

Improving Your Practice Management Through Outsourcing: Part II—Information Technology, Human Resources, and Financial Planning

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As I noted in Part I of this article, if you are like most physicians in private practice, you know that running your business can sometimes seem as challenging as practicing medicine. Even if you have supplemented your clinical training with a business degree, you realize that you are dealing with a wide variety of issues that include quality of care, patient satisfaction, financial management, people, and supporting information technology.

My clients tell me that the longer they practice, the more complicated practice management becomes. Managed care companies and government payers continue to impact your revenue in unpredictable and usually negative ways. Patients expect more from their physicians and don't hesitate to say so. You keep operating expenses at a reasonable level by asking your staff to assume more responsibilities. If you are a small practice with 10 or fewer physicians, your practice manager, if you have one, may be deluged with the details of day-to-day operations. The very thought of taking responsibility for special projects that require a new knowledge base may be overwhelming.

You may be able to improve the management of your practice by outsourcing one or more functions that require specialized expertise that you don't have and are unlikely to hire. In this two-part article, I review five functions that you may be able to outsource to your advantage: managed care contracting, billing and collections, information technology, human resources, and financial planning. For each of these areas, I identify the problems that outsourcing may help you address, review the advantages and disadvantages of outsourcing, and offer helpful hints for selecting a vendor or consultant to help you. In part one, published in the previous number of the *Forum*, I covered managed care and billing and collections. In this number, I'll discuss information technology, human resources, and financial planning.

Information Technology

Information Technology (IT) is rapidly becoming a critical component of practice management. Physicians who are finishing their training and setting up their practices are thinking about ways in which tech-

nology can help them keep their overhead at a low rate. Physicians who are already in practice and who are dependent on paper records and systems are learning how their practice management system (PMS), electronic health records (EHR), and Web site, and the relationship among them can help them deliver higher quality and more efficient care. The handwriting is already on the wall. In the years to come, both public and private payers will continue to put in place financial incentives to support the growing acceptance of information technology applications. You'll want to make good decisions about the products you purchase, interconnectivity, ongoing IT support, and of course compliance with the HIPAA Privacy and Security Rules.

I see practices approaching IT planning and implementation in haphazard ways. Many start by looking at the products on the market, rather than by assessing their own needs. Seduced by the bells and whistles that they see at trade shows and that vendor salespeople promote, they skip the planning phase and rush to purchase systems or packages that turn out to be unsuitable for their particular practices. I know one physician who purchased three EHR systems within a six-month period before he found the "right" one! A 2005 article in the *Annals of Internal Medicine* describes the implementation problems that a Philadelphia internal medicine practice had with EHR (Baron, et al, 2005). With proper planning, the practice would have had a much more positive experience.

Another cause for poor IT decisions is reliance on internal staff who enjoy using computers but who know very little about current trends, external regulations, interconnectivity, proposals, and contracts. Still another common cause of trouble is seeking inexpensive or free advice from a friend or relative. Remember the adage—"You get what you pay for."

I think there's great value in asking an external consultant to help you plan, purchase, implement, and evaluate your information technology. You'll learn a great deal that you don't now know about industry trends, regulatory requirements, and available options. If you don't have internal expertise, I don't see any disadvantages in outsourcing your IT, assuming you give the vendor clear direction and feedback.

After dealing with so many clients that have made bad and costly mistakes with information technology, I've developed a comprehensive checklist that I give to potential IT vendors. My questions are related to general business direction, qualifications and staff training, security-related services, communication, costs, and

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references. Here are some examples.

1. For how many years have you provided services to medical practices?
2. How many medical and/or dental practices do you currently serve?
3. What are your plans for future growth and expansion?
4. How do you recruit, train, and retain staff?
5. How many people are on your payroll, and what do you do when you need additional people to help on a project basis?
6. What certifications do your employees have?
7. What specific services do you provide for hardware and software?
8. If our practice has arrangements with multiple vendors, can you assist with interoperability?
9. Explain how you respond to typical inquiries from your medical practice clients. Who responds to requests? How long does it take? Do you document requests for help?
10. How do you charge for your services (eg, hourly and/or flat monthly fee)?
11. Is there a surcharge for after-hours services?
12. Do you have service performance goals for your staff?
13. Who can we call for references on your company?

Human Resources

Your employees are your most important assets. Recruiting, hiring, firing, supervising, training, doing regular performance evaluations, making sure you are in compliance with state and federal law, reviewing your benefit package, and upgrading salary scales are some of the things you should be doing on a regular basis. When I ran a pediatric specialty practice, there were weeks when I devoted 20 hours or more to human resources—way more time than I had for this task.

The human resources problems that I encounter most frequently are listed below.

- Many practices lack systematic ways to perform routine functions, so they treat employees inconsistently. Staff complain about favoritism, and rightly so, since different standards apply to different people.
- The practice manager has been promoted from within, and he/she is uncomfortable supervising and reviewing co-workers who were previously peers.
- Physicians are inexperienced and uncomfortable with employee performance reviews. They postpone the reviews or don't do them at all. Employees crave clarity of expectations and feedback. They become frustrated and rebellious when they don't receive it.

If you would like to explore external assistance for one or more of your human resource tasks, you have three options. First, you can engage a consultant to help you with one or more projects. For example, when I ran a practice, I relied upon an external consultant to develop and implement a performance evaluation system. Many of you may already outsource your payroll function. Second, you can outsource multiple human resource tasks to the same vendor in what is known as business processing outsourcing (BPO). Third,

you can go one step further than the BPO approach and partner with a professional employer organization (PEO). With the third option, your employees are actually on the payroll of the PEO and you "lease" them back.

Each of these three options has advantages and disadvantages. Here's my analysis for the third option, the PEO. When you partner with a company that specializes in HR, you may see the following advantages.

- You have access to professionally trained and experienced HR experts. They save you time and money, allowing you to concentrate on revenue generation and profitability.
- The benefit package that you can offer to your employees is richer than what you could offer as a single practice. The "workforce" of the PEO is larger than your own, and this leverage allows the purchase of more and better types of health and dental insurance, disability insurance, retirement packages, and other benefits.
- When your employees need counseling to better improve their job performance, experts can provide the services.
- The professional staff of the PEO can answer questions about benefits more quickly and accurately than you can.
- Your PEO develops the documentation that you need in your practice. Examples are your employee handbook, forms, and operating policies and procedures.
- You can reduce the risk to your practice by gaining access to professional advice on employment-related issues.

As with all outsourcing, there is a disadvantage if you outsource your HR to a PEO. You share, not give up, control of your employees.

If you would like to investigate outsourcing your HR to a PEO, BPO, or other external consultant, here are the questions you should ask.

1. How long has the organization/individual been in business?
2. What are the organization's/individual's future plans?
3. If you are talking to a PEO, does the entity have a license in the state where it is operating?
4. If you are talking to a PEO, is it accredited by the appropriate professional organization (eg, Employer Service Assurance Corporation)?
5. Who manages your account?
6. How does the organizational/individual involve specific experts as needed?
7. What do references say about the organization/individual?

Financial Planning

Just as physicians develop a diagnosis and treatment plan for their patients, they should put in place a financial plan for themselves as individuals and for their practice. It sounds like common sense, yet financial planning for many of my clients is limited to checking monthly cash flow and operating statements and balance sheets. Planning for the future is not part of the equation. The financial planning challenge is less visible

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yet just as important as the other opportunities for outsourcing that I have discussed throughout this article.

Since physicians are comfortable with research related to patient care, they may assume that they should apply their skills to their own investments. Sometimes they self-treat because the approach is less expensive than paying an outside advisor. Or, they may feel that they know more than professional financial advisors. Financial professionals believe that self-diagnosis can lead to what they call financial malpractice. The patient/physician is prescribing a treatment without fully understanding what ails him/her.

When you look for outside help with financial planning, here are some important points to consider.

- Plan first and then invest. The person who helps with your planning may or may not be the same person who makes or facilitates the investments. In my own situation as a small business, I engaged an independent financial planner and asked her to give me the names of reputable people who could help me make my investments. When I started, I specifically wanted the planning done by an individual who had no relationship to the investments. I paid two fees, one to the planner and the other to the firm that made my investments; that was my preference. Now that I have selected and work with a large brokerage firm that I like and trust, the same individual does my planning and investing. Another approach is to ask the same firm to do both the planning and investing. Some advisors in large firms are trained to do both. The advice is free, and their fees are earned from the investments. The advantage to this approach is that the advice can be ongoing as both your needs and circumstances change.
- Check the credentials of the financial advisor(s). Is he or she a Certified Financial Planner (CFP)? The CFP designation is earned after many hours of training, studying, and intense testing in all areas of financial planning and investments.
- Don't be put off by fees. You don't work for free and neither do financial planning professionals. Many fees are hidden, so the average investor thinks he or she is getting something for nothing. Variable annuities are a good example. The insurance company markets the product as having no annual fee, but in fact the mutual funds within the annuity may charge between 1% and 5% per year as expenses and management fees. Investors can't see the fee because it is deducted from performance. Annuities aren't bad; just don't think they are free.
- Stay involved with your financial plan and investments, but don't do it yourself unless you are sure you know what you are doing. Meet with your advisor at least twice each year for a financial check-up. Regular topics of discussion should be your risk tolerance, investment objectives, asset allocation, portfolio performance vs. the indices, and your cash flow needs. Rebalance the portfolio periodically to take advantage of changing trends in the economy. Tax management should be part of the overview, and your financial advisor can work collaboratively with your CPA and attorney. The

advisor may also be able to help you with insurance needs.

- Don't postpone establishing a retirement plan for your practice because you don't want to make contributions for your employees. In the end, you will be hurt more by not taking advantage of one of the best retirement opportunities.
- Finally, consider the parallels between medicine and financial management. Planning and investing goes beyond picking the right stock or bond. It's about having someone who acts like your primary care physician by diagnosing your problem, calling in the specialists, and coordinating your care. I call it the holistic approach to financial management.

Conclusion

If you would like to outsource managed care, billing and collections, information technology, human resources, financial planning, or other functions, remember that you are in charge. Take the time to develop clear goals, a budget that you can afford, and expectations for the relationship. You may be pleasantly surprised about the positive impact on your practice.

Reference

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“Stay involved with your financial plan and investments, but don't do it yourself unless you are sure you know what you are doing”