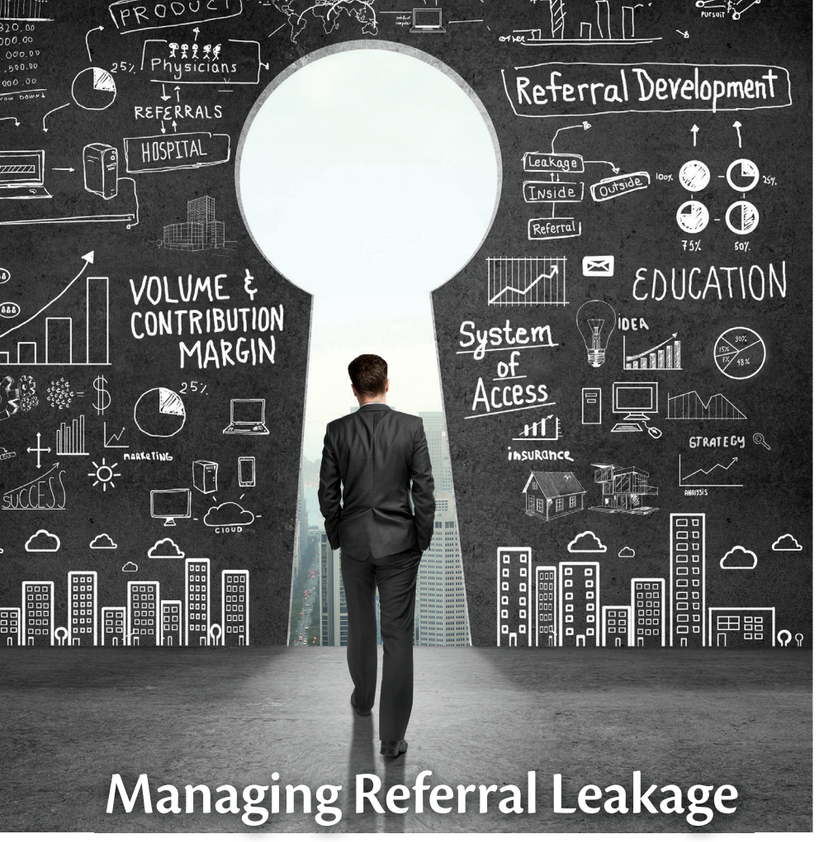

Managing Referral Leakage

Key Strategies *for* Growing Volume

By **Adrienne Foley**

With more health systems employing physicians, problems with internal leakage—or the loss of volume that comes from physicians referring their patients outside of the system—have come to the forefront. In response, healthcare executives are adopting new strategies and solutions to identify the sources and plug the holes.

Leakage can be financially devastating to an organization—one source says only 35 percent to 45 percent of patient referrals, as measured by revenue, go to the partner hospital[1]. What's more, leakage can be hard to pinpoint.

Tricia Anderson, Director of Business Growth, Texas Health Resources (THR), Arlington, TX, knows something about this. Dubbed the "Queen of Leakage" within her organization, Anderson has devoted the last several years of her career to reorganizing her business growth team's focus and strategy around identifying and plugging leakage holes at the 24-hospital system. "In 2008, THR suffered a financial loss," says Anderson. "Because volumes had declined, referral development started to get more attention." THR conducted a full assessment of its physician relations function and learned that while its team was great at building relationships, it was less effective at productively converting those relationships into referrals. As a result THR created, as a systemwide strategy, a team devoted to business growth.

"What we found was that physician relations as we knew it, with its focus on relationship building and retention, was no longer going to be effective," says Anderson. Instead, she refocused her team's thinking to needs-based selling and charged them with bringing back actionable intelligence and quantifying the results.

Qualitative data, or intelligence from the field, is gathered through conversations with physicians, their schedulers, and other members of their office staff. Often, those conversations provide initial insight into potential sources of leakage. Anderson's team then reviews internal data on patient satisfaction, contribution margins, physician referral volumes, and surgical volumes over time to look for trends and validate or confirm qualitative claims.

This new thinking has helped the team define sources of leakage and then develop specific strategies and tactics to address those sources. "It really comes down to one of two strategies: referral development or ease of use," says Anderson. "We need either to grow volume for our specialists by increasing their referral networking, or we just need to make it easier for the physicians to choose us."

Referral Strategy: Connecting With the Right Physicians

As more primary care physicians (PCPs) became employed at THR, Anderson says historical thinking assumed that these physicians were referring internally. But a review of internal referral data proved otherwise.

In the case of orthopedics, data revealed that THR's employed PCPs were sending orthopedic patients elsewhere, rather than to THR-aligned orthopedic physicians.

Anderson encouraged her team to meet with the employed PCPs to find out why.

"We learned that they were not referring to the THR-aligned orthopedic surgeons because they did not accept a particular insurance plan that many of their patients carried," says Anderson. "Why would they refer patients to THR-aligned specialists if they didn't accept the patient's insurance? I needed to get hospital leadership on board so we could meet with the nonaligned surgeons who were getting the referrals and bring them onto our medical staff."

A look at the numbers showed that 45 employed PCPs in one THR hospital's service area had an average of 118 patients each on the insurance. That translated to 5,300 patients potentially being referred out of THR's network for orthopedic care because they had other insurance.

"When you look at the 30 percent conversion rate of referral to surgery, that's a potential loss of over 900 cases," notes Anderson. "Once you quantify the opportunity in terms of potential volume and contribution margin, it's easier to identify solutions and get the support to implement them."

As a result, Anderson's team met with the surgeons receiving the majority of the referrals and helped them through the credentialing process for THR's medical staff. Not only did the newly affiliated orthopedic surgeons begin to see an increase in their referrals from THR's employed physician group, but the organization also saw a significant increase in its contribution margin for the year.

"This was a direct result of strategically meeting a need and stopping the leakage," says Anderson.

Identifying Sources of Leakage

Looking for guidance on identifying sources of leakage in your organization? Susan Boydell offers the following tips:

Where to look: Dig into your internal data. Use your field team to find out who is referring to whom and why. Ask physicians what it would take to get just one more case. Go after the low-hanging fruit.

Ease of use: Do you make it easy for physicians to refer to your hospital or specialists? Are your ORs clogged? Can patients get an appointment with your specialists in a reasonable amount of time? Do your specialists accept their insurance? How can you make the referral process easier than your competitors'?

Education: Do your referring physicians know you have the specialists, the technology, and the facilities they're looking for?

Ease of Use: Removing Barriers

For many healthcare organizations, the system of access—or how easy it is for physicians to admit or refer patients to facilities and specialists—is another leakage trouble spot. "Hospitals and health systems often do not make it easy for physicians to admit their patients, and that can be a major source of volume loss," says **Susan Boydell**, Partner, Barlow/McCarthy. "Some organizations have it figured out, but there's still room for improvement in most hospitals."

To address access problems, Boydell advises meeting with physicians to understand their greatest frustrations, then offering innovative solutions for addressing them.

That's exactly what THR did when biopsies and surgeries at one of its hospital breast centers decreased even though the center was performing above the national average in terms of mammography and diagnostics.

"We presented data to executive leadership that revealed we needed 186 additional biopsies and 68 additional surgeries to meet the national average," says Anderson. "When multiplied by the per-case contribution margin, the financial loss, or opportunity, was significant."

Recognizing that ease of use was a key issue, THR created a worry-free zone for patients by hiring a nurse navigator to call patients who required biopsies or surgery. At the same time, the nurse navigator would offer an appointment time with a THR breast center surgeon, thereby making it easy for the patient to be seen.

By introducing the navigator, THR eliminated a barrier and made it easier for both patients and physicians to arrange for necessary follow-up services. Concludes Anderson, "You can't stop the leakage without some kind of drastic effort to do so."

Sources

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[1]Massachusetts Attorney General 2011 Study: Examination of Health Care Cost Trends and Cost Drivers

By hiring a nurse navigator, Texas Health Resources has removed a barrier and made arranging follow-up appointments easier.

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