



# The GemStatement

Volume 15, Issue 3

January 2007

## Inside This Issue:

“One of the most important, and fragile, relationships in health care is the one between hospitals and physicians...” **Improving Physician-Hospital Relationships: 10 Strategies for Success**

Page 2

“Governmental hospitals in Idaho are facing significant limitations on their ability to finance equipment and construction...” **Supreme Court Restricts Hospital Financings**

Page 5

“HFMA recognizes that strength lives in the volunteers who contribute their time...” **How and Why to Get Founders Points**  
Page 7

**Say Hello To Our New Idaho Chapter Members For 2006**  
Page 8

# Improving Physician-Hospital Relationships: 10 Strategies for Success

One of the most important, and fragile, relationships in health care is the one between hospitals and physicians, whose success is so closely intertwined. Given the importance of this relationship, and the growing pressures on it, what strategies have hospitals successfully employed to improve it?

To answer this question, Mitretek Healthcare and the Society for Healthcare Strategy and Market Development recently conducted a national survey to identify the range of strategies that hospitals are using to strengthen physician-hospital relationships, and which of those strategies are the most effective. Over 360 professionals responded, representing 300 hospitals in 45 states. The respondents represented the full range of hospital types including urban, suburban and rural and academic/ community-based. Key findings follow.

**Physician-Hospital Relationships: 10 Strategies**

1. Communicate in an Honest and Open Manner
2. Truly Involve Physicians in Decision-making
3. Align Economically with Physicians
4. Improve Efficiency and Accessibility of Care
5. Provide Support for Physician Practices
6. Develop Physician Leaders
7. Maintain a Positive Organizational Culture
8. Provide High Quality Patient Care
9. Develop Physician-friendly Information Systems
10. Be Visible and Accessible

## 1. Communicate in an Honest and Open Manner

Clear, consistent communication and trust are the foundations for hospital-physician relationships. With economic pressures threatening to further divide physicians and hospitals, developing this foundation is more important – and difficult than ever. Specific activities that survey respondents found successful include the following:

- Monthly President’s report
- Formal physician survey – biannually
- Physician newsletter, active use of email
- CEO brainstorming session with physicians
- “Dilemma dinners” to address significant problems of interest to physicians that need to be solved together.

*“We have to develop a culture within which we can all say the ‘unsayables’ and get the issues on the table.”*

## 2. Truly Involve Physicians in Decision-making

It is important to involve physicians in strategic planning and addressing operational issues that concern them, but beyond that, hospitals must enlist them to serve in leadership roles to address these tasks and craft solutions. Activities that survey respondents found successful include the following:

- Expand physician membership on boards/committees, especially if fewer than 25%.
- Use physician-driven task forces to address specific issues.
- Create a Presidents Advisory Group to discuss issues important to physicians.
- Set criteria for selecting physicians who serve in decision-making bodies (e.g., credibility with medical staff, leadership capabilities, commitment to the hospital, willingness to manage conflicts).

*“When the docs are driving the development of a service, they are much more motivated to do what is necessary to make it work.”*

## 3. Align Economically with Physicians

Economic alignment doesn’t always mean “joint ventures” or “gainsharing.” In fact, the most popular economic alignment strategies are still physician employment, with a growing focus on hospitalists/intensivists and some office-based specialists. Interestingly, the “cutting edge” physician alignment strategies, including gainsharing, bond transactions, and real estate equity were rated among the least effective by survey respondents.

Most Effective Economic Alignment Strategies (in Order of Rated Effectiveness)

Strategy	Percent Offering	Percent Rating “Very Effective”
Employ Intensivists	30%	75%

Strategy	Percent Offering	Percent Rating "Very Effective"
Employ VP of Medical Affairs	73%	74%
Employ Hospitalists	51%	74%
Employ Primary Care Physicians	72%	65%
Employ Some Office-based Specialists	57%	64%
Joint Ventures	52%	56%
Malpractice Relief	28%	56%
Pay Stipend for Med. Directorships	67%	54%
Collaborative Mgd. Care Contracting	57%	53%
Stipend for Co-management of Major Clinical Services	32%	53%

#### 4. Improve Efficiency and Accessibility of Care

Investing in infrastructure and culture to improve physician efficiency is a priority among many survey respondents. Hospital executives understand that improving efficiency is, in itself, one of the most powerful "economic-alignment" strategies the hospital can employ. Actions that have proven successful include:

- Clinical information systems designed to improve operational efficiency (81% of survey respondents have implemented).
- Physician-Operations Committee to address issues impacting the effectiveness of patient care.
- An "Active Care Team," with physicians and nurses, to focus on performance measures.
- Physician customer service training for all employees (including hospital-based physicians such as anesthesiologists, radiologists, and emergency physicians).

*"An inefficient hospital impacts the profitability of the physician's practice"*

#### 5. Provide Support for Physician Practices

Hospitals have a variety of resources to assist physicians in developing successful practices. Support may come in the form of financial assistance, marketing support, back-office functions, or referral relationship development. In many cases, hospital executives find this support to be a good investment. Actions that survey respondents have found successful include the following:

- Provide financial support for recruitment to individual practices.
- Develop, and implement, a formal Medical Staff Development Plan.
- Sponsor a Physician Liaison/Ambassador Program.
- Offer education and support for physician office staff.
- Sponsor time on local radio and television stations to give individual physicians visibility.

*"Retention is becoming as important as recruitment"*

#### 6. Develop Physician Leaders

Physician leaders are the crucial link between disparate community physician practices and a functional hospital medical staff. Hospitals must actively develop their current physician leaders while cultivating the next generation. Survey participants have had success with the following initiatives:

- Employ a VP of Medical Affairs who is committed to finding win-win situations and serves as a role model for physician leadership.
- Provide a formal physician leadership orientation program.
- Sponsor on-site leadership development programs with CME credit

*"Leadership development is ... connecting the 'saying' and the 'doing'"*

- Retain external coaches.
- Take physician leaders to national conferences (e.g., Leadership Academy of the Advisory Board, Estes Park, Governance Institute, etc.).

**7. Maintain a Positive Organizational Culture**

Hospital-physician relationships are strongest in organizations that focus on a positive organizational culture where hospital employees and physicians treat each other with mutual respect and work together toward common goals. Survey participants have had success with the following activities:

- Develop a “Physician Code of Conduct” to clarify expectations about interactions with staff (developed through the Medical Executive Committee).
- Focus on service excellence – Disney Institute training.
- Convene a physician satisfaction Task Force.

*“It is important to remember the impact of nurses and staff on physician satisfaction.”*

**8. Provide High Quality Patient Care**

Hospitals can only be successful in improving quality with the full commitment of their medical staffs. In turn, physician satisfaction is closely linked with quality. Survey participants have had success with the following activities:

- Strive to improve peer review.
- Post quality results by physician.
- Structure collaborative (physicians and nursing) quality improvement implementation.
- Engage in the Baldwin Quality award process.

**9. Develop Physician-friendly Information Systems**

Physician-accessible hospital clinical information systems are widely viewed as an absolute requirement for future success but frequently fall short of expectations and are expensive to implement. Survey participants have had success with the following activities:

- Clinical information systems to allow physician access to information when outside the hospital (73% of survey respondents have implemented).
- Provide information systems support for physician offices.
- Create a user-friendly “physician portal” to the clinical information system.

*“We absolutely need to provide physicians better access to clinical information.”*

**10. Be Visible and Accessible**

Physician-hospital relationships cannot thrive without frequent contact and hospital executives must take the initiative. To gain visibility and improve accessibility, survey participants have instituted the following activities:

- CEO and VPs do regular rounds.
- Tie executive compensation to scheduled face-to-face visits with medical staff.
- Hold regular “Open Forums” or breakfast meetings.
- Have a senior manager’s office “in” the medical staff lounge.
- “Assign” senior managers to physicians to maintain ongoing relationships.

*“Administrator time on patient care units has been a foundation for our physician-hospital relationships.”*

It is no accident that this list begins with “Communicate” and ends with “Be Visible.” While economic alignment strategies and information systems are important tools, cultivating physician-hospital relationships is primarily about... relationships. The keys to success are to keep communicating and remain patient and flexible.

Scott Clay is a Principal in the Norcross office of Mitretek Healthcare and a Georgia HFMA member. Bob McGowan and Amy MacNulty are both Senior Principals in the Lexington, Massachusetts office of Mitretek Healthcare.

Questions can be directed to,  
Scott Clay, Principal  
Mitretek Healthcare  
[Scott.clay@mitretek.org](mailto:Scott.clay@mitretek.org)  
678.728.6741 (office)

## Supreme Court Restricts Hospital Financings

Governmental hospitals in Idaho are facing significant limitations on their ability to finance equipment and construction of facilities as a result of an Idaho Supreme Court ruling in April of 2006. County hospitals and hospital districts are just beginning to feel the impact of this financing limitation and, unfortunately, there appears to be no quick solution to the problem; it will be several years, if not longer, before the impact of the Supreme Court's ruling can be ameliorated.

### The Court Case

Surprisingly, the Idaho Supreme Court case, *City of Boise v. Frazier*, was not about a hospital at all. It involved the challenge brought when the City of Boise tried to obtain the approval of a district judge, pursuant to a judicial confirmation proceeding, to issue bonds to build a parking garage at the Boise City airport (the judicial confirmation process has been used successfully by numerous governmental entities around the State of Idaho, including Madison Memorial Hospital in Rexburg). Under the Idaho Constitution, local governmental entities are allowed to incur long-term debt without holding an election only if the expenditures are considered "ordinary and necessary." In the Boise Airport parking garage judicial confirmation, the City of Boise asked a judge to determine that the parking garage project fit within that "ordinary and necessary" exception.

Although the district court judge ruled in the City's favor, on an appeal to the Idaho Supreme Court that ruling was reversed. The Idaho Supreme Court, focusing on a requirement in a case from 1897, found that there must exist a necessity "not simply for the expenditure, but also for making the expenditure at or during such year" in order to meet the "ordinary and necessary" requirement. "Necessary" now seems to mean "urgent," and thus there must be a necessity to build a project within the current fiscal year of the governmental entity in question.

### Impact On Hospitals

While *Frazier* was about an airport parking garage, interestingly the Supreme Court in *Frazier* cited with approval their 1975 decision which permitted the Idaho Health Facilities Authority (the "IHFA") to issue debt on behalf of governmental hospitals. However, the Court referred specifically to the narrow facts of that 1975 IHFA test case, which found it was "ordinary and necessary" to remedy certain building and safety code violations at the hospital. Regrettably, after *Frazier* it is not clear whether governmental hospitals can satisfy the "urgency" requirement in all instances, or just in cases where there are building code issues. Because of the unique health and safety issues that governmental hospitals face in providing health care services to the public, a good argument can be made that hospital projects are unique and should be treated differently than an airport parking garage. Such "good arguments," unfortunately, do not provide sufficient comfort to financial institutions and other lenders.

Even though the *Frazier* ruling did not specifically address lease-purchase agreements, the uncertainty created by the *Frazier* ruling is limiting borrowing options for almost all local governmental entities in Idaho. For example, a recent article in the Idaho Business Review noted that many financial institutions, such as Wells Fargo, have stopped engaging in lease-purchase transactions for equipment. There is no Idaho Supreme Court ruling that specifically addresses whether lease-purchase arrangements satisfy the Idaho Constitution, and financial institutions fear that at some point the Supreme Court could hold that such arrangements are invalid.

The good news? Some equipment vendors are still willing to enter into various types of lease arrangements for their equipment, even without an opinion from legal counsel that such arrangements are valid. Provided that the governing board(s) of a hospital ensures that the lease arrangement can in good faith be characterized as a short-term obligation – by ensuring (a) that there is an appropriate non-appropriation clause, (b) that there is no "non-substitution" clause in the agreement, and (c) that as a practical matter the hospital would have the ability to walk away from the lease at the end of each fiscal year – then hospitals can continue to enter into lease-purchase arrangements; provided, of course, that the hospital can find a financial institution or vendor willing to enter into such agreements on reasonable terms.

Unfortunately, lease-purchase arrangements are likely only to be available for equipment financings. Post-*Frazier*, it has become very difficult for governmental hospitals to engage in large project financings. But several alternatives remain available for hospitals, some more drastic than others.

## What's A Hospital To Do?

First, a hospital can hold an election and obtain the necessary two-thirds voter approval for their project. Several county hospitals, including Boundary Community Hospital and Steele Memorial Hospital, have successfully held elections. Unfortunately, the Idaho Constitution does not provide for "revenue bonds" that might be issued on behalf of hospitals. Any election question must provide for a property tax levy sufficient to pay for the bond issue. However, it is possible, as was the case with Steele Memorial Hospital, that a public information campaign can be put together that explains the portion of the debt that is "anticipated" to be paid with non-tax revenues over the life of the bond issue.

Second, if an election seems unlikely to succeed, a hospital could choose to go the judicial confirmation route. This involves public notices, hearings and, eventually, legal proceedings before a district court judge. Given the unsettled nature of financings following the *Frazier* decision, it may be difficult for a hospital to prevail at the district court level. In any event, even a successful ruling may be appealed to the Supreme Court. Such process would likely take several years to complete.

Third, county hospitals have the ability to convert to a 501(c)(3) non-profit hospital, as Magic Valley Regional Medical Center recently did. Although Magic Valley had a vote to approve such conversion, a vote is not necessary. Of course, converting a hospital is a significant step and involves many considerations, including the political ramifications.

Hospital districts currently do not have a mechanism by which they can convert to a 501(c)(3) non-profit entity without a vote. Legislation will be introduced during the 2007 legislative session to provide that option for hospital districts.

In summary, there are not many short-term solutions. A governmental hospital may still be able to obtain some type of lease-purchase financing from an equipment vendor, and for larger projects a hospital could hold an election. A conversion to a 501(c)(3) non-profit hospital is likely to take a year before such transaction could be completed. Finally, a hospital could attempt a judicial confirmation proceeding to validate a project, but if such proceeding ends up in the Supreme Court, several years could elapse.

## Long-Term Solutions

Numerous entities and individuals in the public finance arena that are impacted by the *Frazier* decision are evaluating courses of action, including the IHFA and the Idaho Hospital Association (the "IHA"). The IHA has created a task force that is studying the issue, while the IHFA has proposed a three-part process to provide relief to hospitals.

The IHFA's proposals include (1) bringing a new "test" case that would serve to clarify the ability of governmental hospitals to incur debt, (2) providing financial assistance to hospitals that choose to convert to 501(c)(3) non-profit status, while also amending the hospital district statutes to permit such conversions, and (3) amending the Idaho Constitution to clarify the ability of governmental hospitals to issue debt.

The difficulty with the Authority's proposals, even assuming their ultimate success, is the length of time involved. A governmental hospital's 501(c)(3) conversion is likely to take a year or more. A "test" case will likely take at least two years to reach a Supreme Court decision, and there can be no assurance as to the outcome. And, finally, any constitutional amendment, even assuming it receives the necessary two-thirds approval of each house of the Idaho legislature, may only be voted on at a "general election," – November, 2008 at the earliest.

Public finance lawyers and other interested parties are attempting to come up with creative solutions to the financing limitations created by the *Frazier* decision. However, for the moment it appears that governmental hospitals have relatively few alternatives as they try to address their financing needs.

Thomas J. Mortell,  
Hawley Troxell Ennis & Hawley LLP  
Phone: (208) 388-4929  
Fax: (208) 342-3829  
[www.hteh.com](http://www.hteh.com)

## How and Why to Get Founders Points

HFMA recognizes that strength lives in the volunteers who contribute their time, ideas and energy to serve the healthcare industry, their profession and one another. Active participation in the Idaho HFMA chapter provides its members with numerous opportunities for education, information and networking. To recognize these volunteers, HFMA has four different and sequential levels of awards:

- William G. Follmer Bronze Award – 25 points
- Robert H Reeves Silver Award – 50 points
- Frederick T. Muncie Gold Award – 100 points
- Founders Medal of Honor – Conferred by nomination of the Chapter Board of Directors

You have the opportunity to earn Founders points by serving in several different ways. They are categorized as follows:

- Literary Contributions
- Chapter Committees/ Titles
- National Committees
- Speakers, Proctor, Mentor Event Volunteers

A detailed list of specific ways to earn Founders points can be found on the HFMA national website. Once you have logged in and seen the ways to get points you may want to submit articles to the Gem Statement, serve as a member of the board or even share you secrets to success at a chapter meeting.

You can view your Founders points on the HFMA national website under Manage my Account in your personal profiles through the membership directory area at: [Http://hfma.org/access\\_eseries.cfm](http://hfma.org/access_eseries.cfm). Any discrepancies between points awarded and points earned should be reported to Matthew Cox at [matthewcox@chiwest.com](mailto:matthewcox@chiwest.com).

Matthew Cox, MBA, CPA  
Chief Financial Officer  
Holy Rosary Medical Center



### 2006 Founders Points Award Winners

Robert H Reeves Silver Award  
**Calvin Carey**

William G. Follmer Bronze Award  
**Susan Colburn**

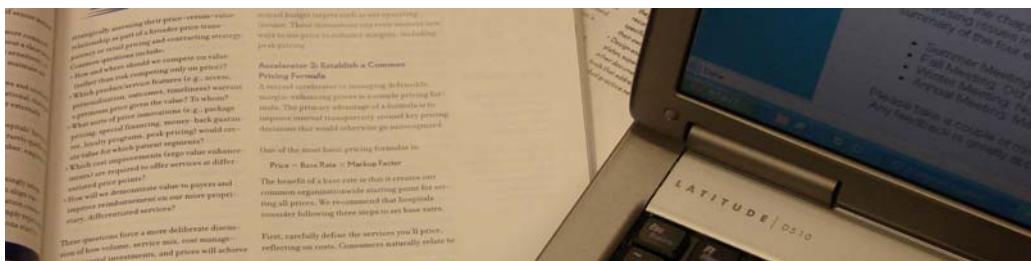
William G. Follmer Bronze Award  
**Matthew Cox**

## Say Hello To Our New Idaho Chapter Members For 2006

**Eli Doman, Teton Valley Hospital & Surgicenter**  
**Charlene Konkright, Benewah Community Hospital**  
**Lori L. Stoltz, Benewah Community Hospital**  
**Bruce DeLawyer, St Luke's**  
**Dean Leavitt**  
**Marla E. Barnes, St Benedict's Family Medical Center**  
**R Alan Barnes, Teton Valley Hospital & Surgicenter**  
**Russ Taylor, Mountain View Hospital**  
**Casey Meza, St. Mary's & Clearwater Valley Hospital and Clinics**  
**Paula M. Penza, St. Alphonsus Regional Medical Center**  
**Dallas M. Clinger, Harms Memorial Hospital District**  
**Sheila Pugatch, State of Idaho**  
**Thomas K. Rosenthal, State of Idaho**  
**Saydee Weatherman, Michael R. Bell & Company**  
**Jacque Kennedy-Gooch, State of Idaho**  
**Brian McBride, Minidoka Memorial Hospital**  
**Matthew Morishita, St. Lukes Regional Medical Center**  
**Lenne Bonner, St Mary's & Clearwater Valley Hospital & Clinics**  
**Scott R. Brown, Sterling Management & Consulting**  
**Stephanie Evans, Portneuf Medical Center**  
**Kevin R. Smith, Eide Baily LLP**

Win \$200

The grand prize could be yours for writing an article for the Idaho GemStatement. Your knowledge and experience is valuable to your peers. Share it with other HFMA members and you could win \$200!



Submit an article now for your chance to win the \$200 prize. All authors of *printed* articles will be eligible to win the grand prize. The winner will be announced at the Idaho Annual Banquet.

Send newsletter articles to:

Jake Smeltzer  
Outreach Services  
819 W 7<sup>th</sup>  
Spokane, WA 99204

[jsmeltzer@outreachservices.com](mailto:jsmeltzer@outreachservices.com)

## HFMA Idaho Chapter

**2006 – 2007**

**President**

Calvin Carey, Madison Memorial  
[ccarey@madisonhospital.org](mailto:ccarey@madisonhospital.org)

**President Elect**

Luke Zarecor, Thomas Dingus & Associates  
[lmzarecor@dzacpa.com](mailto:lmzarecor@dzacpa.com)

**Secretary**

Susan Colburn, St. Joseph RMC  
[scolburn@sjrmc.org](mailto:scolburn@sjrmc.org)

**Treasurer**

Chris Brazil, Que Financial  
[cbrazil@quefinancial.com](mailto:cbrazil@quefinancial.com)

**Board Members**

Sandy Dryden, McCall Memorial Hospital

Matt Cox, Holy Rosary Medical Center

Darci Lindstrum, Lincoln Co. PHD #3

Brian Nall, Benewah Community Hospital

Jennie Pipoly, Kootenai Medical Center

Jennifer Young, Michael R, Bell & Co.

Carla Terry, Idaho Hospital Association

Editorial Policy: Opinions expressed in signed articles or features are those of the author and do not necessarily reflect the view of the Chapter, HFMA, or the newsletter committee. The committee reserves the right to edit material and accept or reject contributions whether solicited or not. All correspondence is assumed to be a release of information for publication unless otherwise indicated. Send correspondence to:

**Jake Smeltzer**  
Outreach Services

The GemStatement Editor

Phone: 888 610-5792

Fax: 509 456-8811

Email: [jsmeltzer@outreachservices.com](mailto:jsmeltzer@outreachservices.com)

## PLATINUM SPONSORS

Cardon Healthcare Network, Inc.

Columbia Ultimate

Dingus, Zarecor & Associates

Eide Bailly LLP

Idaho Health Facilities Authority

Michael R. Bell & Company

NHI Billing Services

## GOLD SPONSORS

Chivaroli & Associates

Moss Adams, LLP

Outreach Services

PacificSource Health Plans

Qualis Health

Que Financial

The White Stone Group

## SILVER SPONSORS

A.G. Edwards & Sons, Inc.

Bennett Bigelow & Leedom, P.S.

Blue Cross of Idaho

Chapman Financial Services, Inc.

D.B. Fitzpatrick & Co.

Emdeon Business Services

Healthcare Resources Group

Idaho Community Health Network

Idaho Hospital Association

Medical Data Systems, Inc.

Perot Systems

Progressive Management Systems

Regence BlueShield of Idaho

The SSI Group, Inc.

## BRONZE SPONSORS

AIG VALIC

Architectural Nexus

AR Systems

First Party Receivables Solution

Fringe Benefit Resources

Healthcare Outsourcing Network, LLC

Kreg Information Systems

MedAssist Incorporated

Outsource Receivables Management

The Resource Center

**Thank You Corporate Sponsors! We Appreciate You!**

For information on sponsorships, please contact Carla Terry at [cterry@teamiha.org](mailto:cterry@teamiha.org).

