

**FROM GETTING ALONG TO WORKING TOGETHER:**

*TIPS & TECHNIQUES FOR IMPROVING PHYSICIAN-HOSPITAL RELATIONS*

Brian M. Davidson, MD, MBA, CPE  
President & Regional Market Executive  
St. Mary's Medical Center – SCL Health  
Grand Junction, Colorado

**Learning Objectives**

1. Relating current events and news to healthcare economics
2. Understand operational and financial drivers in the perioperative arena that are important to hospital leaders.
3. Review common pitfalls and successful techniques related to negotiations with hospitals.
4. Demonstrate the changing landscape of physician and physician leadership in the healthcare marketplace.

**Disclosures**

**Employed by SCL Health System  
Broomfield, CO**



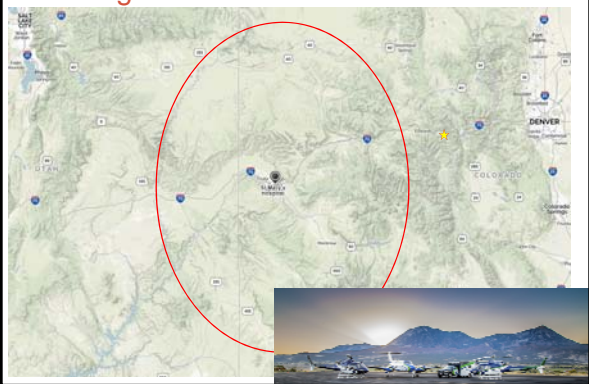
**St. Mary's Medical Center**

346-Bed, \$440M  
12 OR  
Level II Trauma  
Cardiac Surgery  
NICU Level III  
Blood Bank  
44k ED visits  
100+ mile area  
Aeromedical

2,200+ Associates  
380+ Medical Staff  
500+ Volunteers



**Regional Referral Area: 100+ Miles**



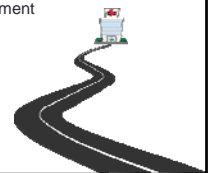
**My Own Path**

**St. Mary's Medical Center**

- Chief Medical Officer, July 2014
- Interim President, October 2015
- President, May 2016
- Regional Market Executive, Western CO, January 2017

**University of Colorado Anschutz Medical Campus**

- Faculty anesthesiologist 2007-2014
- Vice Chair, quality/safety/performance improvement
- Associate medical director, perioperative svcs.
- Medical board, credentials, practice plan board
- Colorado State Dental Board, 9 years
- Administrative fellow, MBA - Healthcare



## Situation: Game Change!

Amazon, JPMorgan Chase And Berkshire Hathaway Pursue The Health Care 'Unicorn'

January 30, 2018 1:38 PM ET

Amazon, Berkshire Hathaway and JPMorgan Chase & Co. to partner on U.S. employee healthcare

Goal is to improve U.S. employee satisfaction while reducing overall costs

## The knock on the back door?

The scale of inefficiency in our healthcare industry is truly staggering. Indeed, I believe it is the single-most pressing American economic issue that needs to be addressed.

- We spend 17% of our GDP on healthcare compared to 10-12% for other wealthy countries like Germany and Japan.
- In our \$19 trillion economy, this is equivalent to \$1.0 to 1.3 trillion in output that could be allocated to more productive purposes.
- I might be able to understand if we were healthier and living longer than our peers. But the opposite is true; despite our massive spending, our health outcomes are significantly lower e.g. average life expectancy 2-5 years lower than other wealthy countries.

The industry is plagued by rent-seeking behavior that prioritizes maintaining an inefficient status quo vs. innovation.

- It puts American companies at a disadvantage competing in global markets.
- It likely contributes meaningfully to wealth and income inequality in the country.

## Blood In The Water?

Anthem Says Eye Surgeons Should Monitor Cataract Anesthesia Themselves

February 20, 2018 12:03 PM ET

**What an economist or business executive is thinking:**

- ✓ Patient safety or **economic rent**
- ✓ What choices might the consumer desire
- ✓ How can we create a substitute (alter supply curve)

*\*Economic rent* = payment received by a factor of production over and above that which is needed to keep it in its present occupation

*Transfer earnings* = minimum payment needed to keep a factor of production in its present use.

## Economic Rent

**KEEP CALM AND STUDY ECONOMICS**

*\*Economic rent* = payment received by a factor of production over and above that which is needed to keep it in its present occupation

*Transfer earnings* = minimum payment needed to keep a factor of production in its present use.

## Is it all doom?

What the Amazon, JPMorgan, Berkshire Hathaway partnership means for healthcare: 35 executives respond

HOSPITAL REVIEW

**NO...but...we must listen and act!**

- ✓ We can make it better...better than anyone else...if we choose

John Driscoll, CEO of CareCentrix (Hartford, Conn.): "Anyone with a high-cost, high-margin healthcare business should be scared. But healthcare is complicated, and I believe the most effective path for this dream team of disruptors is to share their goal — to provide better care at a lower cost to patients — with industry incumbents. Bending the cost curve and improving outcomes is going to require a team effort."

Mike Long, Chairman and CEO of Lumeris (St. Louis): "The Amazon/Berkshire Hathaway/JPMorgan announcement is just the most recent, but powerful 'shot across the bow' of the healthcare industry. Corporate, government and individual buyers of healthcare want value, and they want it now. The current fee-for-service system has failed to deliver on promises of higher quality, lower costs, better service and easy access. The days of large annual increases in healthcare costs are over, and in a zero-sum-game world, where the market is capping the amount of dollars available for healthcare, only those that can deliver value will survive."

## Hospital – Physician Economy

**Buyer (customer)**

- ✓ **Hospitals** → Physicians

**Seller (firm)**

- ✓ **Physicians** → Hospitals

Customers

↓

Partners

## Physician as Customer?

**Employed or Independent - The Trend**

**Employment increasing**

- Predictability
- Physician financial risk

**Single source contracting**

- Predictability
- Increase hospital monopsony
- Reduce physician monopoly

**Compensation subsidies**

- Moving toward goal alignment
- Value, quality, efficiency

## Autonomy → Alignment

<p style="text-align: center; color: red;">Autonomy</p> <p>Autocratic Medical profession</p> <p>4 T's:</p> <ul style="list-style-type: none"> <li>• Time (when)</li> <li>• Team (who)</li> <li>• Task (what)</li> <li>• Technique (how)</li> </ul> <p>Financial Success</p> <ul style="list-style-type: none"> <li>• Volume + payer mix</li> <li>• Subjective "quality"</li> <li>• \$ Accounting</li> <li>• Stay put</li> <li>• Status quo</li> </ul>	<p style="text-align: center; color: red;">Alignment</p> <p>Collaborative leadership Other sectors</p> <p>4 E's:</p> <ul style="list-style-type: none"> <li>• Equity</li> <li>• Efficiency</li> <li>• Evidence-based</li> <li>• Engagement</li> </ul> <p>Financial Success</p> <ul style="list-style-type: none"> <li>• Value (quality / cost)</li> <li>• Objective quality</li> <li>• Accountability</li> <li>• Throughput</li> <li>• Maneuverability</li> </ul>
---	---

## Hospital Desires

**Reduced total cost of care**

- ✓ **Per unit of service cost reduction**
- ✓ Safe patient care
- ✓ Reduced variation
- ✓ Efficient use of capital/personnel

**Improved quality**

- ✓ **Safety**
- ✓ Real: published metrics (SCIP, PSIs)
- ✓ Perceived: satisfaction scores (HCAHPS)
- ✓ Raise your own expectations

**Recruitment & Retention**

- Positive environment
- Physician & staff

Trifecta for success:

- ✓ **Patient Safety**
- ✓ **Cost Containment**
- ✓ **Physician Alignment**

## Learn to Negotiate

**Separate people from problem**

- ✓ Good people assumption
- ✓ Two rational interests
- ✓ Techniques (disassociation)

**Focus on interests, not positions**

- ✓ Positioning = One interest
- ✓ Identify / empathize
- ✓ Befriend opposed positions

**The negotiation problem**

- ✓ Positions = **bargaining**
- ✓ Principled = **negotiation**

## Learn to Negotiate

**Invent options for mutual gain**

- ✓ Understand counterparty needs
- ✓ Realize own capabilities

**Use objective criteria**

- ✓ Fair standards & metrics
- ✓ Reason → be open to reason
- ✓ Yield to principle, not pressure

**Yes, BUT they...**

- ✓ Have more power → BATNA
- ✓ Won't play
- ✓ Use dirty tricks

## Pitfalls In Negotiations

**Failure to actually negotiate**

- ✓ Make a list of desires first – needs vs. wants
- ✓ Refrain from bargaining - commodity

**Money is not the main goal**

- ✓ Optimize vs. maximize
- ✓ Lowest cost is not necessary the goal...just lower

**Relationship is an economic rent**

- No relationship = commodity pricing
- True throughout the local hospital economy (CEO, COO, etc.)
- Know the landscape (substitutes)
- Assess your political capital
- **Trust is golden for both sides!**

## Components of Trust

### Character vs. Competency?

- ✓ **Commitment**
- ✓ **Familiarity**
- ✓ **Personal Responsibility**
- ✓ **Integrity**
- ✓ **Consistency**
- ✓ **Communication**
- ✓ **Forgiveness & Reconciliation**

## What does "Win/Win" Look Like?

TK Associates

## Think Bigger!

**Team-based approach focused on patients**

Four motivations:

- ✓ Engage in **noble shared purpose** → (patient interest)
- ✓ Appealing to **self-interest** → (needs, not wants)
- ✓ Earning **respect** → (peer feedback & improvement)
- ✓ Embracing **tradition** → (pride, fraternity, culture)

**Motivational Tools That Improve Engagement**

This adaptation of Max Weber's typology of social action describes four motivations that leaders can tap to engage physicians in redesigning health care.

MOTIVATION	HOW TO APPLY IT	EXAMPLE
To engage in noble shared purpose	Appeal to the nobility of pursuing a common organizational goal.	The Cleveland Clinic, renowned for its commitment to comprehensive care by launching a center for regenerative medicine.
To satisfy self-interest	Provide financial or other rewards for achieving targets.	At Sutter Health System, units of endocrinology competitors are tied to goals such as improving control of patients' diabetes.
To earn respect	Award peer awards or recognize desired performance.	National Council of University of Utah physicians and award each internally, and no public recognition of the accomplishments to protect reputation.
To embrace tradition	Create standards for ethical behaviors and other behaviors & requirements for community membership.	At the Mayo Clinic, a ritual shows unity and commonality: when the "Mayo way" of doing things.

**Harvard Business Review**  
Engaging Doctors in the Health Care Revolution  
Thomas H. Lee, MD, is the chief medical officer at Press Ganey and the former network president of Partners HealthCare. Toly Cosgrove, MD, is the CEO of the Cleveland Clinic.

## Healthcare Transformation

Interesting quotes:

“...requires the will to organize delivery around the needs of the patient---**reorientation means ending the status quo and the doctors' traditional perch within it.**”

“Organizations that can help physicians live up to their aspirations as caregivers---to understand that **giving up their autonomy is not actually surrender but a noble act of humility in the interest of their patients...**”

**Harvard Business Review**  
Engaging Doctors in the Health Care Revolution

## Our Success: My Own

The healthcare world is changing, let's adapt

Figure out how to minimize economic inefficiencies (rent) before big business does it for us

Read about *Clinical Integration* concepts

Respect, trust, collaboratoin is power!

If you don't want to be treated like a commodity, don't represent yourself as one

## References

**Harvard Business Review**

Engaging Doctors in the Health Care Revolution

American Association for **PHYSICIAN LEADERSHIP**  
Inspiring Change. Together.

PHYSICIAN LEADERSHIP LIBRARY

*Five Ideas for the Development of Successful Physician Leaders*

John W. Himm, MD, FACHE, chief of medical services, Piedmont Healthcare, Atlanta, Georgia  
*Journal of Healthcare Management* 81, 3 May/June 2016

**Grooming M.D. Leaders**  
CCHs need to target and develop physicians to play leading roles in health care transformation

Carson F. Dye, FACHE  
American College of Healthcare Executives  
*for leaders who care™*

HEALTH ECONOMICS and FINANCING  
THOMAS S. GETZEN

Thank You!



Winner: 2016 Associate Photo Contest, Lucas Cahalan