ADVISORY e-ALERT October 2008

Advisory Law Group, a Professional Corporation

Featured Article

From The $800,000 Per Year Range To An $8+ Million, Three Year Financial Support Package Through The Strategic Group Process™

We recently wrapped up the renewal of a hospital-based group's exclusive contract.

Using the elements of the Strategic Group Process™, over a two year period we took the group from a bit more than $800,000 a year in coverage support, with no control over the intensity of coverage, to a new three year term deal with a conservative stipend value in excess of $8 Million, and with absolute control over any expansion of coverage.

Hospital-based physician groups are often financially squeezed from both sides:

+ Coverage demands are steadily increasing, yet reimbursement is declining. This is the Workload-Reimbursement Gap™.

+ Reimbursement is declining, yet compensation expectations, from owner and non-owner physicians, continue to increase. This is the Reimbursement-Compensation Gap™.

Utilizing the elements of the Strategic Group Process Process™, which is not a fixed methodology, but is the customized implementation of dozens of strategies and tactics, we worked with the group to re-create itself, its relationship with its physicians, and its relationship with the hospital. We reframed the issues, controlled the data, and shaped the negotiation process.

The key is an understanding that effective physician-hospital negotiation is not a discrete event, the "face to face" deal striking with which most people identify; instead, it involves a plethora of related actions and impressions, some occurring simultaneously and others sequentially, over a multi-year period.

For more information on how the Strategic Group Process Process™ can benefit your group, click here.

Hallway Chat = Boardroom Meeting

In This Issue

Let Us Know What Business/Legal Issues Are Troubling You!

In order to better focus our services on your needs as well as to cover, in future articles, topics in which you are interested, please click on this paragraph and let us know what's troubling you.

FREE TELEPHONE SEMINAR

THE STRATEGIC GROUP PROCESS™

NOVEMBER 20, 2008
4:00 P.M. PST

Picture the following situation:

Working with my client group's leader, we'll call him Dr. Bob, we're deep into the negotiation of a deal with a hospital, one of the elements of which is the intensity of physician coverage, upon which we've agreed as the basis for a fair market valuation analysis.

Then, one morning at around 6:15 a.m., the hospital's COO passed Dr. Bob in a hospital hallway. The COO said a quick hello and then, in a completely off the cuff, chatty manner, said something to the effect of "think we can handle running the new slot until 5?" Dr. Bob said "sure" and continued on his way. In retrospect, Dr. Bob doesn't think that he even stopped walking, the exchange having taken perhaps 3 or 4 seconds.

A few days later, the hospital's attorney generated a revised draft of the contract. It now included a 5:00 p.m. end time, a one hour increase in coverage, in connection with the newly added coverage slot. Despite the increase in workload, the amount of financial support from the hospital remained the same.

Dr. Bob was furious. To him, the hallway "chat" was just that: an exchange of pleasantries and an optimistic expression of the growth of the venture. But it was absolutely not a part of the current negotiation process. To Bob, the COO had engaged in "drive by" negotiation.

The COO, on the other hand, didn't see anything wrong with the exchange. To him, it was a brief exchange on an important deal point.

What went wrong, and why?

It boils down to a matter of perception of the negotiating process.

Physicians inexperienced in business often mistakenly regard hospital negotiation as a formal process separate from day to day activities at the facility. When at the facility, they are on their way to render patient care or are headed back to the office or out the door. Hallways are not negotiation tables. For many physicians, location is a factor in negotiation - the physical context controls the question of whether or not there is intended content.

To a hospital administrator, all discussions with contracting parties, whenever and wherever, are part of the negotiation process. The executive's office, the board room, the wash room, or the hallway, even the check out line at the local market, are all simply locations - and to him or her, location is not important; it is content, not physical context, that controls.

Because you can count on the fact that hospital administrators are not going to change their perception of the immateriality of physical location to negotiation, it's incumbent on physicians to learn this lesson and learn it well. Any communication with, or within earshot of, an administrator is a part of the negotiation

Join Mark F. Weiss on November 20, 2008, at 4:00 p.m. PDT for a free telephone seminar on the Strategic Group Process™.

Learn what the Process is and how it can benefit your hospital-based group.

CLICK HERE NOW TO CONFIRM YOUR INVITATION!

Space is limited.

If we cannot accommodate you on November 20th, please see next month's E-Alert or visit our website for future seminar news.

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process. Physicians can never have an "off the record" conversation with an administrator. The only alternative is to have no communication at all; hardly an effective strategy.

Understanding this rule allows physicians leaders to both protect their negotiating positions and to use "informal" communication with administration proactively to inform and dis-inform in the context of a controlled negotiation.

How Conducting A "Strategy Retreat" Often Leads To Failure

The scene is common. The practice's key personnel, whether the shareholders of a large group, or a solo physician and the key managers of an entrepreneurial practice, set aside a day or two for a "strategy retreat."

They hire a moderator, often on the basis of price, and end up with a "strategic plan," usually in written form and perhaps even beautifully bound. The problem is that the plan generally ends up placed on a shelf, gathering dust.

In reality, the group didn't actually want a strategic plan; rather, they wanted to develop and implement a strategy, but then ended up confusing the two processes. It's a twist on the old story about not wanting a drill, but a hole -- these folks went out and bought the drill but never got the hole.

Physician groups as well as solo practices need to develop strategy on multiple levels. In addition to developing an overall business strategy, they need to develop specific strategies to address numerous business issues, each of which strategies must be aligned with the practice's larger, overall business strategy.

And then, they need to develop and deploy tactics to implement the various strategies.

If you mistakenly held a "strategy retreat" instead of establishing, developing and implementing a strategic plan, take a look at how far from, or close to, the starting point you remain. If you're like most victims of the discrete "strategy retreat," and your "plan" sits gathering dust, I suggest that you should shred and recycle it -- at least then some good will come from it.

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