



The Purchasing Power of Today's Medical Group Practice

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Introduction

Marketers aim to target the most relevant audiences for the products and services their organizations offer. Sometimes, however, the most receptive prospects, with the greatest purchasing power, are overlooked in the bustle of a media planning period.

Consider the group that controls the finances of today's prosperous medical practices.

Within the fastest-growing industry in the United States is a niche market of decision-making professionals who acquire goods and services worth billions of dollars each year.

They are the medical group practice managers, also called health care executives or administrators, who make purchase decisions for physicians and use their business savvy to supervise medical practices' operations. In 2006, approximately 58,000 such medical and health services managers administered physician offices or nursing and residential care facilities, coordinating day-to-day logistics and often determining business directions.¹

This white paper examines the state of the health care industry, the group practice as a significant segment of it and the role of managers within practices. Finally, it identifies how vendors can leverage relationships with these managers to market an array of products and services.

Like the manager of any small or medium-sized business, a medical practice professional requires supplies, from diagnostic equipment to staplers, and services, including marketing and the provision of loans.

The list of vendors who can benefit from reaching the relatively untapped pool of medical group practice managers is vast. Among them are information technology professionals, drug and surgical suppliers, architects and construction companies, furniture and office equipment salespeople, insurance brokers, marketing agencies and numerous others.

Small organizations that market solely to health care markets, big organizations exploring new verticals in health care and those seeking niche audiences of powerful professionals in any industry can connect with this attentive audience.

The Health Care Industry

Overview

The delivery of modern health care in the United States depends on a growing group of trained professionals working together as an interdisciplinary team.ⁱⁱ Each individual fulfills a distinct job function in either inpatient or outpatient facilities, which are funded by a mixture of public and private sources. Physician offices, hospitals and residential care centers are prime examples of the kinds of facilities that constitute the 580,000 establishments of the U.S. health care industry.ⁱⁱⁱ

Consistently showing tremendous demand and growth, the industry impacts the U.S. job market.

- *As the largest industry in 2006, health care provided 14 million jobs –13.6 million jobs for wage and salary workers and about 438,000 jobs for the self-employed.*
- *7 of the 20 fastest growing occupations are health care related.*
- *Health care will generate 3 million new wage and salary jobs between 2006 and 2016, more than any other industry.*

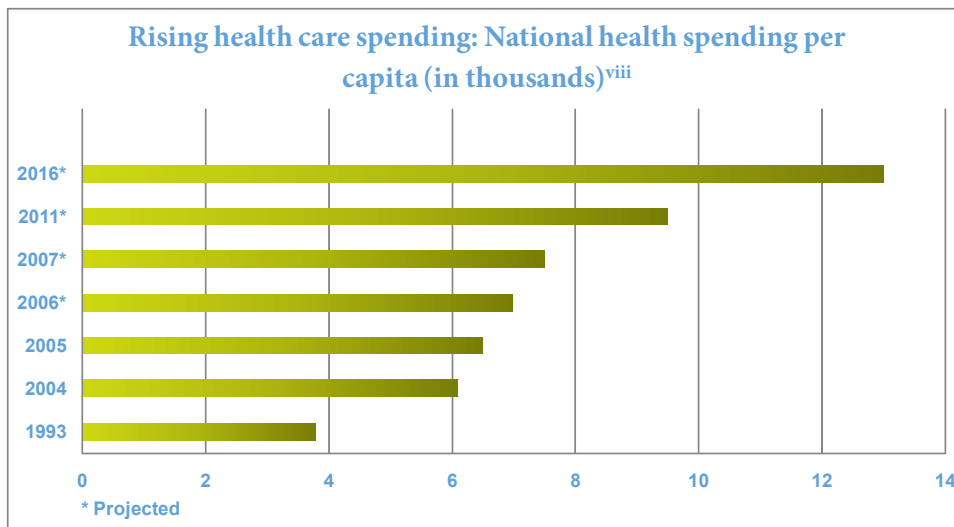
Source: U.S. Department of Labor, Bureau of Labor Statistics

Important developments in the rapidly changing health care industry include technological advancements in diagnosis and treatment, as well as innovations in information technology that improve patient care and worker efficiency. A growing emphasis on providing services on an outpatient basis is evidence of attempts at cost containment.^{iv}

Financial Outlook

The structure and financing of U.S. health care are changing rapidly. “By 2017, total health care spending will double to more than \$4 trillion a year, accounting for one of every \$5 the nation spends,” noted an Associated Press article based on a report from the Centers for Medicare and Medicaid Services.^v U.S. health care expenditures totaled \$2.2 trillion in 2006.

Health care costs consumed 15.3 percent of the U.S. gross domestic product (GDP) in 2003, more than any other country in the world.^{vi} The health care share of GDP is expected to follow its historically upward trend, reaching 19.6 percent by 2016. Federal, state and local government are expected to pay half of the health care tab, which puts pressure on Congress to curb benefits, raise taxes or both.



The U.S. is the only wealthy, industrialized nation that does not provide universal health care.^{vii}

Health care spending is expected to double to more than \$4 trillion in the next decade.

While core health care costs, such as hospital care and physicians' services, are expected to rise at relatively modest rates of 6 to 7 percent a year in the coming decade, those rates are 1 to 2 percentage points higher than the growth forecast for the overall economy.^{ix}

Upward Trends

As outlined by the U.S. Department of Labor, Bureau of Labor Statistics, key reasons for the growth of the health care industry include the following:

- Medical group practices and integrated health systems will become larger and more complex, increasing the need for office and administrative support workers.
- New technologies will make it possible to identify and treat previously untreatable conditions.
- Improvements in diagnostic tests and surgical procedures will result in a shift from inpatient to less expensive outpatient and home health care.
- The number of people in older age groups, with much greater than average health care needs, will grow faster than the total population between 2006 and 2016.

The sheer size of the "Baby Boomer" generation, comprising the greatest percentage of the population with 80 million Americans, will make waves in the health care industry.^x In 2011, the United States will see a spike in the demand for physician services when the first of the Boomers enroll in Medicare, and at that pivotal point, demand for medical services could exceed supply.

Booming demand in the physician services market equates to higher expenditures on services, supplies and equipment by medical facilities.

Medical Group Practices

The Distinction between Hospitals and Ambulatory Health Care Facilities

Although hospitals employ 35 percent of all health care workers, they constitute

only 1 percent of health care establishments. Ambulatory health care providers occupy the largest percentages, in terms of both establishment numbers and employment figures. “Ambulatory health care” refers to treatment delivered without a hospital stay. These types of providers account for 42 percent of all health care employees and 87 percent of the total 580,000 U.S. health care establishments.^{xi}

Included under that umbrella are:

- Physician offices;
- Home health care services;
- Dental offices;
- Offices of other health practitioners;
- Outpatient care centers;
- Other ambulatory health care services; and
- Medical and diagnostic laboratories.

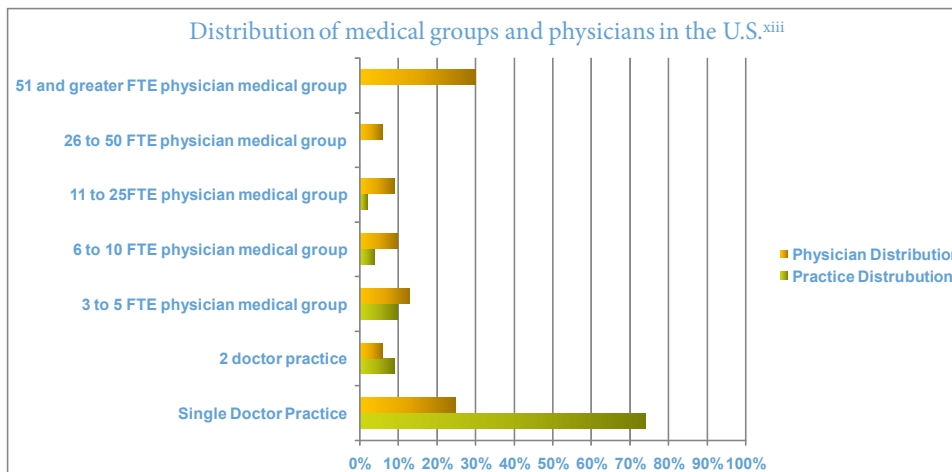
A 2003-2004 survey by the Center for Disease Control (CDC) estimated that there were 161,200 physician offices.^{xii}

Defining Multispecialty Group Practice

In outpatient physician offices, medical care is provided by primary care physicians (such as specialists in family or pediatric medicine), subspecialty physicians (gastroenterologists, cardiologists or orthopedists, for example) or nonphysicians (including nurse practitioners and physician assistants).

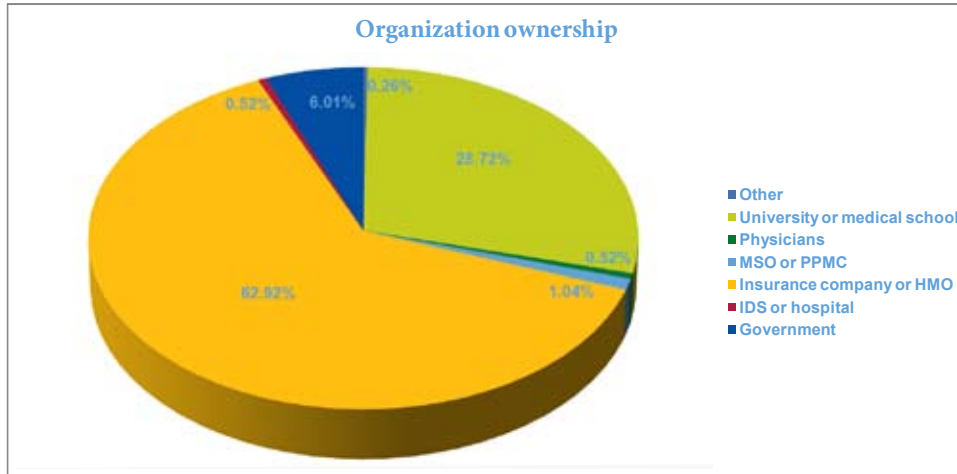
A “group practice” refers to a medical office that employs three or more physicians. Group practices focused on one area of service, such as gastroenterology, cardiology or orthopedic surgery, are referred to as “single specialty,” whereas those with more than one specialty are termed “multispecialty” practices.

When one physician works in a practice, he or she works “solo.” A couple of physicians working together have a “two-doctor practice,” and when three or more share facilities, they have a “group practice.”



Group Practice Structure

In the medical group microcosm, physicians are responsible for treating patients, writing prescriptions and working toward a desirable clinical outcome for each patient. Often they are also the practice owners. Based on an extensive survey of its membership base, the Medical Group Management Association (MGMA) estimates that approximately 63 percent of multispecialty group practices are physician-owned.^{xiv}

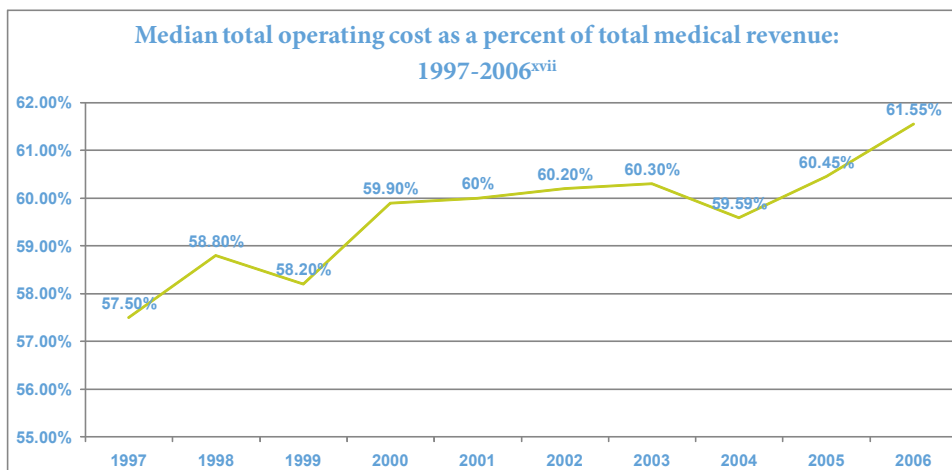


While physicians provide patient care, medically trained staff members assist them, and skilled, administrative support personnel manage the full spectrum of business logistics. A multispecialty group practice has an average of five staff members for every full-time physician.^{xv}

Each performs a specific job function, with managers responsible for making budgetary decisions and producing business results.

In the U.S. in 2006, the multispecialty medical practice's total operating cost, including support staff and general costs, averaged \$402,275 per full-time employed physician.^{xvi}

The manager's role is increasingly important as the typical multispecialty group practice is seeing operating costs rise more quickly than revenue.



In light of this trend, medical practice stakeholders, such as physicians and managers, are increasingly interested in implementing data-driven solutions and making business decisions with a keen awareness of the bottom line.

Medical Group Practice Managers

Job Opportunities for Medical Managers

Management, business and finance-related positions within medical practices are occupied by a small segment – 4.2 percent – of the overall health care workforce.^{xviii} Each manager is assigned to a specific department or is a generalist who manages an entire facility or system.

Medical and health services managers held approximately 262,000 jobs in 2006; 22 percent of them worked in physician offices or in nursing and residential care facilities.^{xix}

Employment of medical and health services managers is expected to grow 16 percent from 2006 to 2016, faster than the average for other occupations. Careers in physician offices and home health care agencies will see the largest growth.

Medical Group Practice Manager Responsibilities

In medical group practices, managers work closely with physicians. A small group of 10 to 15 doctors might employ one administrator to oversee human resources, billing and collection, budgeting, planning, equipment outlays and patient flow. A large practice of 40 to 50 physicians might have a chief administrator and several assistants, with each delegated particular responsibilities.

Complex layers of decision-making authorities, including physicians, committees and boards, often exist within large medical practices. Many weigh in on purchase decisions for a practice, but ultimately it is the manager who gathers information, builds a business case for a particular product or service and makes specific recommendations.

Medical group practice managers face many challenges, including the integration of health care delivery systems, technological innovations, an increasingly complex regulatory environment, restructuring of work, an increased focus on preventive care and rising operating costs.

Medical group practice managers are unique in their combined knowledge of health care and business practice. Here is a sampling of the roles they fill at the office:

Financial analyst: *Medical group practice managers methodically make business decisions based on the market, the practice's budget and the potential for return on investment.*

Accounts receivable department manager: *They ensure cash inflow. Managers effectively expedite reimbursement for*

“Health care is a business and, like every business, it needs good management to keep it running smoothly.” – U.S. Department of Labor, Bureau of Labor Statistics

The manager is the gatekeeper between vendors and physicians and is often responsible for initiating organizational change.

rendered services by working with insurance and governmental organizations.

Negotiator: *These administrators negotiate and ultimately sign all contracts, including those with payers for reimbursement and vendors for products, ranging from office supplies and prescription drugs, to services, such as liability insurance and marketing. They carefully choose equipment for both cost-effectiveness and performance.*

Human resources executive: *They recruit and assess prospective employees, determine salaries and physician compensation strategies, maintain proper staffing levels and work toward high employee retention.*

Mediator: *They help staff members navigate the complex nuances of intra-office relationships.*

Ultimately, medical group practice managers carefully balance the needs of the business to create health care environments that emphasize patient care, efficiency and revenue.

Marketing to the Decision Makers

Marketers often look to hospitals as a primary target for their products and services in the health care industry, due to higher spending and budget size. In the meantime, medical group practices and their niche of professional decision makers with high purchasing power are often overlooked.

Like any small or medium-sized business, a medical practice requires supplies from staplers to servers, and services from insurance to marketing and strategic planning. Consulting services are needed as medical practices become more complex, and pharmaceutical companies can leverage a relationship with a manager, rather than directly approaching physicians. Certified public accountants (CPAs), lawyers and information technology professionals all offer services that managers solicit.

Medical group practice managers face challenges that vendors can solve.

With operating costs rising, managers seek alternatives to passing added expenses along to consumers, such as offerings that simplify administration, save costs or generate revenue. As with any marketing endeavor, understanding the needs of the audience before making the pitch and finding the right medium to convey the message are critical to connecting with medical group practice managers.

Tips for conducting business with medical group practice managers

1. *Managers are busy, so be readily available and conscientious of*

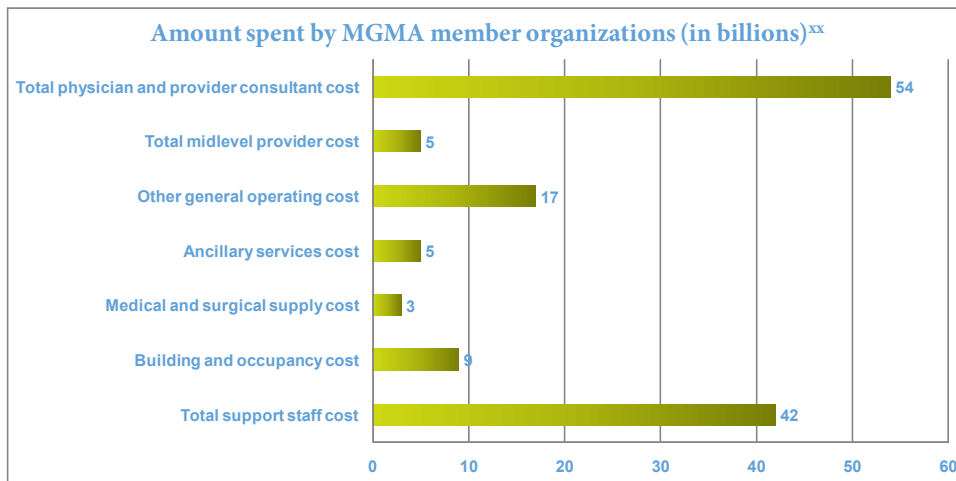
What's on a manager's list of supply and service needs?

- *Information technology*
- *Drug supply*
- *Medical and surgical supply*
- *Building and occupancy*
- *Furniture and equipment*
- *Administrative supplies and services*
- *Professional liability insurance*
- *Other insurance premiums*
- *Outside professional fees*
- *Promotion and marketing*
- *Clinical laboratory*
- *Radiology and imaging*
- *Other ancillary services*
- *Billing purchased services*

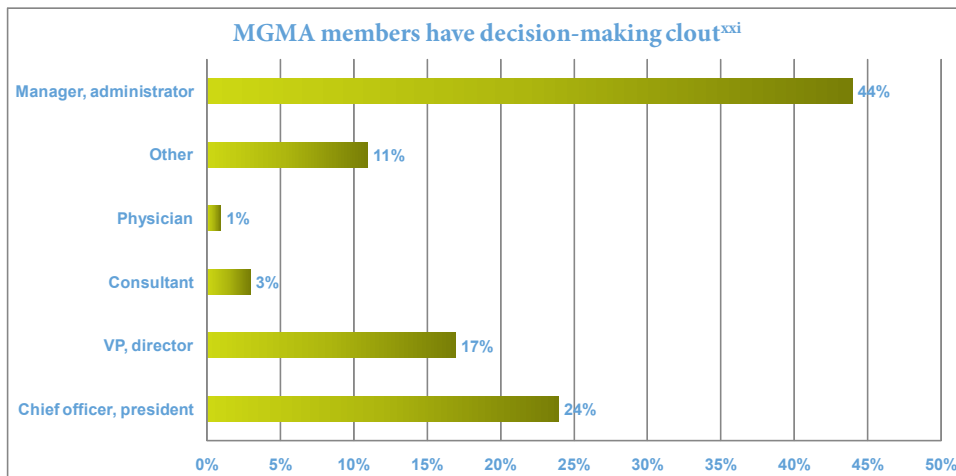
time constraints.

2. Educate yourself. Know how a medical practice can utilize your offering. Managers want detailed information, including cost-saving benefits, when purchasing specialized equipment.
3. Follow up after the sale, and offer suggestions on how the manager can improve efficiencies with your product or service.
4. Follow the business principles of honesty and credibility to cultivate long-term relationships.

Conclusion



The 21,500 members of MGMA, the most respected association for the leaders of medical group practices, annually spend more than \$135 billion on products and services. They are key decision makers in physician offices.



These executives and administrators manage 13,500 practices, representing almost 270,000 physicians. They turn to MGMA for education, legislative updates, and the products and services that help their practices succeed. MGMA members take advantage of the products and services marketed to them.

The following are testimonials from marketers who have successfully connected with this targeted audience.

Marshall Erdman & Associates

Marshall Erdman is a full-service planning, design and construction firm specializing in health care facilities. With its focused offering and half of its business generated by group practices, it has benefited from a successful relationship with MGMA for more than 30 years.

“Marketing to group practice professionals is more direct than working with hospitals. We establish better contacts, receive a higher response to direct mail and experience a shorter sales cycle. We have also seen high referral rates among administrators.”

– Tom Cornell, Director of Client Relations

Gateway EDI

Gateway EDI is the premier electronic data interchange (EDI) provider in the health care industry. Its mission is to facilitate the processing of transactions between providers and payers. Having worked with MGMA for 10 years, this company believes that group practice managers are different from most other markets, describing them as knowledgeable, eager for efficient solutions, and having a tight network and strong referral tendency.

“Exhibiting, sponsoring and advertising with MGMA have generated a return on investment two to three times greater than with other health care associations. On average, we make \$2.50 for every \$1 spent with MGMA. MGMA delivers consistently, making it a win-win for everyone involved.”

– Jim Bettendorf, Director of Compliance and Business Development

SRSsoft

SRSsoft develops, markets and supports ClinicalManager™, digital chart software for the health care industry. Its nationwide customer base encompasses every medical specialty, and group practices are 90 percent of its audience. This company has found that the best results come from consistent engagement with MGMA.

“A lot of people think you have to talk to the doctor, when actually the administrator should be the first person with whom you speak and to whom you market. They get it. If you have them as your ally and they have a vested interest in your product or service, they can sell it for you. That’s why MGMA is powerful.”

– Michael Earley, Vice President of Business Development

Medical group practice managers are the right audience within the health care industry to produce results for your marketing efforts.

Resources

For more information on marketing to the elite niche of medical group practice managers, please contact MGMA at busdevelop@mgma.com or 877.275.6462. You can request a Marketing Opportunities Kit and a free issue of *MGMA Connexion™*, MGMA's flagship publication.

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