeking—and finding—new ways to maintain their income levels, so many of them are expanding their services into technical outpatient areas that historically have been offered by hospitals.

Healthcare executives witnessing the effects of physicians' business activities are concerned about the impact from these new ventures. By building relationships, however, physicians and healthcare executives can find success in joint projects.

### Heeding the Power of the Pen

Some hospitals and healthcare systems are answering the call by proactively engaging physicians in joint ventures and other collaborative efforts. Is this trend a passing fad? Or is it a fair reflection of how future healthcare services would be provided? Consider these factors:

- Physicians are beginning to merge into regional single-specialty medical groups and hiring market- and service-savvy business professionals to manage their practice portfolios.
- Wall Street is taking notice of for-profit companies that are structured to capture ambulatory services business through joint ventures.

- Remaining certificate-of-need laws are being phased out in many states.
- Equipment vendors are offering physicians a number of low-risk options for making capital purchases.
- Managed care companies are not only paying for care delivered at joint venture facilities but also beginning to direct patients to these facilities.

By far the most powerful factor in the joint venture equation is physicians' "power of the pen." Physicians wield the most influential instrument in the healthcare field, directing 80 percent to 90 percent of all patient care through referrals. Further, physicians now are able to refer patients to their own facilities—within legal and economic limits—instead of the hospitals with which they are affiliated. Ultimately it is the physicians who determine a hospital's profitability by controlling both revenue and costs.

### A Proactive Approach Needed

The good news is that hospitals and health systems are in a great position to collaborate with—not control, as physicians highly value control over their practices—physicians while helping them maintain their income levels. If your organization has been reluctant to adopt joint ventures and

other physician business initiatives, now is the time to reconsider your options in a new, collaborative light.

Senior healthcare executives should start engaging physicians as potential partners. One fundamental requirement for doing this is establishing a culture of trust. An environment in which trust is an institutionalized part of the organization can be built by expressing a sincere interest in physicians on a one-to-one level. Find out what they like to do in their spare time. Ask what their goals are for their practice. Get to know them as individuals. Organizations that actively seek to understand the motivations, needs and interests of physicians are able to translate that understanding into concrete collaborative ventures that work.

Below are steps executives can take to begin building a culture of trust:

1. Hold managers individually accountable for physician relationships. Each manager should be assigned a few physicians with whom he or she will be responsible for developing a professional relationship. In the same vein, CEOs should assign themselves the organization's physician leaders and nurture those relationships.
2. Provide relationship management training programs to the management team on a regular basis. ACHE offers a number of educational sessions throughout the year that help executives and managers enhance physician relations.
3. Make sure your physicians have the opportunity to play an active role in system governance. More and

more senior leaders are finding this approach goes a long way toward gaining physician buy-in with initiatives and helping create an environment in which physicians welcome proposals of joint ventures.

### How to Work as Partners

Equally important to realizing the power of the pen is to know when to give up some control of joint activities with physicians, and how much. Senior executives should participate in business ventures as partners and harness their success, rather than controlling these entities.

One health system in the Midwest took a proactive, make-something-happen approach to hospital-physician joint ventures to attract and retain area cardiologists. They launched a diagnostic catheterization facility, which currently is thriving because the health system executives respected the cardiologists' highly prized sense of autonomy.

The joint venture yielded some significant results:

- The organization's market share has increased by 50 percent.
- Six cardiologists who previously brought limited business to the hospital are now using it as their primary facility.
- A clinical benchmarking and tracking system that was installed as part of the joint venture indicates that outcomes are exceeding national benchmarks.
- Expenses have been reduced by 20 percent through the standardization of supplies and support procedures.

- Downstream revenues from other diagnostic procedures, interventional catheterizations and cardiovascular surgeries have increased by 40 percent.
- The creation of mutual noncompete covenants has significantly reduced competitive threats.
- Physician relations are at an all-time high.

The success of healthcare organizations is relying more on positive, productive physician relationships. Considering the vital services they provide and their power to dictate an organization's market share, senior executives not only would be dismissing a great opportunity to partner

with physicians but also putting their hospital or healthcare system at a significant disadvantage by not pursuing joint ventures with physicians. Getting in synch with your clinicians may help your organization become more profitable. ▲

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