

## FALL 2013 NEWSLETTER

If you've been considering starting your own practice, what's holding you back? Is it what you've been reading about trends in medical practice or is it based on a logical analysis?

In this newsletter, we'll clear up some confusion in the press about private practice physicians. You'll also find answers to ten questions physicians often ask us about starting their own practices.



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### STARTING YOUR OWN PRACTICE – IS IT IN YOUR FUTURE?

Imagine a pendulum swinging back and forth from one side to another. That's exactly the movement we see with physicians who waver between remaining in or starting a private practice and affiliating with a healthcare system. How valid are recent reports claiming that physicians are swiftly moving away from private practice? Exaggerated, claims the AMA. In its 2012 Physician Practice Benchmark Survey, the AMA reports that 60% of physicians work in physician-owned practices, and that about 53% are self-employed. It questions surveys such as those published by MGMA, and points out that the results are skewed by the predominance of large practices in MGMA.

Regardless of what the numbers say, we've been bombarded with inquiries from physicians who are considering setting up their own practices. Some are just finishing training and want to cut straight to the chase. We see this pattern in dermatology, orthopedic surgery, and psychiatry. Other physicians are uncomfortable in their current practice settings and want to do things differently. Still others have grown restless in an academic practice environment and want to know if the grass is really greener on the other side of the fence. No matter your motivation, you'll find some helpful things to consider in the ten Q&As that follow.

#### 1. Is independent private practice right for everyone?

No! When someone asks for our assistance in setting up an independent private practice, we're cautious. We look for the drive to succeed, a willingness to pay attention to detail, commitment to a clear set of personal and professional values, and vision. Not everybody has what it takes to succeed in private practice. When we hear negatives about the past without clarity about the future, we think independent practice is the wrong solution. In such cases, we suggest preparation of a plan and budget. Generally, the physician takes one look at the effort required and bows out.

#### 2. What steps are needed to set up an independent practice?

At last count, we identified at least 70 steps. They fall into the following categories: Organization and Management; Financial Management; Human Resources (both external team and internal hires); Quality of Care and Outcomes (including the selection of information technology); Marketing; and Compliance. The number of steps alone can be overwhelming. We strongly recommend careful preparation of a list of steps in the order they need to be taken. That order crosses among the different categories, and putting the cart before the horse won't work. For example, without an office location and contact information, managed care companies won't provide contracts.

### **3. What's most important in organization and management?**

Here's what's high on our list:

- Clarify the services that will be offered at different points in time – i.e., when the practice opens and as it grows and thrives. Space, internal staffing, and capital equipment should support the delivery of care.
- Focus on both the external advisory team and the internal workforce. As general practice management consultants, we recommend attorneys, bankers, CPAs, information technology support companies and other external resources with which we have previously worked. The North Carolina Medical Society also makes recommendations.
- Think carefully about the way in which the practice owner will run the practice. There are three options: hands-on owner who retains an active role in practice operations after start-up; owner who delegates day-to-day management to a capable practice manager; and shared responsibility for day-to-day management between the owner and the practice manager. There's no right approach; owner preference and comfort are the keys to making a good decision.

### **4. Where do we begin with financial management?**

Start with a vision of your practice. Develop assumptions and identify line items for both revenue and expenses. Ask your CPA to run supporting operating and capital budgets, financials, and cash flow statements. Armed with this knowledge, adjust your assumptions until you are comfortable with your financial projections. Banks from whom you may be seeking a loan welcome both the assumptions and financials as evidence that you have done your homework. In addition to budget preparation, managed care contract negotiation is an important part of start-up. Engage experienced help and do not accept the first proposal that is put on the table. As a start-up practice, you are unlikely to receive as much reimbursement as larger and more established groups, but as an experienced physician, you don't need to settle for less than you're worth. You just have to prove it! Lastly, decide if you will outsource some financial functions such as billing and collections.

### **5. What tips do you have for hiring the right Practice Manager or Office Manager for our new practice?**

Your employees are your most important assets, so choose them carefully. As we've explained above, be clear about the way in which you as the practice owner want to be involved in the day-to-day operations of your practice. If there is more than one owner, decide how you will divide responsibilities so the individual you hire doesn't get conflicting orders from different people. At this point, begin the recruitment process. Make sure you understand the differences between a Practice and an Office Manager. Salary isn't the only difference. Practice Managers have better education, more experience, and better professional credentials. Start with a job description, the salary range, and the benefit package. Advertise, interview by phone or Skype, and then invite qualified candidates for a personal interview. After you have identified your top three candidates, check references. We've seen way too many physicians skip these steps, preferring to hire a relative or someone from a neighboring practice. The success of your enterprise depends on your choice, so make it carefully.

### **6. Selection of information technology is a huge job. Where do we start?**

- Begin with your needs, not by interviewing vendors who are beating down your door in an effort sell their products. You are likely to need a practice management system for billing and scheduling, Electronic Health Records (EHR), ePrescribe, a Patient Portal linked to your website, and other applications depending on your specialty.

- There's no right solution for every practice, but there's definitely a correct decision-making process. Address big-picture questions right away. For example, do you want an on-site server, software as a service (SaaS), or another type of cloud-based solution? There's a significant difference in the cost, and these days most practices are leaning toward cloud-based solutions. A second big-picture question relates to the number of vendors with whom you work. Major reputable vendors now offer many applications built off the same operating platform so you don't need to purchase different applications from multiple vendors and pay for an interface.
- Be methodical in your investigation. We ask every vendor the same set of questions and assist clients in online and on-site demonstrations of the various systems.
- Check references carefully. Although many vendors compensate clients that are willing to provide references, most people that you contact will be willing to share their positive and negative experiences.
- Bargain for price. Everything is negotiable, particularly at the end of the month, quarter, or fiscal year.

#### **7. How long does it take to set up a new practice?**

Having set up more than 25 practices, we allow 9-12 months to complete the work. Expect delays in your bank loan (if you need one), in finding space and signing a lease, and in negotiating your managed care contracts. Our advice is to not rush the process. The more thoughtful you are before you open your doors, the better results you will get.

#### **8. What does it cost to set up a new practice?**

The cost depends on many factors. For example, what services will you provide? How much space do you need? Are you doing procedures in your office, and if so, what equipment do you need and what special facility requirements (e.g., lead lining) do you have? We can't be precise about the cost, but we can be exacting about the steps you need to take to create estimates for your particular practice. As we've explained in Question 4, create budget assumptions, estimate revenue, estimate expenses, and look at your bottom line.

#### **9. What are good ways to market a new practice?**

Location is obviously important, and we encourage clients to work with a professional tenant's representative to explore different options. There's no charge; the landlord pays the cost. Make sure to differentiate your new practice from others. What's special? Perhaps your training, the particular services that you offer, accessibility (especially nights and weekends), and your philosophy of patient care. Primary care physicians still need a patient care philosophy, regardless of whether or not you call your practice a Patient Centered Medical Home. Define your message, and make sure your website reflects the image you wish to convey. We still see practices that opt for do-it-yourself websites or none at all, even though the website is the first place potential patients look. Community involvement also counts. Support local programs and causes both financially and through volunteerism. Be visible!

#### **10. What are the major compliance programs that affect independent medical practice?**

Your attorney and Practice Manager can educate you about the Stark and anti-kickback statutes, OSHA, HIPAA, CLIA (if you have an in-house laboratory), and other requirements that apply to your particular specialty. With respect to HIPAA, which changed dramatically in 2013, certainly keep the requirements of the Security Rule in mind as you do your upfit and plan your information technology.

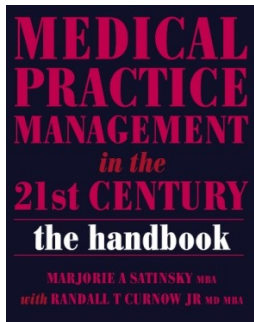
## More Questions About Starting Your Own Practice?

For additional information on practice start-up, contact us at [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com) or visit our practice website at [www.satinskyconsulting.com](http://www.satinskyconsulting.com).

## HIPAA Privacy and Security Deadline Passes

The deadline for compliance with new HIPAA Privacy and Security Rules was September 23, 2013. We urge those of you who lagged in evaluating your practice against the new requirements to take it seriously, even if you are running late. If you need help, please contact us at [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com). We can review existing Privacy and Security manuals and provide needed training, update existing manuals we created for you, or create manuals for you if none exist.

## Ideas for Managing Your Practice



If you are looking for new ideas to improve your bottom line and practice operations, order **The Handbook for Medical Practice Management in the 21st Century**. The book and the companion website offer concrete suggestions and practical tools. Authored by Marjorie A. Satinsky, M.B.A., with Randall T. Curnow, Jr., M.D., M.B.A., the handbook can be ordered by phone from Radcliffe Press (800.247.6553, x2402) or online using this [link to it on amazon.com](#).