

## SPRING 2019 NEWSLETTER

We continue to receive calls from physicians who are considering starting their own practices. We explained in detail in our [Fall 2018 Newsletter](#) the keys to successful practice startup. It's also helpful to look at the experiences of other physicians who started their own practices with great enthusiasm but who soon became so overwhelmed by the administrative challenges that they gave up their independence. In this newsletter, we'll provide guidance for anticipating and avoiding administrative challenges. The advice can benefit both start-up and established practices.



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### STAYING AFLOAT IN YOUR OWN MEDICAL PRACTICE

In our [Fall 2018 Newsletter](#), we identified the keys to successfully establishing a new practice – (1) thoughtful planning, (2) careful self-assessment, (3) relationship building, (4) good organization and management, (5) prudent financial management, (6) careful management of both internal staff and external resources, (7) attention to compliance, and (8) learning from your medical colleagues. Based on numerous conversations with physicians in a variety of specialties, we know that many panic when faced with administrative challenges. They assume that giving up their independence is the only recourse, and that their only options are to become part of a larger health system or engage costly administrative services from a Management Services Organization (MSO). Many of the problems that these practices are experiencing can be anticipated and avoided. In this newsletter, we offer five suggestions for sustaining a private independent practice.

#### **Recognize the importance of strong business management.**

Physicians choose to practice medicine because of a strong desire to provide good care for patients in the specialty of their choice. Owning and managing an independent practice adds a new and usually unfamiliar challenge – running a business that is both clinically excellent and financially sound. Once a practice has opened and grown, clinical excellence alone won't ensure sustainability. It's essential to maintain sound business practices. Clarify responsibilities, maintain accountability, and constantly monitor what works well and what needs improvement.

#### **Hire a competent and experienced professional practice or office manager.**

In an effort to economize, many small practices choose not to hire a professional practice or office manager who can organize and manage practice finances, planning, marketing, human resources, information technology, compliance, and a myriad of other managerial tasks. When patient volume is

low, the consequences may be minimal. But when patient volume grows and new staff joins the practice, the absence of an experienced and competent manager may result in complete chaos.

Here's an example from a solo medical specialty practice. The owner put a great deal of time and effort into office renovation and interior decoration, creating a space that is both attractive and comforting. He paid little attention to organizational structure and assignment of responsibilities. Before long, the financial situation unraveled. Without knowing much about good revenue cycle management, the physician outsourced billing and collections to a local company without doing careful reference checks. Unsurprisingly, the arrangement didn't work out, and the physician quickly hired a replacement, not only without doing reference checks but also without obtaining a written contract spelling out the new company's responsibilities. Eager to hand off tasks that he didn't want to do, he delegated many non-billing responsibilities to that second company. Incapable of handling even the billing correctly, the second company had no idea how to handle a larger load. Financial crisis ensued and the practice replaced the second billing company with yet a third one. Now in a precarious financial position but still reluctant to hire a professional manager, the physician took responsibility for managing the practice. We predict that the solution won't work, as the physician has little understanding of the elements of practice management.

The situation described above was avoidable. Had the practice hired a professional office or practice manager either at the outset or when it recognized problems, the experience would have been totally different.

### **Focus on clarity and accountability.**

Some independent practices operate like ships without a captain. There are many ways to distribute responsibilities between the owner and various staff members. Regardless of the choices made by individual practices, there must be clarity of responsibility and accountability.

Here's an example of a common problem related to financial management that we frequently see. When the practice opens, it becomes an in-network provider with many managed care plans and with Medicare. The practice owner reviews the terms and signs the contracts. Going forward, however, the practice owner delegates relationships with the insurance companies to a staff member, usually in billing and collections, who may know nothing about the contract terms. All too frequently, claims are not submitted correctly and there's no systematic way to match expected with actual revenue. There's no monitoring of denials and no well-thought-out way of collecting money owed directly by patients.

### **Reassess progress regularly and take corrective action on a timely basis.**

When a new practice opens, the owner is acutely aware of and often overwhelmed with start-up tasks such as space planning, equipment purchase, managed care contracting, hiring and training staff, website development, marketing, and maximizing the value of information technology. There's a common sense of relief when those initial tasks are finished. There's far more to business success than

the opening. Sustainability depends on regular assessment, identification of problems, and timely corrective action. Here are examples.

- **Marketing**

We've helped many physicians who unrealistically assume that a loyal patient base will follow them to a new practice setting or to a new practice model such as concierge medicine or direct pay. The reality is that many patients stay where they are, causing the volume projections of the practice to fall well below expectations. Smart practices make adjustments.

Here's an example of a practice that recognized its marketing problem and took needed and timely corrective action. When the practice opened, it optimistically expected that advertising in a popular local magazine would be sufficient to attract patients. It wasn't. The practice owner took immediate additional steps to broaden the reach of her message. She reached out to referring physicians by doing lunch seminars at their offices and also became more involved in community activities. She addressed the problem and fixed it.

- **Financial management**

Not all practices that accept insurance pay attention to denied claims. Why not – too busy! As a result, they don't identify small and correctable problems such as typographical errors and they miss major problems such as miscoding. The practice repeats the same mistakes year after year, literally leaving money on the table.

### **Keep learning.**

The only constant characteristic of health care is change. Federal and state requirements, human resources policies and procedures, and ongoing software are three examples. Smart practices accept the reality and develop means to learn and adapt. Here are examples.

- **Medicare and Medicaid Value-Based Payment**

Practices that provide care to patients with Medicare and Medicaid coverage and to many managed care plans have the opportunity to benefit from quality incentives. By design, the measurements and methods for data submission change regularly. Practices that ignore the updates don't benefit from the opportunities.

- **Managed Medicaid in North Carolina**

Medicaid in North Carolina is about to undergo a dramatic change to privatization. Instead of reimbursing physicians and hospitals for work performed, the state will now pay regional Prepaid Health Plans (PHPs) a flat fee for each patient covered. Think capitation. PHPs have a financial incentive to keep costs down. Depending on their performance, they either share in the profits or absorb the losses. PHPs will contract directly with providers. There's much to be learned from physicians in other states who have already experienced a similar transition and discovered ways to deliver non-urgent care more efficiently in order to devote needed time to sicker patients.

- **Software Updates**

Software vendors continuously update their practice management and electronic health record (EHR) systems. Most offer practices multiple ways to stay current, but not all practices take advantage of the opportunities: (1) web-based training, (2) bi-annual or annual meetings that highlight new features, (3) on-site training, and (4) the opportunity to work with vendor-specific operations specialists to learn how to maximize the software's features.

Of the four options, the fourth one may be the most valuable and least utilized. Here's how it works. As a vendor adds or modifies software features, it usually creates checklists against which to monitor practice usage. The vendor's electronic capability allows it to determine whether or not a practice is using a feature correctly. The results may be shocking. We recently worked with a surgical specialty practice and its software vendor. The checklist revealed that the practice understood and took advantage of 20% of the software's overall capabilities. The checklist revealed that claims were not submitted on a timely basis and denials were left unmanaged.

## More Information About Medical Practice Management

For more information on medical practice management, contact us at [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com) or **919.383.5998** or visit our website at [www.satinskyconsulting.com](http://www.satinskyconsulting.com).

We provide services to start-up and established medical practices. These previous newsletters provide insight into just a few of the many issues with which we can assist.

- [Important Changes in NC Medicaid Program](#)
- [Medical Practice Start-up – Tips for Success](#)
- [Practice Start-up – 7 Tips for Seeking Bank Financing](#)
- [Antidiscrimination Laws – Patient and Workforce Protection](#)
- [HIPAA Audits in 2016 – What You Need to Know](#)
- [Direct Pay Primary Care – Is It Right for You?](#)
- [HIPAA Access to PHI – Are You in Compliance?](#)
- [Your EHR Experience – SOS or Smooth Sailing?](#)
- [Concierge Medicine: Is It Right for You? For Your Patients?](#)
- [On Your Own or Part of a Larger Healthcare System?](#)
- [Preparing for Space and Payer Contracts](#)
- [Tips for Managing Risk in Your Medical Practice](#)
- [Five Focus Areas for a Prosperous Practice](#)