



PERSPECTIVES

TRG HEALTHCARE, LLC
CONSULTING EXCLUSIVELY TO THE HEALTHCARE INDUSTRY

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IN BRIEF...

In this issue we discuss the growing need for hospitals to proactively manage PCP relations and a range of the strategies being adopted by hospitals to respond to changing PCP market realities.

A Reemerging Strategic Imperative: *Proactively Managing PCP Relations*

Primary Care Physicians (PCPs) remain a key driver of hospital business. Studies indicate PCPs control 70% to 80% of where patients go for specialized and acute healthcare services, generating an estimated \$4 million in diagnostic and inpatient specialist revenue each year.

Aware of these facts, savvy hospitals recognize the need to make a dedicated effort to manage these critical relationships. And today's market realities are making it even more important for hospitals to focus on building strong PCP relations. Key trends impacting the PCP market and their implications are outlined in Figure 1.0 and include the following:

- PCPs now have more options for referrals. They have moved procedures to their own offices and send patients to physician-owned specialty hospitals and outpatient facilities.
- PCPs are also not in the hospital on a routine basis due to rapid growth in hospitalist programs. They now treat the office as the

central place of practice, a development which has resulted in diminished interaction and less frequent communication between hospitals and PCPs. Being disconnected in this way has diminished historical PCP-hospital loyalties and left many hospitals without a clear understanding of their PCP referral base. Many hospitals, as a result, have come to depend on their specialists for managing these critical relationships.

- Further, PCP practices are facing increasing financial pressures and malpractice risk, driving some PCPs to seek the relative stability of employed positions. More and more hospitals are witnessing key referral sources defecting to the competition to avoid the growing pressures of private practice.

Faced with these market changes, hospitals must do more than what was required in the past to earn and keep the business of PCPs in their service areas. To be successful, it must be done proactively and ahead of

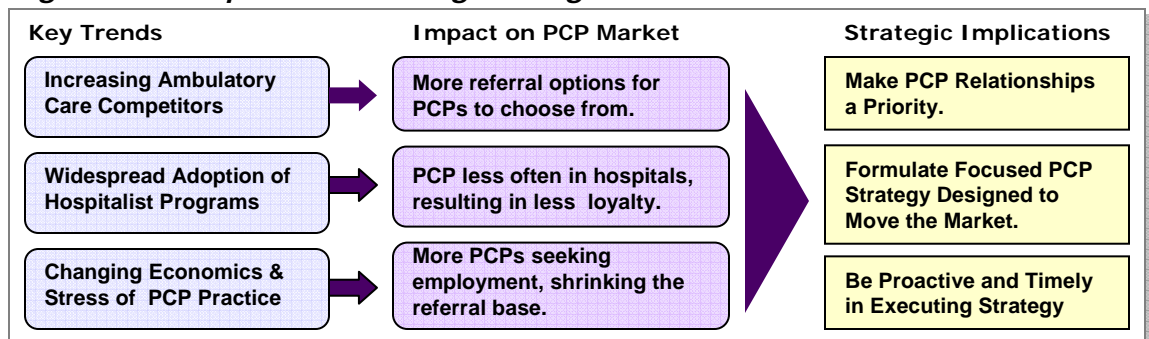
the competition. The last thing a hospital administrator wants is to find their organization forced into a defensive physician strategy scrambling to address each competitive threat as it arises.

Hospitals intent on retaining and building their referral base must have a formal PCP strategy in place and someone specifically accountable for ensuring proper management of these relationships. Often adoption and proper execution of a well-thought out PCP strategy can fundamentally change a hospital's market position.

A full range of strategies being contemplated by many of today's hospitals and health systems for strengthening PCP relations is provided in Figure 2.0 (see page 2). The key is finding the most beneficial strategies for your organization to focus on and then investing the time and effort to make them work. Every market is unique. So reviewing this list with an understanding of your organization's circumstances is essential.

(continued on next page)

Figure 1.0: Impetus for Strengthening PCP Relations



A Reemerging Strategic Imperative ... (continued)

Figure 2.0: Strategies for Strengthening PCP Relations

STRATEGY	CHARACTERISTICS	BENEFITS
Strengthen Critical PCP Information Channels	<ul style="list-style-type: none"> Engage in ongoing communication to orient PCPs in the market to the hospital and its services. Involve PCPs in a survey, CME or social event. 	<ul style="list-style-type: none"> Improves hospital visibility. Enhances PCP hospital loyalty. Helps uncover PCP needs, preferences and satisfaction.
Assignment of Administrative Staff Member to Manage and Expand Physician Relations	<ul style="list-style-type: none"> Spend time establishing routine presence with key PCP practices. Structure and negotiate formal arrangements (i.e. JVs, acquisitions, mergers). Focus efforts on redirecting business of non-aligned PCPs. 	<ul style="list-style-type: none"> Improves hospital visibility. Improves growth and retention of PCP business. Formal arrangements made more expeditiously. Effective redirection is low cost way to grow business.
Needs-Based Package of "Valued Services"	<ul style="list-style-type: none"> Segment markets and determine PCP service needs by market. Establish needs-based range of valued services to offer. Focus on priority markets. 	<ul style="list-style-type: none"> Enhanced PCP hospital loyalty. Improved PCP practice economics, organization, and efficiency.
PCP-Friendly IT Connectivity Solution	<ul style="list-style-type: none"> Implement preferred IT solution. Adopt technology to connect to PCP platforms already in market. Fund IT requirements imposed on PCP practices for connectivity. 	<ul style="list-style-type: none"> Can serve as competitive advantage in some markets. Improved clinical results reporting and continuity of care. Greater PCP practice efficiency.
PCP Urgent Care Strategy	<ul style="list-style-type: none"> Provide after-hour and weekend coverage in select PCP practices. Avoid disturbing loyalty of patients to home practices. 	<ul style="list-style-type: none"> New referral channels. Reduces inappropriate ER use. Reduction in overhead costs for practices hosting urgent care.
Fractional Ownership™	<ul style="list-style-type: none"> Purchase fraction of key PCP practices in market (e.g., 25%). Use purchase dollars to fuel growth of these practices. 	<ul style="list-style-type: none"> Grows loyal referral base. Can improve contracting position and care integration.
PCP Employment	<ul style="list-style-type: none"> Retain compensation risk with PCP. Provide infrastructure and/or set of valued services. 	<ul style="list-style-type: none"> Low economic risk. Stabilizes PCP base. Coordinated contracting.

For additional information on this topic please contact Howard Peterson, MHA, Managing Partner at 267-256-0726 or email him at hpeterson@trghealthcare.com.

ABOUT TRG HEALTHCARE, LLC

TRG Healthcare is a national management consulting firm dedicated to delivering tangible value to our clients by developing and implementing creative solutions to the strategic, financial and operational challenges confronting healthcare organizations today. TRG helps clients manage change, fix problems and compete successfully in their marketplace. To find out more about TRG, please visit our website at www.trghealthcare.com.

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COMING SOON...

Our Summer 2007 issue will address revenue generating growth strategies for hospitals and health systems.

Please direct your questions, feedback or suggestions to any of our senior staff members listed below.

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