

On Your Own... or Part of a Larger Health Care System?

By Margie Satinsky, M.B.A.

“Should I open or retain my own private practice or become part of a larger health care system? That’s the question we’ve heard from 10 physicians during the past six months.

We’ve worked with three types of people:

- 1) Physicians who are certain they want to own their own practices and have the skills to make that happen;
- 2) Physicians who are carefully examining the issues; and
- 3) Physicians who have a sincere interest in running their own practices but lack the personal characteristics needed for success.

One size doesn’t fit all. Only you can decide. We’ve written this article to help you address the appropriate issues with respect to your own personal readiness, organization and management, financial management, managing staff and external resources, maintaining quality and outcomes and compliance.

Personal Readiness

First and foremost, what’s your personal readiness to run a successful business?

Good intentions are admirable, but they won’t come to fruition without drive, focus and decisiveness.

When someone asks about setting up a new private practice or remaining in an existing one, we provide a long list of tasks to be done or questions to be asked. We offer comprehensive guidance, but only you know your personal strengths and weaknesses.

Organization and Management

If you own and manage your practice, you must thoughtfully address the way in which you set up your business and affiliations with other health care organizations.

Some physician clients have the interest and skill to manage their own practices. Others don’t.

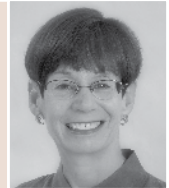
Will you be comfortable collaborating with a professional practice administrator or manager, and if so can you afford to hire an individual that has the required knowledge and experience? How will you divide administrative responsibilities among physicians, your practice administrator/manager and external resources? Do you understand the role that strategic business planning, budgeting and marketing play in managing a successful practice?

If you work for someone else, you are not exempt from organization and management challenges. “Entangled” might be a more appropriate adjective.

Given your personal and professional objectives, can you work within a larger organizational structure without sacrificing your needs and goals? If you want to participate actively in managing your practice, can you learn to do that within the context of organizational priorities? Can you tolerate decision-making processes that will probably move more slowly than you personally might like?

Here’s what one practice manager said about his experience working for a large

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health care system. “We received mixed messages from the system administration. On the one hand, we were told that quality and safety mattered. On the other hand, the budget for those tasks was significantly reduced. Only when the threat of federal financial penalties became a reality did the administration restore the funds needed to get the job done.”

Financial Management

When you own a medical practice or any other business, it’s your responsibility to develop operating and capital budgets that support your strategic business plan. With respect to reimbursement, you must understand both the public and private sectors.

Government policies for reimbursement shift like sand. For example, CMS is quickly moving in the direction of payment for quality and value. In the private sector, you must deal with a variety of payers, each of which has a unique approach to provider reimbursement.

As a practice owner, you should regularly renegotiate managed care contracts, so

you can maximize reimbursement. With respect to billing and collections, ultimately it's your responsibility, even if your practice management system software includes revenue cycle management or if you outsource billing and collections to an external vendor.

When you work for someone else, you work within financial constraints. You may contribute to the development of an organizational budget, but you don't make the final decisions. Obtaining the resources that you would like may be more difficult because you are competing with other physicians who believe their priorities are equally as important as yours.

We could write a book about our own negative experience with a medical practice owned by a large health care system. The telephone system had limited hours, because the health care system, not the practice, decided on the way in which it would work. From a patient perspective, the practice was inaccessible by phone.

Managing Staff and Outside Resources

Physicians who own their practices devote a great deal of time managing internal staff. With guidance from legal counsel, you need to understand employment law. What questions can you ask/not ask during an interview? How do you terminate an employee? Can you create a performance evaluation system, pay grades for your employees and a compensation system for physicians? What about a personnel handbook and operating policies and procedures?

When you work for a larger health care system, systems for managing staff will already be in place. Your challenge isn't the creation of systems, but learning the rules for systems that already exist.

One common complaint from physicians who are part of large health care systems is recruitment. Larger systems often rotate employees from hospital to private prac-

tice settings without providing adequate training. For example, in the practice from which we sought care, the nurse had come from a hospital department and didn't know how to request a Tier 3 prescription that required physician authorization. Without that authorization, the additional out-of-pocket cost to the patient was \$3,600/year!.

With respect to outside resources, when you own your practice, you decide if and when to seek outside assistance. You determine which professionals should be on your team and you select them. After you identify one or more external consultants with whom you want to work, you must sign a formal agreement and develop a strategy for overseeing the work.

When you work for someone else, you can still access outside resources, but the decision may be somewhat complicated. Depending on your scope of authority and your organization's rules, you may have to follow a list of specific steps to obtain the help that you yourself want.

Improving Health Care Delivery and Outcomes

Regardless of whether or not you own your own practice, the delivery of care to patients and the outcomes that you achieve should be the focus of your efforts. The practice of medicine demands attention to both quality of care and quality improvement.

When you own the practice, you and your entire workforce have opportunities to create processes that meet patient and clinical needs. You can analyze your workflow and improve what isn't working well. You can decide how to use patient registries to benchmark your care. You can measure the impact of the changes you have made – provided you know how to do it. Your decisions on supporting information technology can help with both delivery and outcomes.

If you work for someone else, you have some input to that organization's method

for delivering care, but you are not the ultimate decision maker about processes in your office. If the organization is a midsize, large medical group or an academic medical center, it may have substantial financial resources and information technology to support quality improvement programs.

On paper, it sounds as if quality of care is simpler in a large organization with significant financial resources to devote to the effort. But here's the caveat that we hear over and over again: "Quality takes second place to expectations for productivity. Pushed to see a large volume of patients each day, I have insufficient time to practice medicine the way I think it should be done."

Compliance

The final area of practice management is compliance. Federal, state, and local laws, regulations and rules govern both administrative and clinical aspects of health care. As a practice owner, you must be familiar with the concepts and requirements regarding antitrust, anti-fraud and abuse, Stark, HIPAA (Health Insurance Portability and Accountability Act of 1996) privacy and security and OSHA (Occupational Safety and Health Administration). You are obligated to establish and maintain compliance programs.

When you work for someone else, the organization creates the systems. Your job is to learn how the organization approaches each area of compliance and to meet the requirements.

Conclusion

So what's your response to the question? Do you want to open or retain your own medical practice or become part of a health care system? We can tell you what ownership requires, but you know what's best for you. If you decide that owning your own practice is the right strategy for you, be sure to order *A Handbook for Medical Practice in the 21st Century* written by Margie Satinsky with Randall T. Curnow, MD, now President of Mercy Health in Ohio.