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Medical Staff Planning and Implementation: Keys to Success

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ABSTRACT: ***Hospitals need an adequate complement of physicians to fulfill their strategic goals. Continuity of this important resource is the objective of a medical staff plan. However, there are significant barriers to the successful implementation of a plan. Identifying and resolving these barriers is the key to success in this vital hospital activity.***

Steps In Plan Preparation

Medical staff planning is a vital step in a hospital's strategic and tactical positioning. Most hospitals have initiated this activity through the use of internal resources and/or outside consultants. The preparation of a medical staff plan is a relatively straight forward process and consists of the following steps:

- **Quantify** the community need for physicians based upon commonly accepted and applied physician to population ratios for each of the physician specialties[1] [2]
- **Inventory** the supply of physicians within the hospital's defined market or primary service area
- **Compare** the community need for, and the supply of, physicians to determine where the efforts should be directed to medical staff development
- **Assess** the hospital's internal need for physician specialists and subspecialists

Determining an institution's internal need for physicians is a complex process which incorporates factors such as physician age mix, productivity and compatibility with the hospital's strategic initiatives. This assessment can be accomplished through a combination of interviews and analysis of appropriate data.

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[1] Richard J. Lohkamp, Ph.D and H.J. Simmons, III. *Physician resource planning must keep pace with evolving markets.* Health Care Strategic Management, March 1995.

[2] Richard J. Lohkamp. *Hospitals and communities don't need more physicians than HMOs currently require.* Health Care Strategic Management, April 1997.

Implementation Challenges and Keys to Success

Once complete, however, the best of these plans can run afoul of the implementation process. DGA's experience with clients transitioning from planning to the implementation phase suggests that a variety of barriers to success come into play.

There is no cookbook recipe which will assure a satisfactory result for a hospital engaged in implementing a medical staff plan. However, there are several keys to success which should be considered by the institution as it moves forward with plan implementation. Several of the more significant challenges and responding keys to success are described below:

CHALLENGE: Regulatory Constraints

These limitations are well-documented in current health care law literature and associated case studies. Hospitals, as community trusts, do not want the adverse publicity or the sanctions that can result from regulatory violations. Conversely, implementation often requires creative physician retention solutions with varying levels of regulatory-related risk. The dilemma of balancing results and risk is a significant barrier to plan implementation.

SOLUTION: Mitigate Exposure

While hospitals are advised to seek legal counsel during the implementation process, an overly conservative response to the regulatory environment can become the barrier to success in itself. Dealing effectively with the regulatory constraints begins during the planning phase. The assessment of the community need for physicians should be predicated on objective data, independent analysis and a proven methodology. These steps are required to produce legally defensible physician needs.

Once the process moves to implementation, regulatory exposure becomes a threshold issue. Physician retention transactions must be structured to balance opportunity value with risk exposure. The hospital, with advice and assistance of counsel, should clearly define the parameters or ground rules which will guide the implementation process. It is obviously better to agree upon acceptable parameters at the start of implementation rather than to suffer possible regulatory sanctions later. Once established, however, these parameters must be applied on a consistent basis during the implementation phase.

CHALLENGE: Medical Staff Resistance

Historically, physicians have been insulated from the competitive practices and influences characteristic of other businesses and professions. Economic pressures stemming from the combination of lower reimbursement and higher expenses (i.e. malpractice insurance) have altered this competitive paradigm. Introducing additional physician resources into the community can lead to medical staff resistance or, in some cases, outright rebellion. The threat of losing well established, loyal physicians to another hospital can be a significant detriment to plan implementation.

SOLUTION: Physician Communication & Collaboration

Informed physicians are the best remedy for this barrier and the time to involve physicians is early in the process. Key leaders of the medical staff that are loyal to the institution should participate during the planning phase. As this initial phase evolves into implementation, these physician leaders continue to provide a key link to the institution's medical staff constituency. Criteria to be used in selecting physician participants should include: their level of seniority and peer respect within the medical staff; the ability to be objective about the needs of the institution as well as the community being served; and demonstrated personal traits of circumspection, wisdom and integrity.

CHALLENGE: Poor Organization & Direction

Few hospitals delineate clear responsibility for medical staff plan implementation within their organizations. This function is usually an "add-on" to ongoing activities of one or more senior managers already over burdened by operational problems. Ill defined or split leadership responsibilities can erode the effective direction and oversight of plan implementation activities.

SOLUTION: Structure and Leadership

A recommended first step in structuring is the appointment of an ad hoc committee of the governing body comprised of key physicians, trustees and senior managers. This committee should be chaired by a trustee and specifically charged with the development of a medical staff plan. As the process moves from planning to implementation, ongoing responsibility for this phase should transition to a designated individual within the management team. Although not necessarily a full time effort, a position description delineating responsibilities and time commitment should be prepared. The position should be vested with authority sufficient to interact across normal organizational lines (i.e., matrix relationships). If not a senior management level position, it should then report to this level within the institution. Another key is creating the ability for the hospital to move quickly when required by physician retention opportunities. Timing and the ability to rapidly execute a transaction is often a defining element in successful implementation.

CHALLENGE: Conflict Between Objectives

Often, the implementation process becomes entangled in conflicting objectives. An example is community need versus hospital need for additional physicians. Because many physicians split their practice activity among several institutions, a hospital's need within a particular specialty category may be greater than the overall community's need. Rationalizing the conflict between these objectives can become a deterrent to successful implementation.

SOLUTION: Rationalize & Prioritize

As a rule, medical staff planning follows and supports a hospital's strategic planning efforts. Often the goals and objectives to be addressed strategically can create conflict during the implementation process. Objectives such as market share growth, increased hospital referrals and utilization and improved community access emphasize the need for primary care physicians. Conversely, development or expansion of specialized clinical services, lack of referral choice to subspecialty physicians and split practice relationships drives the need for sub specialists. Conflicting objectives related to medical staff development must be identified during the planning phase and rationalized by the hospital as implementation occurs. Priorities for medical staff retention and/or expansion should be assigned and then periodically reviewed by the institution.

CHALLENGE: Poor Financial Planning

Plan implementation can be an expensive proposition for a hospital. Commitment of institutional resources to this effort is often made without adequate financial planning. Investments in medical staff development often are not premised on realistic targets and rates of return. Poor financial planning will quickly hobble the best plan implementation efforts and intentions.

SOLUTION: Proper Resource Allocation

Nearly all hospitals engaged in medical staff planning underestimate the resources that will be required for implementation. This is due to two significant factors – inadequate financial planning and establishing overly-aggressive targets. To avoid this problem, reasonable targets for physician retention should be established and prioritized over a 2-3 year timeframe. Based upon the targets and types of transactions to be pursued, a budget should be prepared with funding sources identified. Where practical, each transaction should be subjected to a financial evaluation that includes a return on investment analysis. Since unforeseen opportunities often arise during implementation, a contingency fund should also be maintained to underwrite them.

A final word on medical staff plan implementation – collaboration and teamwork within the hospital's leadership (governance, medical staff and administration) is the most essential ingredient for success.

For more information on any of the issues discussed in this white paper, please contact H.J. Simmons, III at 610-667-8782 or HJSiii@DGApartners.com.

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