

## SUMMER 2014 NEWSLETTER

This past year we've helped four physicians open new practices. During the month of June we responded to inquiries from nine more physicians who are thinking about opening their own practices. Although every situation is unique, one feature applies to every single start up – it takes time! In this newsletter we address two issues – space and contracting with public and private payers – that always impact the length of time for practice start-up, regardless of the physician's desire to accelerate.



Margie Satinsky

### PREPARING FOR SPACE AND PAYER CONTRACTS

#### SPACE CONSIDERATIONS

To address the issue of space, we've turned to Chris Goins of [Bobbitt Design Build](#) in Raleigh, NC. Here are his thoughts on the age-old question that many business owners ask not only upon starting a practice, but later as well: Should I lease, buy, or build?

- **Lease**

If you're starting a new practice or need to be in a building ASAP, leasing may be the best option; it is both practical and affordable. You can negotiate with the landlord for a short- or long-term lease, and the landlord handles all ownership responsibilities. You can try out a particular geographical area and determine whether or not it is right for your practice. In some situations, the landlord offers a "build-to-suit" option where the tenant can renovate the property to his/her required specifications. Leasing is a good way to get a new practice up and running with little to no upfront costs.

Leasing has disadvantages too. Finding the right space can be a long and daunting task. You may want to pay a commercial broker to do the hard work on your behalf. There's also the risk of having a difficult landlord who doesn't have your best interests at heart. Depending on your lease agreement, the landlord may have the power to raise the rent and/or the final say in what you do with the space.

- **Buy**

Buying an existing building also has upsides and downsides. As the building owner, you can start to receive the benefits of depreciation, interest, investment tax credit to shelter income, and appreciation of value –

factors that give you the ability to profitably sell, trade or refinance the building in the future. If you buy a building that is already configured to your specifications, you are fortunate.

If the building that you purchase needs renovations, expect a challenge. We've done many renovation projects, and our best advice is to expect the unexpected. The cost is always higher than what you anticipated. You never know what's truly inside the building until you rip things out and look at the building's structure. Asbestos is a major risk. Make sure to set aside emergency funds for all the problems that may not have been apparent at the outset.

- **Build**

If you have the capital, the time, and the patience, building new is the way to go. Obviously, you get what you want. You decide on the entire design of the building from the ground up. If you want an energy efficient building, a creative design, or a certain number of floors, it's your call. After completion of the building, you'll have a huge sense of accomplishment. Low interest rates may be a good indicator that it's time to build.

Like the other options, building isn't perfect and has several disadvantages. Building can take a long time, and you must be comfortable making many decisions. Select a reputable construction company that has experience in building medical practices and that knows about all the small but important details. Use a single company to do both the design and building of your office, thus giving all responsibility to one company and eliminating the risk of having differences of opinion between the designer and the builder.

## **CONTRACTING WITH PUBLIC AND PRIVATE PAYERS**

We've helped providers contract with public and private payers since 1985 – long enough to have a good handle on the process! Some aspects of the process remain the same, while others have changed dramatically. We'll touch on the highlights.

Providers who have been practicing in other settings prior to setting up their own practices often have unrealistic expectations regarding the amount of time required to complete both the credentialing and contracting processes. In some cases, these physicians previously worked for an organization such as a healthcare system or an IPA that had "delegated credentialing" privileges and could accelerate the process. Each insurance plan, whether public or private, has a unique process. Although reliance on CAQH, the universal provider data source, has improved the speed with which physicians can submit credentialing information and share it with payers, not all plans use the service. Even if they do, their internal credentialing processes can be slow, as they are doing their best to perform due diligence on each and every provider in order to protect their members. It makes little difference to a plan's credentialing department if a physician has previously practiced for 10 or even 20 years. The credentialing process remains the same.

Let's turn to reimbursement. Some public payers (e.g., Medicare and Medicaid) do not negotiate rates, but others do. With respect to the private managed care payers, the contracting process for new physicians is complex. Upon completion of the credentialing process, the contracting departments often send a contract for signature, implying that there is no opportunity for rate negotiation. In most cases, the reimbursement information in the contracts is insufficient to make a sound decision about the value of network participation. For example, some contracts include a partial list of reimbursement by CPT code – but not necessarily for the codes that are important to the physician. Upon request, the plans will provide additional information – but you have to know exactly how to ask for what you want. Other contracts make reference to their proprietary fee schedules. But if you don't have the fee schedule, you can't determine the dollar amount of the proposed reimbursement. Don't let pressure to open the doors cause you to sign on the dotted line without obtaining and evaluating comprehensive reimbursement information. When planning, allow yourself time to negotiate higher rates than those initially offered in order to improve practice profitability. Most things in this world are negotiable, provided that you can justify your case.

Many physicians assume that once a contract has been signed with a public or private payer, implementation is instant. It isn't, and you must be careful not to mislead patients by telling them what you hope will be true but may, in fact, not happen according to your own timetable. Internally, each plan must countersign the contract and then load it into its system so the physician can file claims and be paid for services provided. Depending on the plan, those steps may take up to an additional 30 business days.

Within the past few years, some of the private payers have closed their provider networks to new practices. You may be able to successfully appeal these rejections by bringing to a payer's attention documented information about high quality care, cost efficiency, or special training.

Participation in an Accountable Care Organization (ACO) can add yet another wrinkle to the contracting process with some of the private payers. We've seen numerous situations where the instructions provided by the ACOs conflict with those provided by the plans themselves. Each party understands the plan-ACO relationship from its perspective, and often there's little understanding of the way in which the entire process works. For example, if a physician belongs to an ACO that has special contracts with some of the payers, membership in the ACO doesn't automatically mean that the physician can bypass the payers' credentialing processes and immediately be reimbursed at the ACO reimbursement rate. The physician in the new practice must complete each plan's credentialing process before special ACO arrangements take effect.

## **ALLOW ENOUGH TIME**

The best advice we can offer on new practice start-up is to plan ahead. Allow a minimum of 9-12 months to do the following: 1) determine what needs to be done, 2) organize the process, and 3) complete the right steps in the right order. If you need some help, contact us at [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com) or 919.383.5998.

## MORE THINGS TO PONDER

If you've been part of either a large or small practice but did not participate in the set up or management of the practice, you may also find helpful information to guide your planning in some of our recent newsletters. Click on the topical links below to learn more.

- [Creating a Prosperous Practice](#)
- [Starting Your Own Practice](#)
- [Fast Path to HIPAA Compliance](#)
- [HIPAA Penalties and Breaches](#)
- [HIPAA Final Rule - 2013](#)
- [Meaningful Use Stage 2 Final Rule](#)
- [The Reality of the ACO](#)

## Need Help with Starting Up Your Practice?

**Satinsky Consulting, LLC can assist with starting your practice in the following ways:**

- Identify the right steps to take in the right order
- Develop budget assumptions and financials – both for you and for the bank if you need financing
- Select software for scheduling, billing, Electronic Health Records
- Contract with public and private payers
- Recruit and hire key administrative staff
- Develop website content
- Create customized HIPAA Privacy and Security Rule manuals and train staff
- Recommend professional support (attorneys, CPAs, bankers, website designers and programmers, IT software vendors, IT support companies)

**Contact us at [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com) or 919.383.5998  
if you need help with these or other related services.**