

Haggle With the Hospital

How to negotiate for more financial support



Most hospital executives care about performance on quality measures and will pay to improve it.

Negotiating support from the hospital where you practice is one of the most critical skills you can learn. I am often asked, “How can our group prove our value to the hospital so we can get the support we need?” The best approach is the same whether you are a practice employed by the hospital or a separate legal entity that contracts with the hospital.

There are many valuable sources of guidance regarding the best way to negotiate any important agreement, including a book I recommend, *Getting to Yes*. I suggest you read such a book if you want to be a better negotiator. But here I want to highlight some features of negotiations between a hospital medicine practice and a hospital that such sources won't specifically address.

Clearly this is complicated, and different situations call for different strategies.

These are generalizations worth thinking about in any situation.

Know what is important to the hospital. I often hear hospitalists say, “We want to attend to the things that are important to the hospital, but we don't know what those things are.” If that is really the case, the communication between the hospital and hospitalists must be awfully poor—and there is an opportunity for the hospitalists to improve it. It is worth the time and energy required to know what is on the mind of the hospital's leadership. It may be as simple as having a person-to-person conversation with one or more hospital leaders about what they see as the institution's most important goals—and how your practice could help achieve them. You need to be sure and understand the particulars at your hospital, but the topics below are on the mind of most executives.

Propose using additional funding to ensure adequate staffing, not raises for existing doctors. In the current environment of difficult recruiting, hospital executives are usually far more inclined to pay for increased staffing than worry about whether you need a raise just because you deserve it. So it is usually much more effective to tell the hospital, “Our practice needs more money so we can add doctors and more fully meet the demand for our services.” Much less effective is saying, “We [existing hospitalists] are working so hard that if we don't get more money we're going to quit.”

While the latter may be true, a hospital executive is much more likely to respond positively to paying for increased manpower so the existing doctors won't have to continue working at unreasonably

high workloads, rather than to providing money to support a raise for doctors already working unreasonably hard.

Propose additional resources to support quality improvement, and consider sharing some financial risk. Most hospital executives care about their hospital's performance on quality measures and are willing to provide money to improve it. You might win more financial support if it is contingent on your group improving performance on quality measures.

You could propose that the hospital make additional money available to encourage and reward improved performance. You could even put existing financial support at risk and ask the hospital to match it. In other words, you could say you will contribute \$5,000 or \$10,000 of the money currently provided annually by the hospital per full-time equivalent hospitalist into a pool matched dollar for dollar (or some other ratio) by the hospital. Your group would get less total financial support (i.e., lose the funds put at risk) if quality doesn't improve, but get more support if performance improved by an agreed-upon amount. A willingness to share financial risk demonstrates your commitment to success and can be compelling to the hospital.

Know your data. Hard data are far more effective than anecdotes when trying to convince the hospital of your practice's value. Trumpet your successes, but remember that same executive will probably hear from 10 others in the same week that spending huge sums of money on their product or service will dramatically improve the hospital's bottom line. If you're trying to convince the hospital that every dollar spent to support your practice will provide an attractive return on investment, you need hard data to prove it.

It would be best if you could independently collect this data. But in most cases, you will have to rely on data the hospital has collected. It's worthwhile to insist on routine reports (e.g., monthly, or no less than quarterly) from the hospital summarizing your group's performance on quality and financial metrics (CMS core measures, patient satisfaction, cost per case). This data will be critical to you when you negotiate financial support from the hospital.

You should also have data about other hospitalist practices, such as results from the 2005-06 “SHM Survey of Hospitalist Productivity and Compensation” and other sources I discussed in a recent column (July 2007, p. 73). And if you're able to get reliable data about other practices in your local marketplace (i.e., something more significant than just what you heard

through the grapevine), be sure to share that information as well.

Agree to conditions carefully. Don't agree to do things you would be unhappy doing just because it might help get more financial support from the hospital. Executives know it is bad business to pay people more money to get them to keep doing something they don't want to do. Such an agreement usually leads to the hospitalists asking for more money each year to continue providing the service—and the quality of the service is often sub par if it's something the hospitalists really don't want to do (even if paid well to do it).

Stay focused on hospital performance—even in areas not specifically governed by your contractual relationship. Many or most hospitals that employ hospitalists assume all the financial risk for the practice. That is, the hospital agrees to make up the difference between collected professional fee revenue and the cost of operating the practice.

If the doctors underdocument and downcode, or are not compulsive about ensuring that their charges get to the billing agent, fee collections will suffer—and the hospital will end up having to pay more to support the practice.

If you are in such a situation, you should ensure that you're helping to support optimal documentation, coding, billing, and collection practices—even if it won't increase your paycheck but simply saves the hospital money. This will increase your chance of getting the hospital to increase financial support of your practice.

Remember your financial support isn't a one-time negotiation; it is part of an ongoing relationship. In some negotiations, such as buying a car from a stranger, it seems reasonable to use any leverage most favorable for you. After all, you're unlikely to ever interact with that person again. A hospitalist practice might compel the hospital to provide more support by threatening to quit suddenly. Yet it is usually a bad idea to do this because it can severely damage the long-term relationship.

Further, if you make it clear you're going to quit unless you get more money, the hospital is in a tough spot. While the hospital may not want to lose you, any executive will realize that by making such a threat you probably aren't committed to staying long even if you do get more financial support. **TH**

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