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# COMMODITY PRACTICE OR EXPERIENCE MONOPOLY?

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Imagine that your practice has been barreling down the health-care highway for years. Now, though, there's a T intersection straight ahead, with one route leading to completely commoditized health care and the other (the road far less traveled) leading to high-touch, high-quality care—to an experience monopoly. This is a monopoly in terms of the experience that the group provides to its customers: hospitals, referring physicians, and patients.

There is no straight-ahead choice, other than running into a wall or being rear-ended by the mass headed into commoditization. That wall—that no man's land where it's not safe to park—is the mired-in-mediocrity zone, where many radiology groups will attempt to wait, continuing their level of business as usual until, one day, they're surprised to learn that the hospital has decided to issue a request for proposal (RFP) for what had been the group's services.

This is the context in which more and more hospitals are issuing RFPs. Having dealt with hospital RFPs for over four decades, I've classified them into three distinct categories.

**The Three RFPs**

**True RFPs:** These are actual searches for the best-quality provider with a favorable quality/cost ratio. They are commonly seen in situations in which the current group (or, sometimes, the very recently former group) has blown up and can no longer provide coverage, as well as in situations in which the current group has completely lost the facility's trust.

**Fictitious RFPs:** These RFPs belie the fact that the hospital's administration is not interested in the merits of any response. It has already decided to whom it will award the contract, yet it's decided to issue a phony RFP to project a patina of fairness to the medical staff, to the hospital's own board, to some third party—or, perhaps, to you.

**Fulcrum RFPs:** These are the increasingly common type of weaponized RFP. Fulcrum RFPs are designed to create leverage. The facility intends to renew with the present group, but uses the RFP as a tool to dictate terms by fiat and to pressure the group into negotiating against its own best interests.

Unfortunately, an RFP doesn't come with a cover page announcing its category. One thing is certain: If the hospital issues an RFP, and you didn't begin preparing for it years before it was announced, it might be too late.

Just as the future for radiology groups is at the great junction, so, too, is health care in general: Your hospital has decided, or is about to decide, which route it will take. If your hospital takes the commodity route, and if you cannot knock it off course, the only way that your group can become successful at that facility is to become a commodity-level provider.

The national groups are geniuses at adopting a business structure suited to the RFP environment. They bid; if they win, that's great, but if they lose, so what? There other deals. The average commodity-level radiology group, on the other hand, faces a different set of options: If it wins the RFP, it continues to exist; if it loses the RFP, it no longer exists.

The problem inherent in the commodity route is that commodities are fungible. You are no longer a group of physicians; you are, despite any and all talk about health-care collaboration, a simple vendor, just like the laundry service. The solution, then, for those groups truly interested in their futures, their incomes, and their survivability, is to make a decision as to which way to turn at the great junction.

**The Experience Monopoly**

If you take the experience-monopoly approach, a long-term strategy is required. It includes laying groundwork to divert your hospital from issuing an RFP, expanding your group's focus from one facility to multiple facilities, and developing and enforcing the actual delivery of a high-touch, high-quality experience.

If, on the other hand, you take the commodity route (which is the default route), much of that same action is required because your group must still branch out from providing services solely at one facility.

Success, as a commodity provider, requires that you take the vendor approach, which means that you must have the ability to withstand any single commodity buyer's decision to use another vendor.

If you don't have that ability, then your only choice is to undercut your own expectations in your response to the RFP, which begins a self-reinforcing loop leading to decreasing reimbursement and an increasing level of service. This results, eventually, in the inability to perform—death by a thousand cuts, as opposed to the swift chop of immediate replacement by another group.

**One last thing:** You might think that it is easier to become a commodity group than to create a true experience monopoly—but if you go the commodity route, you will have more competition, including that from well-heeled national groups willing to buy market share. My belief is that the preferable route, in terms of protecting your group's future, is to take the road far less traveled—the route leading to an experience monopoly—and to ignore market share and focus on profit instead.

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