

BUILD PHYSICIAN LOYALTY WITH VALUE

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The issue of physician retention is critical to the ongoing quality of service and patient care provided by HMOs. Retention is made even more difficult because many physicians are not particularly enamored with what they consider to be the intrusive nature of HMO management. Add to this an increasing use of physician interviews and demands for physician surveys by corporate benefits managers in selecting managed care options for their employees and the issue of physician satisfaction becomes critically important.

We have seen the devastating effects of employee turnover on customer service in any number of industries. This devastation is equally likely to affect the quality of care given to HMO members unless HMOs aggressively manage the value they provide their physicians.

Most HMOs already measure and monitor physician satisfaction. The quality and sophistication of these monitoring systems vary from simple report card approaches to more complex managerially oriented intervention-based systems. Regardless of the level of sophistication of the system, they all have one thing in common: they are designed to monitor and measure an emotion and subsequently, are designed to manage an emotion. Consider the nature of satisfaction. When an individual is satisfied they are happy. When they are dissatisfied they are unhappy. Emotions, being what they are, are hard to manage. What needs to be the focal point of the management process is not the outcome, satisfaction or happiness, but rather the dynamic that produces the outcome. That dynamic is value.

The Concept of Value as a Managerial Tool

Now clearly, the idea or concept of value is not new. What is new, however, is the ability to measure it effectively and in a way that has operational implications. The measurement of value emanates directly from its definition. Value is typically defined as the relationships between the benefits an individual seeks in a transaction and the price that individual is willing to pay to acquire those benefits. Its functional form may be rendered in the following manner:

$$\text{Value} = \text{Benefits} :: \text{Price}$$

This points out yet another weakness in most satisfaction-based measurement systems. These systems, if they deal with price at all, typically treat price as simply another attribute. It is not simply another attribute. The role of price is more complex. Price interacts with customer benefits to create value. Individuals want benefits but only at the proper price. To ask individuals if they are satisfied with the benefits they receive or the price they pay is too simplistic and does not capture the more complex but realistic nature of the decision process. In other words, it artificially measures the real customer dynamic.

Consider your own experiences with value. When assessing a dining experience you typically think of several benefits or attributes. These may include atmosphere of the restaurant, the service, the quality of the food, parking, etc. Do you not also think of the price that you paid? How many times

did you leave a restaurant and say that it wasn't worth it? How many times did you leave the restaurant and say that the food was good but the price was too high? These are expressions of value you are applying to the experience. If you measure an experience based on its value, why wouldn't your customers?

Defining Physician Value

Understanding the value equation for any stakeholder group be they members, patients, employee benefit managers or physicians involves understanding how the individual stakeholder group defines value. And, not all stakeholder groups define value similarly. Our experience in measuring physician value indicates that there are three non-price drivers of value. These are Communication, Credentialing, and Utilization Management.

Communication involves but is not limited to issues such as easy access to medical directors, and timely response to appeals.

Credentialing addresses issues such as reasonable standards for access to panels and clear communication of standards.

Utilization management includes issues of formulary, lab cost and quality programs, imaging costs and quality programs, and site visitations.

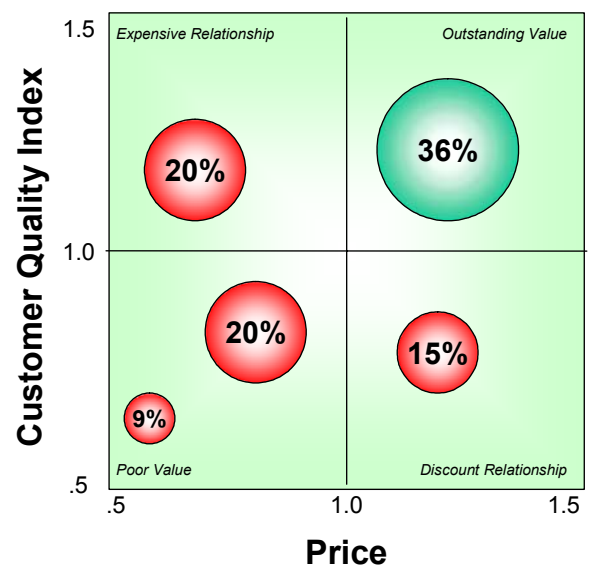
For physicians, the **price dimension** is somewhat different than other stakeholders. Price includes such issues as the level of claims reimbursement, the level of total reimbursements (claims and incentives), the amount of the incentive, and the accuracy of reimbursements.

These components of value may change from HMO to HMO. It is crucial to the

management of value to identify and measure the two components (benefits and price) from the individual and specific stakeholder perspective. Value changes from market segment to market segment, from stakeholder group to stakeholder group, from geographic location to geographic location.

Understanding how physicians view the HMO's value proposition involves indexing the various benefit components of value and relating them to the price component. In this case, the indexed non-price value driver is a weighted average of physician perceptions of communication, credentialing, and utilization management. This is empirically generated for the specific HMO. Payment satisfaction is the price component of value. Dissatisfaction with payments reflects a high price while satisfaction with payments indicates a low price for the physicians. In this case, payment represents the price the physician pays to be part of the HMO. We relate the interaction of the two value components in what we call the Stakeholder Relationship Planner[®].

Stakeholder Relationship Planner



The Stakeholder Relationship Planner is divided into four quadrants. The quadrant labeled **Outstanding Value** corresponds to perceptions of above average benefit delivery and above average payments. The quadrant identified as **Poor Value** corresponds to physician perceptions of below average benefit delivery and below average payment satisfaction. **Discount Relationship** is identified as above average payment satisfaction but below average benefit delivery. Finally, the **Expensive Relationship** quadrant corresponds to above average benefit delivery but below average payment satisfaction.

These physicians feel they are getting below average benefit delivery but are expressing satisfaction with the payment system.

The implications of these different physician value groups become apparent when we profile these groups on several outcome variables. These outcome profiles are shown in the Table below:

OUTCOMES OF PHYSICIAN VALUE GROUPS

Value Group/ Outcome Variables	Outstanding Value Group	Expensive Relationship Group	Discount Relationship Group	Poor Value Group 1	Poor Value Group 2
Meeting Needs	4.25/5.00	3.71/5.00	3.81/5.00	2.97/5.00	2.79/5.00
Satisfaction	5.85/7.00	4.75/7.00	5.35/7.00	3.86/7.00	3.59/7.00
Influence Excellence	3.86/7.00	3.21/7.00	3.45/7.00	2.58/7.00	2.45/7.00
Physician Attitude	4.35/5.00	3.71/5.00	3.93/5.00	2.81/5.00	2.36/5.00
Impact on Practice	9.03/11.0	7.10/11.0	7.77/11.0	5.28/11.0	4.85/11.0
5 Year Impact	8.99/11.0	7.36/11.0	7.90/11.0	5.43/11.0	4.55/11.0

The circles within the various quadrants represent groups of physicians based on their perception of the value they are receiving from this particular HMO. The **Outstanding Value** quadrant contains 36% of the physicians. These are physicians who feel they are getting above average benefit delivery and satisfactory payment. Twenty percent of the physicians are located within the **Expensive Relationship** quadrant. They feel that the HMO is providing above average benefit delivery but at the same time are providing payments with which physicians are not satisfied. Two groups of **Poor Value** physicians can be identified, one comprising 20% of the HMO physicians, while the other accounts for 9% of this HMO's physicians. In total, 29% of the HMO's physicians indicate they are not receiving good value from their affiliation. Finally, 15% of the physicians are located within the **Discount Relationship** quadrant.

Legend:

Meeting Needs = How would you rate HMO's overall performance in meeting your needs?

Satisfaction = All things considered, how satisfied are you with the HMO?

Influence Excellence = How would you describe the overall influence the HMO has on your ability to deliver excellent medical care?

Physician Attitude = Compared to other managed care organizations, how would you describe the HMO's general attitude and approach toward physicians?

Impact on Practice = How would you rate the HMO's impact on your practice?

5 Year Impact = Looking forward, what do you expect the HMO's impact will be on your practice in 5 years?

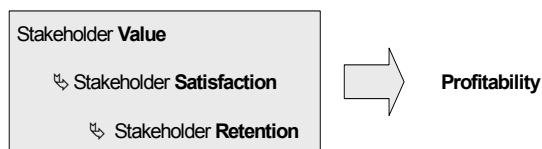
Note: 4.25/7.00 = score/total possible scale points. In all cases the higher the score the more positive the response.

Implications From Value Measurement

There are several clear implications from the Physician Value Matrix and the accompanying outcome table. First, the greater the value perception by physicians, the more positive the outcome. In other words, the better the HMO's value proposition is perceived by physicians:

- the stronger the physicians feel that the HMO is meeting their needs;
- the greater the physician satisfaction;
- the stronger the physicians feel the HMO impacts the excellence of their medical practice;
- the more value the HMO adds to their practice;
- the more positive the HMO will impact their practice in the future;
- the more supportive the HMO attitude is toward their physicians.

These results corroborate what we call the Value Performance Chain[®].



The Value Performance Chain[®] points out that stakeholder loyalty is a function of stakeholder satisfaction and that this satisfaction is generated from providing the stakeholder outstanding value in his or her relationship. Loyal physicians are top performing physicians supportive of the HMO concept. They become apostles of value and the HMO concept. Those physicians in the **Poor Value** quadrant are likely defectors or at the least may have an insidious impact on physician moral, both within their practice and among HMO

physicians at large. They are potential value terrorists.

Moreover, the Stakeholder Relationship Planner[®] provides insight into improving the value the HMO offers its physicians. For example, we know that there are two groups of physicians that feel they are receiving poor value from this HMO. It is important to note that there are two kinds of poor value. The first is associated with the group of physicians that constitutes 20% of the physician base. They are somewhat dissatisfied with the payment system and somewhat dissatisfied with the benefits they are receiving. Conducting a failure analysis of this group would be very beneficial. The failure analysis would identify why the HMO was failing to provide the kind of value their counterparts in the **Outstanding Value** quadrant perceive. Contrast this group of physicians with their counterparts at the bottom of the **Poor Value** quadrant. They comprise about 9% of the physician base but are very dissatisfied with both the payment system, their price, and the benefits they are receiving from the HMO. This group must be monitored carefully since they constitute a potential problem in care delivery and very possibly may prove disruptive or exert a negative impact on other doctors. They may represent what we call value terrorists.

Similarly, we have a group of physicians located in the **Expensive Relationship** quadrant. These physicians perceive good benefits but low price satisfaction. A failure analysis of this group could prove very beneficial. Their dissatisfaction with the price component may not be in absolute price terms but rather in speed of payment or the accuracy of reimbursement. The point is the only thing keeping these physicians from locating themselves within the Outstanding

Value quadrant is their below average perception of price satisfaction.

Manage The HMO From A Value Perspective

Not only can physician relationships be managed from a value perspective, but so too can other stakeholder groups. Patients, members, and employer benefit managers as well as the public at large all seek value in their current or potential relationship with a managed care provider.

It is clear that in this hyper-competitive world of healthcare, the provider that can create and deliver the greatest value for its stakeholders will be the provider that enjoys a differential value advantage and its attendant performance outcomes. We have seen differential value advantages translate into superior market share, greater customer retention and greater profitability. These outcomes await the managed care provider that has the insight and the capability to become the top value provider.