

# MEDICAL PRACTICE EXCELLENCE IN THE 21<sup>ST</sup> CENTURY

Reaching this goal in your practice.  
*Part I of a three-part series.*

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*This article is the first in a three-part series on medical practice excellence in the 21st century. This first article explains the five components of managing a balanced practice. It also provides suggestions for organization and management, business planning, and marketing. The second and third articles will cover financial management and how to improve healthcare delivery and clinical outcomes.*

**R**unning a successful medical practice involves a dual challenge. Clinical excellence and the ability to demonstrate the provision of quality of care is the number-one priority. More difficult for both physicians who are at the beginning of their medical careers and for physicians who have been in practice for many years are the administrative aspects of running a business.

What are the characteristics of a well-run business? In my experience as a practice management consultant, as a former practice administrator, and as the author of a new book on medical practice excellence, the key word is “balance.” Your medical practice must balance excellence in these five categories:

1. organization and management
2. financial management
3. managing staff and outside resources
4. improving healthcare delivery and clinical outcomes
5. compliance

Here’s a quick overview on my thoughts on excellence in each of these categories.

## • Organization and Management

Just as with any business, your medical practice provides both goods (i.e., medical care) and services. Look carefully at what you do, and organize and staff your practice appropriately. When you start your practice as well as when you expand and diversify, seek legal advice from an experienced healthcare attorney and make sure that you have the required supporting documents in place.

Clarify the managerial roles and responsibilities of physicians and staff, and judiciously decide who makes both strategic and operational decisions in your practice. Engage in a formal planning process and use your strategic business plan both as a road map for everyone within your practice and as a vehicle for obtaining financial support from your banker.



Create a marketing program that supports your business plan and that helps you promote the care and services that you provide.

#### • Financial Management

Physicians who focus on dermatology may or may not contract with managed care plans. If you do participate in managed care networks, the level of reimbursement that you receive for covered services depends on your skill in contract negotiations, not your clinical expertise. If many or all of your patients pay out of pocket for your services, then you need effective collection skills.

Regardless of whether or not you are receiving payment directly from patients or from private and public payers, the goal is the same as for any business — to generate as much revenue as possible as quickly as you can. Develop operating and capital budgets that support your strategic business plan. Create an effective revenue cycle management program that includes regular review of your fee schedule, validation of insurance coverage prior to the provision of service, accurate coding, negotiation of your managed care contracts on a regular basis, ongoing monitoring of actual vs. expected payments, and receivables management. Implement good financial controls and checks and balances in your practice to protect your hard-earned income.

#### • Managing Staff and Outside Resources

Excellence in human resources applies not only to the staff and physicians who work within your practice but also to external consultants. Hire carefully in order to build a team that supports your clinical excellence. Develop formal written personnel policies and apply them equitably across your entire workforce. Use a performance evaluation system that clearly specifies expectations for each position.

Termination of employees is an inevitable fact of doing business. Know what to do and how to do it. Manage your physicians as well as your non-physician staff by developing procedures for recruitment, a physician compensation system that reflects your practice's values, and clear expectations regarding the partnership decision. Mentor

new physicians in order to help your new recruits adjust to your practice. Finally, acknowledge that you can't do everything in-house, and organize a supportive external team that includes an attorney, a CPA, a banker, a general practice management consultant, and an information technology (IT) consultant.

#### • Improving Healthcare Delivery and Clinical Outcomes

When patients and other physicians judge their overall experience with your practice, they scrutinize not only clinical outcomes, but also your processes for delivering care. Regularly measure their satisfaction, and use the information that you gather to help you make improvements. Analyze your workflow and make sure there are no bottlenecks in the processing of patients or information. Purchase IT that supports both the financial and clinical needs of your practice. Pay attention to both quality of care and quality improvement.

Measure what you do, benchmark by making internal and external comparisons, and improve all aspects of your practice that fall short of standards. Make sure you are adequately prepared for mandatory quality reporting; it's not far away.

#### • Compliance

Compliance with federal, state, and local regulations is an essential component of risk management. Pay attention to compliance before problems arise. Understand the statutes that govern Medicare and Medicaid fraud and abuse, anti-kickback, anti-discrimination, and HIPAA Privacy and Security. More important, be proactive in your compliance activities.

In the rest of this article, which is part one of the three-part series, I will elaborate on the first three of the five components of a balanced practice: organization and management; business planning and marketing.

### ORGANIZATION AND MANAGEMENT

The way in which you organize and manage your practice should reflect your values, goals, and objectives. Four important issues that you might want to examine are: (1) working in a solo practice versus practicing in a setting with colleagues, (2)

affiliations, (3) relationships with other physicians in your practice, and (4) division of managerial responsibilities between physicians and a practice administrator, practice manager, or office manager.

### **Solo/Small Practice vs. Practicing with Colleagues in a Larger Setting**

The choice of working in a solo or small practice versus practicing with colleagues in a larger setting may surface at various points in your career.

Use your answers to these four questions as a guide, or you may find yourself in a situation similar to that of Drs. Avery and Ball, two dermatologists who had been salaried physicians for a health maintenance organization before opening their own practice. Neither of these physicians had any previous experience running a medical practice. When they opened Avery and Ball Dermatology, P.A., they struggled not only with the administrative challenges but with their relationship with each other.

Roles and responsibilities were unclear, and each blamed the other for undone tasks. They were close to shutting down the practice before an external consultant helped them address the following questions and learn to work more effectively in the small practice model they had chosen.

To help avoid a similar situation and determine the type of practice setting that would be most in sync with you, ask yourself these four questions:

#### **1. Am I comfortable practicing as a solo/small practice physician or do I prefer working closely with more colleagues?**

For example, in my community, six physicians opened a new integrated health center because they wanted to practice together and in a more collaborative way than they had been doing in an academic medical center. Solo or small practice was never an option for these doctors, given their goal.

#### **2. Am I willing to take the financial risk that accompanies starting a practice?**

A physician with college-age children has different financial needs from one whose children are self-supporting.

#### **3. Am I willing to assume an active role in managing a small business,**

#### **or do I want someone else to take on this responsibility?**

Some physicians gravitate toward the business challenges; others hate it. If you don't like it, solo practice may not be right for you.

#### **4. Am I willing to share practice management responsibilities with other physicians and/or with a practice administrator/manager?**

Even if you opt for solo or small practice, you can't do everything yourself. Be thoughtful about the way in which you share administrative responsibilities.

### **Affiliation Decisions**

Regardless of whether or not you practice as a solo physician or in a setting with colleagues, you have options about affiliation with other physicians and organizations in your community. Group Practices without Walls, independent practice associations, management service organizations, physician hospital organizations, networks, and integrated delivery systems may offer you both financial and managerial advantages. Investigate the options and decide if any are appropriate for you.

### **Relationships with Other Physicians in Your Practice**

Relationships between you and other physicians in your practice are an important issue. If you are creating a partnership, how many partners do you want? Will you employ physicians for a trial period before making partnership available to them? With respect to management, what role will you and the other physicians play in managing your practice, and will there be compensation for administrative responsibilities?

Charles David Dermatology, P.A., was in a rush to hire an associate, and Dr. David's failure to address these important questions cost him money he didn't have to spend. Dr. David had been in solo dermatology practice for 5 years. His practice was thriving, and he decided that he was ready to add another physician. In order to minimize his recruiting expenses, Dr. David contacted Dr. Ernest, whom he had known during his military service, and invited his former colleague to join him on a part-time basis. Dr. David didn't

ask a lot of questions or put his arrangement with Dr. Ernest in writing.

Before long, Dr. David realized that he had hired someone with a style very different from his own easy-going manner. Dr. Ernest offended office staff, referring physicians, and the staff at the ambulatory surgery center. Nonetheless, Dr. Ernest fully expected to become a partner. The two physicians had a hostile parting of the ways, and Dr. David was forced to pay Dr. Ernest to leave the community as quickly as possible.

### **Division of Administrative Responsibilities**

There are many ways to divide administrative responsibilities between physicians and your practice administrator, practice manager, or office manager. Before you determine who will assume particular responsibilities, list the tasks that must be done in each of the five categories of a balanced practice. Then decide what works best for you.

Here's what happened to Frederick Skin Care Associates, a practice with four physicians, because the partners neglected to clarify responsibilities.

Frederick Skin Care was a well-respected dermatology practice that had been founded by five physicians in the 1960s. The original five physicians had retired, and by 2006, four new partners owned the practice. The practice contacted an outside consultant in a panic, convinced that their practice manager was doing an unacceptable job. To them, terminating the practice manager was the solution. Further investigation revealed a different picture. None of the new partners was particularly interested in running the practice. Each one gave the practice manager different and conflicting instructions. Division of administrative responsibilities, not the practice manager, was the real problem.

## **BUSINESS PLANNING**

The percentage of medical practices that have a formal business plan is shockingly low, given the complexity of running a practice. A business plan tells you the current status of your practice, your

**Figure 1. SAMPLE STRATEGIC BUSINESS PLAN**

**MISSION: WHAT YOU DO AND DO NOT DO RIGHT NOW**

- Services provided
- Patient-focused practice
- Target market
- Quality of care
- Practice's understanding of fiscal responsibility

**VISION: FUTURE STRATEGIC COURSE FOR 3-5 YEARS**

- Geography
- Services provided
- Facility ownership vs. leasing
- Level of IT support
- Physician compensation
- Practice role in the community

**VALUES**

<b>GOALS</b>	<b>YEAR 1 PROJECTS</b>	<b>YEAR 3 PROJECTS</b>	<b>YEAR 5 PROJECTS</b>
Practice Organization and Management <ul style="list-style-type: none"> <li>• Geographic location(s)</li> <li>• Services provided</li> <li>• Physician role in management</li> <li>• Delegation of responsibilities</li> </ul>			
Quality and Quality Improvement <ul style="list-style-type: none"> <li>• Evidence-based medicine</li> <li>• External accreditation for disease management programs</li> <li>• Quantification of patient care</li> </ul>			
Financial Management <ul style="list-style-type: none"> <li>• Reimbursement</li> <li>• Reserves</li> <li>• Billing and collections</li> <li>• Preparation for pay-for-performance</li> </ul>			
Human Resources <ul style="list-style-type: none"> <li>• Staff motivation</li> <li>• Physician recruitment</li> <li>• Use of mid-level providers</li> <li>• Staff meetings</li> </ul>			
Practice Operations <ul style="list-style-type: none"> <li>• Electronic medical records</li> <li>• Communications</li> <li>• Appointment scheduling</li> <li>• Patient flow</li> <li>• Practice management system</li> </ul>			
Compliance			
Patient Care <ul style="list-style-type: none"> <li>• Patient Satisfaction</li> <li>• Patient Flow</li> </ul>			
Marketing <ul style="list-style-type: none"> <li>• Internal</li> <li>• External</li> </ul>			
Disaster Planning			

Source: Satinsky Consulting, LLC, 2007

future goals and direction, and how financial and human capital will help you meet your goals. It helps you, your partners, your staff, and your external team to understand the relationships between the outside environment and your unique medical practice. Both the information in the plan and the process of creating the plan are important.

A business plan has three parts:

1. a strategic plan that lays out your broad direction
2. a financial plan that supports your strategic plan
3. an implementation plan that identifies specific priorities and accountabilities.

Use the sample worksheet on page 43 to create your own mission vision.

Create both your strategic plan and supporting financial plan with the intention of using them to make decisions. If someone generates a new idea, vet it against your plan. Use the plan as a checklist for measuring progress. When you recruit new physicians and staff, share the formal plan. When you develop job descriptions, relate them to the overall direction of the practice as it is expressed in the plan.

The process of developing a business plan is as important as the content. Designate a lead physician within your practice, and include all physician partners in the process. Include your practice administrator and selected employees. For example, you might want to include your head nurse and representatives of your front and back offices.

Outside consultants can be most helpful. It's advisable to ask someone outside your practice, such as a general practice management consultant, to facilitate the process. Convene your planning retreat off-site so that participants in the process are not distracted by day-to-day operational responsibilities.

### MARKETING

The marketing of your medical practice has a direct impact on your ability to satisfy and retain current patients and attract new ones. Let's review the definition of marketing and some reasons why you should develop a marketing program. We'll look at practical steps that you can take identify legal and ethical considerations.

Marketing is your coordinated efforts to use multiple points of influence to communicate with and persuade customers (e.g., patients and colleagues) to purchase, use, and repurchase the services that you provide. You should market your practice for at least three reasons.

First, like it or not, you are in a competitive situation. You are probably not the only show in town, and patients won't hesitate to find a new physician if they are not satisfied with the care you provide and their total experience with your practice.

Second, although patients themselves make many decisions about which physicians to see, they also rely heavily on the influence of others. Primary care physicians influence patients' choice of specialists, and the opinions of family and friends count heavily. You want the people to whom patients turn for advice to know about you, trust you, and recommend you.

Third, although you may believe that patients come to your practice because of your clinical excellence, they judge other features of your practice such as the location, parking, customer service, technology, and reputation.

As you develop a marketing program for your practice, focus on the six attributes of an effective marketing program.

**1. Develop a marketing program that is consistent with your business plan.**

Random strategies that are unrelated to a coherent plan may hurt you more than they help you.

**2. Keep your marketing plan simple and specific so everyone in your practice can understand and support it.**

**3. Actively seek buy-in from your entire workforce and help each person understand the importance of his/her role.**

**4. Set attainable goals and make sure you can measure your efforts.** For example, if you have a practice Web site, make sure you can track the number of patients who use it to obtain information and who contact you.

**5. Make your marketing program timely.**

The months of January, February, and March are the times when people resolve to watch their diets and increase their exercise. Reminders from you that emphasize health and

well-being will be better received then than during the holiday season.

Start by distinguishing between internal marketing to your current patients and staff and external marketing to potential patients and to people who can refer patients to you. **Figure 2** identifies target market groups on which you should focus and appropriate strategies.

In addition, keep in mind the following points:

• **Your current patients are already familiar with your practice, so make sure they are satisfied with your clinical care and administrative processes.**

Retain their loyalty by regularly soliciting their feedback through patient satisfaction surveys. Give them clear information about your clinical and financial policies and procedures, both in writing and/or electronically. Make telephone and electronic communication with your practice a pleasure, not a hassle.

• **Your workforce can be your strongest advocates or your worst enemies.**

Pay attention to workforce satisfaction. Good working conditions, clear processes for setting salary levels, and fairly administered performance reviews keep people happy. When they are happy, they'll talk about you. When they are dissatisfied, they'll also talk about you, and word of discord or unfairness will spread through the community like wildfire.

• **Develop strategies to attract potential new patients who have recently moved to the area, who are dissatisfied with their current physicians, and/or who might be coming to you for a second opinion.**

Consider a strong interactive Web site as a more cost-effective alternative to the high price of advertising in the Yellow Pages. Although participation in the different managed care provider networks affects patient choice of physician, many patients who are ages 50 and younger use the Internet to find new providers.

**Figure 2. STRATEGIES FOR TARGET MARKET GROUPS**

<i>Target Market Group</i>	<i>Suggested Marketing Strategies</i>
Current Patients	<ul style="list-style-type: none"> <li>• Information package</li> <li>• Newsletter</li> <li>• Web site bulletins</li> <li>• Patient satisfaction surveys</li> <li>• Birthday and/or holiday cards</li> </ul>
Workforce	<ul style="list-style-type: none"> <li>• Physicians – formal contracts</li> <li>• Employees – personnel manual – performance evaluation</li> <li>• Entire workforce – clear understanding of their role in marketing</li> </ul>
Potential New Patients	<ul style="list-style-type: none"> <li>• Brochure</li> <li>• Web site</li> </ul>
Medical Colleagues	<ul style="list-style-type: none"> <li>• Thank-you notes for referrals</li> <li>• Satisfaction surveys</li> <li>• Brochures, newsletters, Web bulletins</li> </ul>
Special Demographic Groups	<ul style="list-style-type: none"> <li>• Educational information specific to the group</li> </ul>
Local Hospitals and Other Healthcare Organizations	<ul style="list-style-type: none"> <li>• Grand rounds and other programs</li> <li>• Sponsorship of special events</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Information on special services that you provide</li> </ul>
Employers	<ul style="list-style-type: none"> <li>• Assistance in providing employees and/or families with healthcare services that you provide</li> </ul>
Health Plans	<ul style="list-style-type: none"> <li>• Special programs in your area of expertise</li> </ul>
Local Governments and Public Agencies	<ul style="list-style-type: none"> <li>• Assistance in providing required services</li> </ul>

Source: Satinsky, M.A. (2007). *Handbook for Medical Practice Management in the 21st Century*

- **Tell your medical colleagues what you are doing in your practice.** Personal visits to their offices, newsletters, and Web bulletins are good ways to tell them about new physicians and new techniques in your practice. Now that hospitalists have become so prevalent, there are fewer opportunities for primary care and specialist physicians to interact in the hospital setting. You must create opportunities to interact with your colleagues.
- **Increase your visibility in your community by supporting health events that are sponsored by your local hospital and/or other organizations.** Proudly wear a T-shirt that clearly displays your practice's name. Sponsor a team in a local race.
- **Don't forget the government.** The public schools and government agen-

cies often purchase health services for their constituents. Make yourself known, and encourage them to purchase those services from you.

Finally, as you develop your marketing program, be mindful of legal and ethical constraints. Your first priority is your patients, so don't compromise your integrity with a hard sell. Make sure to avoid conflicts of interest. Keep your messages truthful and fair; don't advertise what you can't provide and guarantee. The Stark Law may apply. Finally, get written patient authorization if you want to use or disclose protected health information for activities and communications that are considered to be "marketing" under HIPAA. ■

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