

FALL 2018 NEWSLETTER

We frequently receive calls from physicians who are considering starting their own medical practices. Some work for large healthcare systems and believe that productivity expectations are forcing them to sacrifice quality of patient care. Others work for independent practices where the culture conflicts with their personal and professional standards. Some primary care physicians are turning away from insurance-based practices toward alternative models such as direct pay and concierge medicine. Regardless of your motivation for setting up an independent practice, explore the opportunity with your eyes wide open. Here are tips for success.



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MEDICAL PRACTICE START UP – TIPS FOR SUCCESS

Explore First; Act Second

Setting up a new medical practice is complex, even if you have previously worked in a private practice setting. The scope of the project can be overwhelming. There's no right way that fits all situations. Be prepared to evaluate multiple options and make decisions that are right for you with respect to practice organization/management, financial management, marketing (including website), human resources, use of external resources, maintaining quality, and outcomes and compliance. Timing is critical. Many tasks are interdependent, requiring that you take individual steps in a specific and logical order.

Take time to learn and reflect before leaping into action. We like the wedding analogy. Regardless of how long you've been thinking about running your own medical practice, "elopement" is not an option. If you rent the hall and hire the band before you have the spouse, you'll incur expenses that are both unnecessary and avoidable.

Assess Your Personal Strengths and Weaknesses

What's your personal readiness to run a successful medical practice? Good intentions are admirable, but you won't succeed without clear vision, drive, focus, good organizational skills, decisiveness and patience. You know best how your personal strengths and weaknesses are likely to impact all that needs to be done. If you are not up to the task, don't do it.

Emphasize Relationship Building

The owner of an independent medical practice functions like a general contractor. You are at the center of a lot of moving parts. Both before and after you open your practice, you will depend on the skills of professionals within and outside your own organization. You can coordinate, but you can't control. Cultivate and manage those relationships so they serve you well over time.

Dealing with managed care companies is a good example. Each company has different procedures for credentialing and contracting. Well-managed companies have smooth and efficient processes for both functions. Poorly managed companies may take 4-6 months to get a new practice up and running. If you expect to issue orders and get immediate results, think again. Barking at insurance company employees rarely works to your advantage. Accept the reality of rampant delays. Houses aren't built on time.

Determine Organization and Management that Suits You Best

Some of our physician clients have the interest and skill to manage their own practices. Others don't. Still others prefer to learn the ropes first and then hire a professional practice administrator or manager to whom they can delegate specific management tasks. Start with yourself. How involved do you want to be in the day to day running of the practice? What skills do you want and need from a professional manager and how much can you afford to pay? If you yourself will handle some of the managerial responsibilities, how will you share responsibilities with the staff that you hire? If you are a co-owner of the practice, how will you and your partner(s) share responsibilities?

Focus on Financial Management

Financial management of medical practices has multiple components. Before opening your doors, get a good grasp on the big picture. Begin by developing both operating and capital budgets that support your strategic business plan. You need these tools regardless of whether or not you seek bank financing. Use both budgets as benchmarks against which you can measure ongoing revenue and expenses. Make adjustments as needed and do annual updates.

With respect to reimbursement, get a good handle of both public and private sector opportunities and requirements. Government programs and policies for reimbursement shift frequently and require constant monitoring. Not only Medicare but also many of the private insurance plans have already moved toward payment for quality and value. Understand the advantages of participating in an Accountable Care Organization (ACO) and/or participating in plan-specific quality incentive programs that can significantly enhance reimbursement.

If you accept health insurance, one of the greatest challenges is working with the different managed care plans. Each has a unique method for determining starting reimbursement and future changes. The plans have just one thing in common – i.e. they don't come to you to initiate a rate increase! It's your responsibility to determine whom to contact and how to frame the request for higher reimbursement. We prefer working with reliable individuals in each plan rather than with whoever in the contracting department is answering email on a particular day. You may be able to leverage both your background and experience in order to justify higher rates than are initially offered. Keep a watchful eye on billing and collections regardless of whether the responsibility lies in-house or if you outsource billing and collections to your software vendor or to another company. Analyze all denials so you can correct avoidable coding and process issues.

Carefully Manage Internal Staff and External Resources

Physicians who own their own practices are often surprised at the amount of time required to manage internal staff. Be prepared. Seek guidance from legal counsel and a practice management consultant. What questions can you ask/not ask when interviewing job candidates? How should you create job descriptions, pay grades and a performance evaluation system? How do you terminate an employee? How will you compensate both physician owner(s) and salaried employees? Do you have a personnel handbook and operating policies and procedures? How can you best build a highly effective team?

With respect to external resources, as a practice owner, you decide if and when to seek outside assistance. You determine which professionals should be on your team and you select them. Examples are a practice management consultant, a credentialing professional, banker, attorney, accountant, IT support and marketing/website professional. After you identify the external consultants with whom you will work, make sure to sign formal agreements and develop a strategy for overseeing the work. If your team includes people who have not previously worked with each other, take steps to foster team collaboration.

If the business of medicine is new to you, pay special attention to the contract language that spells out your relationship with each external professional. Some arrangements are fixed fee, while others call for billing on an hourly basis. Do you know what is included in the fixed fee and what might incur an extra charge? Here are several examples. Website/brochure design and printing are distinct tasks; don't assume that your designer's contract includes the cost of printing your materials. Budget preparation generally specifies the number of revisions covered; don't assume you can make as many as you want.

Speaking of contractual relationships with external professionals, you have legal obligations to pay as stated in the contract. Honor your obligations and keep your business ethical.

Improving Healthcare Delivery and Outcomes

Regardless of whether or not you own your own practice, focus your efforts on the delivery of care to patients and the outcomes that you achieve. 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.

Pay Attention to Compliance

Federal, state, and local laws, regulations, and rules govern both administrative and clinical aspects of healthcare. As a practice owner, you must be familiar with the concepts and requirements regarding antitrust, anti-fraud and abuse, Stark, HIPAA Privacy and Security and OSHA. You are obligated to establish and maintain compliance programs.

Learn from Your Medical Colleagues

Each time we assist a physician in setting up a new medical practice, we learn something new. You too can benefit from the positive and negative experiences of others. Although some information can't be shared (e.g. reimbursement levels), most physicians who have set up their own practices are happy to give colleagues their insights. We reached out to some of our clients for their thoughts. Here's what they said:

- “Take your time. Regardless of how well you are organized, the pieces of the puzzle will not fall into place exactly as planned. Go with the flow.”
- “Before you start seeing patients, take time to learn the business of medicine. Your efforts will pay off in the long run.”
- “Know what you know and know when to seek external help. You didn't learn business skills in medical school, residency or fellowship training.”
- “Think twice before hiring a friend or relative to create your website. Professionals with experience in content for medical practices, design and programming are your best resources.”

Need More Information About Starting Your Own Practice?

For additional information on practice start-up, contact us at Margie@satinskyconsulting.com or **919.383.5998** or visit our website at www.satinskyconsulting.com.

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 in the 21st Century**. The book and companion website offer concrete suggestions and practical tools. Authored by Marjorie A. Satinsky, M.B.A., with Randall T. Curnow, M.D., M.B.A, the handbook can be ordered online at Amazon.com.