

ANESTHESIA SERVICES RFPs: COGNITIVE BIASES AND HIDDEN OPPORTUNITY

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At a recent anesthesia conference, I heard speakers address the avoidance of, and observed audience members nearly quivering in fear of, three rather insignificant symbols, the letters: R, F and P.

Yes, it's true that "RFP" is the acronym for a "Request for Proposal," the *commodity* buying tool that's been morphed into a *services* buying tool by midlevel bureaucrats and lazy thinkers. Ah, but such is life, and there's no upside in pretending that it isn't so.

But if the world is full of lemons, why not think lemonade?

RFPs AND COGNITIVE BIAS

Fear is a driver of action, and I don't blame speakers, authors or experts for driving home the point that, for an incumbent anesthesia group, an RFP can be a calamitous event, one to be avoided at nearly all cost. In full disclosure, as a speaker, author and expert, I, too, often drive home that exact same point.

After all, if you're the incumbent anesthesia group, your relationship with the hospital or other facility, including your exclusive contract, if you have one, is at risk. There's little doubt about it, even if the outcome, a little form of death, isn't completely certain.

But it *might* be certain for your group, thus the entirely rational fear of an RFP on the part of the average anesthesia group leader, or perhaps even on the part of close to all anesthesia group leaders.

When you think of it, the fear of RFPs is akin to the fear of snakes. The fear is so ingrained that we see general things that might possibly be snakes, like sticks on a hiking path, as snakes. After all, that

cognitive bias makes perfect sense: there's little to no downside in seeing a stick as a snake, but a potentially calamitous downside in seeing a snake as a stick.

Anesthesia group leaders generally see the entire topic of RFPs from the point of view of being bitten by one. That's the cognitive bias that RFPs, like snakes, are dangerous and to be avoided.

Yet others eat snakes and (carefully) go looking for them, which takes us to the jumping off point of this article: Maintain a healthy fear of RFPs that seek to bite you, but develop a careful approach to hunting for RFPs that *you* can bite into.

After all, snake meat can be delicious. Let's go get some.

FLIPPING THE COGNITIVE BIAS: LET'S GO SNAKE HUNTING

To recap what we've discussed so far, if you're the incumbent anesthesia group, an RFP puts your relationship with the hospital or other facility at risk. But, if

you're an outside aspirant, RFPs as to *other facilities* present opportunities to expand your business to additional locations. And even better, the facility issuing the RFP is *probably* (see below) considering a change.

Instead of fearing the RFP process as you do in defending your existing facility relationships, embrace it in seeking to respond to other RFPs.

In the way of thinking that I urge you to consider (don't worry about the competition, most won't consider it), you'll see RFPs as a way to hedge against your existing facility side bets, not as betting your facility.

BUT IS THE RFP FOR REAL?

Let's examine the RFP process from a simple starting point: is any particular RFP real, or is it something else?

But even before doing that, it pays to 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 an RFP industry ready to help.

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 for 3.72 million screws meeting Mil-Spec MS51861-1C) is a ridiculous way to make a decision, a way that exists only in a world in which those bureaucrats known as facility administrators 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.

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 fantasy 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?

You must first assess the reality of the RFP against the three categories into which I divide them:

1. True RFPs: These are genuine searches for the best-quality provider with a favorable ratio of quality to cost. This type of RFP is the closest in relationship to the traditional form used in industry and government. It's commonly seen in situations in which the current, or sometimes very recently former group, has "blown up" and can no longer provide coverage. It's also common in scenarios where the current group has completely lost the facility's trust.

2. Fictitious RFPs: These RFPs belie the fact that hospital administrators are not interested in the merits of any response; they have already decided to whom they will award the contract. Yet, for one political reason or another, they've decided to issue a phony

RFP to project a patina of "fairness" to the medical staff, to the hospital's own board, to some third party—or perhaps to you.

3. Fulcrum RFPs: Consider this the weaponized RFP. As the name implies, the increasingly common fulcrum RFPs are designed to create leverage. The facility intends on renewing with the present group but uses the RFP as a tool to dictate terms by fiat and to pressure the group into negotiating against its own best interests out of fear of replacement. Nonetheless, the facility is open to competing proposals.

Although no outside assessment of category can be completely reliable, clues often abound. And, *category dictates your strategy moving forward—or not moving forward.*

SOME MORE COGNITIVE FLIPS: YOU'RE A BUYER NOT A SELLER

Groups seeking to protect themselves against an RFP being issued, and, certainly, those seeking to protect themselves against an already issued RFP, generally see themselves as the *seller* of services.

After all, if the group is dependent upon that facility relationship for its existence, they have little choice, that is, unless they are the rare outlier that would rather disband than be forced into a bad deal.

But in connection with hunting down other RFPs, you must adopt a *buyer* mindset.

Note that I said "mindset" to distinguish the concept of inner talk and expectations from the fact of the matter that you will still engage in activities to, in essence, "sell" the deal, *as you desire it*, to the potential facility deal partner.

Understand how to play to the administrators' cognitive biases (e.g., "the

existing group is dysfunctional," and, for new CEOs, "you need to demonstrate leadership"). *But be very careful about what you promise* because, in the event that you "win," you'll actually have to deliver.

However—and here's the important point—if the deal doesn't look attractive to you, or if you think it's not real (*i.e.*, that it's a Fictitious RFP or a Fulcrum RFP), or if you "lose" the RFP (which might turn out to have been a win in disguise, because winning the race to the bottom is like a participation trophy at the local recreation center: it isn't a real win), so what! Just don't "buy" it; move on to the next deal.

As an offensive weapon, pursuing RFPs can be a powerful strategy to exploit. Yes, time and effort and a governance structure that allows you to take advantage of it are all required; however, properly strategized, you control your group's timing, you control how much effort to devote, and you control if and when to pull the plug, protecting your downside.

You will have flipped the usual RFP paradigm on its head: even if the odds of not obtaining the contract are high, the costs and effort can be controlled. But the upside of obtaining the right deal can be tremendous. And, since you are thinking like a buyer, not a seller, if the deal isn't right, don't buy; just walk away. 

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