

**January 31, 2018**

**RFPs: Reality, Unicorns, and Cognitive Bias**

*Think back in time to a job interview. You dressed for success and were on your best behavior.*

In the advertising world, they call them “reviews.” In healthcare, we call them RFPs. They’re the same thing. If you’re the incumbent medical group, the relationship or the contract is at risk. If you’re an outside aspirant, there’s an opportunity to expand your business to an additional location. *Or, no matter who you are, maybe you’re just being played.*

As in the course of a job interview, in an RFP everyone is on their best behavior. On both sides.

The hospital is telling fibs about how great it will be to provide services at the facility, and how supportive the administrators will be. The outside aspirants are puffing about what great service they’ll provide.

The incumbent medical group suffers from the fact that it is well known to the facility’s administrators, warts and all.

Being not as well known, the aspirant medical groups are all rainbows and unicorns, sugar and spice, with a snuggly puppy or two tossed in for good measure.

Let's start with the truth: Professional services are not, and cannot, be a commodity. But it's also true that many have fooled themselves (or, more likely, others) into believing that they are. In fact, there's a healthcare RFP industry.

But, even if you're a true believer in the commodity theory of healthcare, an RFP process for anything other than fixed items (such as a screw meeting Mil-Spec MS51861-1C) is a ridiculous way to make a decision. A way that exists only in a world in which bureaucrats are rewarded by visible, yet lazy, action, situated in a universe devoid of the knowledge that not taking visible action can be action just the same. A way in which decisions are made based on the lies that they’re told and the lies that they tell themselves.

Are these lies moral failings? Usually not. They’re generally more akin to resume embellishments, nicely pressed suits and shiny shoes. But either way, they’re a fiction, a phantasy, *and perhaps even fraud.*

So what to do in the real world in which my thoughts about the craziness of the process have (unfortunately) little weight?

If you're the incumbent, you must have a strategy to avoid, deflect, and defeat an RFP. You must create an Experience Monopoly™\*, not just perform in a service role. You must develop a propaganda strategy, deployed over time, to educate and sway the administrators and to continuously garner the support of key influencers.

Is that enough to guaranty there'll never be an RFP and if there were one, that you'd come out on top? No. There is no such guaranty anywhere. But that action is required just the same or you're wasting time and working against your own interests.

And, you must develop a true business that is broader than based simply on one hospital, so that you can negotiate from a place of strength. You must have taken action to secure the cohesiveness of the group. Optimally, you need to have the ability to walk away, to say, "No thanks, we won't be submitting a proposal. But hey, good luck with that unicorn!" Developing the required structure takes time. It takes playing the long game. If you haven't already started playing it, start today.

If you're a hospital administrator, remember what Richard Feynman, the famous physicist, said: people are easily fooled, and the easiest person to fool is yourself. Cognitive biases abound. And, that unicorn may just be an ass wearing a fake horn.

If you're on the outside looking at the opportunity that exists to expand your business to another facility, understand how to play to the administrators' cognitive biases. But be very careful about what you promise, because in the event that you "win," you'll actually have to deliver. It takes more effort to continue to play the unicorn after the audience knows it's a trick.

You can count on a honeymoon period, again cognitive bias (confirmation bias) on the part of the administration, but at some point your unicorn horn will fall off, you'll be seen in the light of reality, and, damn it, there's probably a wart or two where that horn used to be. Then, you'll need to be on the lookout for yet another cognitive bias, buyer's remorse. If it kicks in, know that the administrators are incapable of blaming themselves, so they'll naturally have to blame you. Your only hope is that there's some junior administrator to throw under the bus as a sacrifice to the hospital board. (In my experience, this is usually the CFO, but sometimes it's a vice-president).

Whether you're the incumbent or on the outside, if you "lose," then, if you've developed the larger business that I advise is required, it might turn out to have been a win in disguise, for winning the race to the bottom is like a participation trophy: it isn't a real win.

And, there's also always a chance (in many cases a very high chance) that you were defrauded in the course of the RFP, either by the facility or by the consultants brought in by the facility to stage the RFP. Depending on the facts, "bid rigging" inherent in a fake or fraudulent RFP can be charged criminally, both under state law and a host of federal laws.

\* An Experience Monopoly™ is the overall combination of the way that your group delivers services and the *experience* that you provide to the facilities, to the other members of the medical staff, to their patients and to the community at large, that creates a benefit that

competitors, even if they understood what was being provided, would not be able to duplicate it. Read [What A 57 Year Old Burger Joint Can Teach You About Delivering Value](#).



### **Wisdom. Applied. 109: Provision of Staff, Payment of Expenses Leads to Federal AKS Violation**

Many mistakenly believe that the AKS focuses only on cash remuneration, as in "here's \$100 for the case." They're wrong.

## **All Things Personal**

I promise I won't joke about the fact that we all think we're great drivers, much better than average, when, of course, someone's got to be in the bottom 50%.

But, when driving, nearly all of us are situationally aware. We check our mirrors every 10 to 15 seconds, we're constantly scanning for a car that might drift into our lane, and we notice the kids playing on a lawn up ahead -- they might come running into the street.

On the other hand, just as many of us lose that situational awareness in connection with business. We simply focus straight ahead, not in an, "I'm rush, rush, rushing ahead to meet my goals!" kind of way, but, rather, in the sense that we don't pay much, if any, attention to what's going on around us.

For example, your medical practice has ties, or even an exclusive contract relationship, with one hospital only. The facility dies, so does your practice. The facility gives the contract on which you bet your group's existence to another group, and your business ceases to have any reason to exist. You get the idea.

Check your business' metaphorical mirrors, and scan the route for potential threats and dangers, just as often as you do when you're driving from your home to the market.



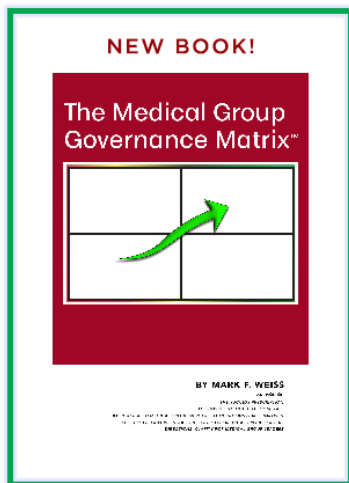
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## Published Articles

- [New Codes Drive Growth for Interventional Surgical Centers](#), December 2017, AuntMinnie.com.
- [The Flea That Killed the Medical Center CEO: A Cautionary Tale](#), Fall 2017 issue of Communique.
- [How to Prevent Your Medical Group From Getting Robbed of its Staff](#), Summer 2017, Sentinel.

## Books and Publications



We all hear, and most of us say, that the pace of change in healthcare is quickening. That means that the pace of required decision-making is increasing, too. Unless, that is, you want to take the “default” route. That’s the one in which you let someone else make the decisions that impact you; you’re just along for the ride. Of course, playing a bit part in scripting your own future isn’t the smart route to stardom. But despite your own best intentions, perhaps it’s your medical group’s governance structure that’s holding you back. In fact, it’s very likely that the problem is systemic. The Medical Group Governance Matrix introduces a simple four-quadrant diagnostic tool to help you find out. It then shows you how to use that tool to build your better, more profitable future. [Get your free copy here.](#)

## Whenever you're ready, here are 4 ways I can help you and your business:

1. [Download a copy of \*The Success Prescription\*](#). My book, *The Success Prescription* provides you with a framework for thinking about your success.
2. **Be a guest on “Wisdom. Applied. Podcast.”** Although most of my podcasts involve me addressing an important point for your success, I’m always looking for guests who’d like to be interviewed about their personal and professional achievements and the lessons learned. Email me if you’re interested in participating.
3. **Book me to speak to your group or organization.** I’ve spoken at dozens of medical group, healthcare organization, university-sponsored, and private events on many topics such as The Impending Death of Hospitals, the strategic use of OIG Advisory Opinions, medical group governance, and succeeding at negotiations. For more information about a custom presentation for you, [drop us a line.](#)
4. **If You’re Not Yet a Client, Engage Me to Represent You.** If you’re interested in increasing your profit and managing your risk of loss, [email me](#) to connect directly.