

Published in Seminars on AuntMinnie.Com
January 15, 2009

RADIOLOGY GROUPS NEED NEW APPROACHES TO SURVIVE IN ROUGH TIMES

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The French dramatist, Jean Cocteau, stated, "We must believe in luck. For how else can we explain the success of those we don't like?" But why rely on luck, or worse yet, the goodwill of hospital administration, in respect of obtaining or renewing your exclusive contract, especially one with substantial hospital financial support?

Nonetheless, many radiology groups unthinkingly subject themselves to a high degree of risk by not taking advantage of the years of time prior to the new contract term to develop and set in motion their plans for renewal. Instead, they wait six or fewer months before the new contract term to begin to negotiate with the facility.

It might be possible to achieve mediocre results without proper preparation, but no group should be aspiring to mediocrity, especially in tougher economic times when hospital financial support is more important than ever in retaining and recruiting highly qualified radiologists.

Success in these terms requires thorough preparation and positioning. Thorough preparation requires far more than reviewing the current agreement and doing a few months, even six to nine, of planning. It requires an integrated series of thoughts and actions to position the group for an optimal result.

In order to achieving a highly favorable exclusive contract, for example one including multi-million dollar per year financial support, requires a strategy that unfolds tactics over a multi-year period. It requires coordinating exclusive contracting strategy with the group's overall business strategy. And it requires coordinating various contracting sub-strategies, and their ensuing tactics, with the group's exclusive contracting strategy. Many of these strategies and tactics have substantial, but largely unrecognized to the uninitiated, impact on the resulting contract.

There are many common fallacies concerning negotiation, especially in terms of obtaining large financial support. Some "experts" believe that the issue is as simple as making a presentation that financial support is warranted. Or worse yet, to take the position that as other groups get support, we should too.

There's also a common misperception that negotiation is like chess, but that's far from the case. If you must think it's like a game, then it's more like three dimensional tic-tac-toe, a set of three

boards stacked one on top of another. The moves occur in at least all three dimensions of physical space. I say "at least," as negotiation also involves a fourth dimension, time, as well as a fifth dimension, the mind of your opposition.

In reality, game theory is flawed in application to complex, actual negotiation: Game theory requires that there be a set of rules. Negotiation often plays out, like life in general, with rules being broken and with new rules being made up all the time.

Case Studies

Let's look at two examples, based on real-life situations, one in which a group takes the path well traveled toward the precipice and the other in which a group seeks to control its destiny.

Pursuant to an exclusive contract, Community Imaging (not its real name) has been providing all radiology services at a large community hospital for over a decade. Extremely loyal to the hospital and its medical staff, the group's radiologists' incomes have been slipping for years even though their workload has increased.

Over the past eighteen months, the group's leaders have been meeting with the hospital's administration in an unsuccessful attempt to get stipend support. Nonetheless, they continue to provide services as usual and to argue, in essence, that since groups at other hospitals receive stipends, they should, too.

Even though only a few months remain on their current exclusive contract, they insist on continuing the same course of action: Relying on the advice of a valuation consultant they persist in presenting yet another proposal to the hospital demonstrating that they are being compensated below market level and that similarly situated groups receive stipend support.

Although it's absolutely true that the presentation of evidence that other groups receive support, and of data concerning the discrepancy between the group's physicians' earnings and those of the market, are central to the issue of a fair market value analysis, a key issue in the context of arriving at the amount of stipend support, it is wholly ineffectual as the strategy to move the hospital off its position of refusing to discuss financial support at all. Without positioning, the negotiation is over.

The second case involves a group that we'll refer to as to "Memorial Imaging." Like the earlier group, Community Imaging, Memorial has been providing, pursuant to an exclusive contract, all radiology services at a large hospital for many years.

The group's physicians were worker harder and harder each year for less and less money. Memorial Imaging was having extreme difficulty recruiting to replace a recently retired member and there was fear that one or more of the remaining physicians would soon depart.

Over the recent several years, Memorial had been receiving a token amount of medical director stipend support, approximately \$50,000 a year. The hospital was not interested in discussing any other stipend support.

Working with Smith Group we implemented a multi-year process of positioning the group to obtain a strengthened bargaining position leading to greater independence and increased financial support. Elements of the process included acquisition of data and intelligence, control of publicity, creating bargaining leverage, framing the issues, and emasculating potential competitors.

By taking the time and exerting the effort to develop an overall strategy, align specific elements of contracting strategy back with that overall strategy, and implementing tactics at each of the group, medical staff, community and administration levels, we positioned Smith Group such that the renewal brought it millions of dollars per year of stipend support over a multi-year term.

Yes, Smith Group invested significant dollars to accomplish this result, but the return on investment was well over 1,000%.

Achieving spectacular contracting results requires that you take a holistic approach: What's the best negotiating strategy? In reality, there is no independent negotiating strategy; it's but a part of a larger, overall group strategy. Contracting strategy is inexplicably linked to governance strategy, to the way in which the group relates to non-owner physicians, to the compensation plan, to the patient experience, to the manner in which it contracts with third parties, to the way in which it gathers billing data, and on and on to every other element of its business existence.

This process has no relationship to the usual “benchmarking to best practices.” Far too many groups are oblivious to the opportunities and, as a result, benchmarking leads to the mediocre.

Radiologists are facing severe challenges: increasing commoditization, competition from other medical specialties, and downward reimbursement, to name but a few. A “benchmarking” lemming still goes over the cliff, he just gets there a bit faster than some of the others. Success, even survival, lies in running in the other direction.

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