

WINTER 2020 NEWSLETTER

We continue to receive calls from physicians who are considering starting their own independent practices. This newsletter identifies the factors that we think are most important for opening and sustaining a successful independent practice. These suggestions are based on our experience with more than 50 start-up practices.



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SUGGESTIONS FOR OPENING A NEW MEDICAL PRACTICE

Motivations for opening a new medical practice vary. Most frequently, physicians who work for large healthcare systems believe that productivity expectations are compromising their ability to provide the quality and personal care that they would like to provide to patients. Some who already work in independent practice settings are uncomfortable with the cultural and ethical aspects of their particular work environment. Some who practice in academic medical centers want the opportunity to deliver care in a more personal setting. Primary care physicians at both ends of the age spectrum are interested in moving away from insurance-based care toward alternative models such as direct pay and concierge medicine. Regardless of your specific motivation, it is critical that you carefully evaluate the critical factors that follow.

Know Thyself!

Know Thyself doesn't appear on most lists of start-up tasks. We put it at the top of our list for several reasons. Awareness of your own aptitude for learning new skills, the values that are important to you, and the culture that you want your practice to embrace will help you make the right decisions. Here are examples.

Ninety-nine percent of the physicians we have assisted in setting up new practices have minimal or no experience in practice startup and operation. The more information you gather about what needs to be done and available options, the better decisions you will make. One size doesn't fit all. Be willing to listen and learn, keeping an open mind rather than coming into your new venture with a preconceived notion of what you will do.

Personal and professional values come into play as well. They apply to the services you provide to patients and their families, the way in which you recruit and manage your clinical and administrative staff, and your relationship to the larger medical community. Here's an example from a pediatric and adolescent dermatology practice that will open early in 2020. Diversity is extremely important to the practice owner. He is actively seeking patients with different skin colors, sexual identities, and economic

situations. Some patients will have insurance and some will not. His commitment to diversity is made loud and clear in many ways – i.e. by language and photos on the website, in written information provided to patients, in office décor, and in staff recruitment and training.

Know Thy Patient!

As you plan your new practice, remember that the impression your patients care not just about you but about the entire patient experience. There's a lot more to the patient experience than what happens in the exam or treatment room. Every decision, both large and small, has important implications.

Your waiting area is a good example. One of our clients thoughtfully furnished his office informally. Check-in is easy, and the receptionist makes a special effort to welcome patients and families. Comfortable seating areas, available beverages, and the opportunity to watch instructional videos create a hospitable atmosphere, helping to reduce anxiety. Effective waiting room signage directs patients who have been waiting longer than 15 minutes to check back in at the desk.

By contrast, another client paid minimal attention to the waiting area. Dim lighting, dull painting, poor temperature controls, inattention to the needs of handicapped patients, inadequate seating during peak times, failure to establish "sick" seating areas, long check-in lines, and a non-smiling receptionist are factors that can create a negative patient environment.

Take Your Time

Explore the options carefully. There's an old saying about making big decisions. Listen, think, examine your reactions, and finally, act – in that order. In our experience, moving too fast – what we call "practice elopement" – usually results in divorce.

There are two good reasons to take your time in setting up a new practice: (1) complexity and (2) circumstances beyond your control.

The complexity of practice start-up applies to both the number of tasks to be done and timing. Our list of start-up tasks includes 80 items that apply to structure and management, selection and up-fitting of space, financial management, planning and marketing, human resources, and compliance. These topics are new to most physicians, particularly those who are in the early stages of their careers and those who are moving out of large healthcare systems and academic settings. Still another aspect of complexity is the need to juggle multiple tasks at one time. Timing is everything.

Here's an example. Although a new practice owner who plans to accept insurance may know which plans are important to him/her, managed care contracting can't begin until a lease has been signed, malpractice insurance has been secured, hospital privileges or arrangements with hospitalists have been approved, and software has been purchased. Asking a managed care company for a contract before providing the required information doesn't accelerate the practice startup process.

With respect to controlling the timing of practice startup, two elements are beyond the control of every practice owner. The first is the availability of well-located and affordable space. Finding and upfitting the right space take time. For those practices that are insurance-based, the second uncontrollable factor is the length of time required for credentialing and contracting with both public payers (e.g. Medicare, Medicaid) and managed care companies. Each payer has a unique process for adding a new practice to its provider network. Although the credentialing and contracting are less time-consuming for a physician who is already an in-network provider for a particular insurance carrier, the process is tedious. Some managed care companies will negotiate reimbursement with new practices; others do not.

How much time does new practice startup take? Allow 12-15 months from the beginning of the active planning process to the opening of your doors to welcome your first patient. If you are currently working for another organization, avoid giving notice until you are certain of your opening date.

Seek External Guidance from a Team of Experienced Professionals

The business of medicine, like medicine itself, requires the expertise of professionals with a wide variety of skills. Guidance from experienced attorneys, Certified Public Accountants, IT support people, practice management consultants, credentialing specialists, space and real estate advisors, and communications professionals is essential. Not only do you need the help of these individuals; you also need a team of people who work well together. Tasks are interdependent, and teamwork is critical.

Here's an example of teamwork relating to a new pain management practice. Knowing that finding space would take time, the practice owner engaged a space and real estate advisor to provide assistance. Simultaneously, the practice owner and a practice management consultant collaborated in developing budget assumptions that the CPA used to make five-year financial projections. The first draft of the financials indicated that the physician's first choice of space, a large office that could potentially accommodate more providers, was not financially feasible. The physician and space consultant continued looking, eventually identifying a moderate-size space in a medical office park. Should the practice thrive and need more space in the future, a larger office in the same office park is likely to allow expansion.

Recognize the Importance of Managerial Competence

During the planning process for a new practice, the practice owner and team of professionals take responsibility for the many tasks that need to be done. After the practice opens, some practice owners remain moderately involved in day-to-day practice operations. As the number of patients increases, however, most physicians learn the importance of having an experienced practice manager.

When a new practice opens, there's uncertainty about growth and success. Faced with the choice of hiring a low-level office manager or a more experienced practice manager at a higher salary, most physicians rank cost over competence. Common errors include failure to develop an appropriate job description and hiring a relative or friend in an effort to reduce costs.

Managing a medical practice is complicated. As new owners have already learned through the start-up process, the business has many aspects. One of the ongoing challenges in the healthcare field is the frequency with which external requirements and regulations change. A good manager must be able to navigate in a continually evolving environment. For example, practices in North Carolina that accept Medicaid patients have been anticipating a major change to Medicaid managed care. The original start-up date had already been delayed when the program was suspended due to a stalemate between the General Assembly and the Governor around the best way to expand access to care for the most vulnerable patients. The Governor has stood firm on expanding Medicaid as other states have done through the Affordable Care Act, and the legislature has offered an alternative method. Needless to say, the abrupt change in direction requires the ability to shift gears quickly.

Focus on Relationship Building

Successful new practices are attentive to building good working relationships both within and outside of the practice. Patients and families who are satisfied with the quality of care they receive and with the respect with which they are treated are likely to return. They also tell family and friends about their experiences.

Clinical and administrative members of the workforce who work well with each other have a strong impact on daily operations and problem resolution. Likewise, tension between individuals and/or departments can undermine practice growth. Here's an example from a new radiology practice that sought to cultivate relationships with independent practices within a five-county area. The marketing representative successfully brought in new business. The billing staff, however, made many errors and failed to resolve issues on a timely basis, totally undermining the efforts to develop relationships with the practices for which the radiology practice provided service.

External relationships also count. As is made very clear during the start-up process, each practice interacts with a variety of outside entities, including service providers, public and private insurance companies, vendors, and landlords. Honey, not vinegar, gets the best response.

Here are several examples. Two orthopedic surgeons who had previously practiced in a larger urban practice decided to open their own practice in a different community. Guided by a practice management consultant, they investigated five options for software (i.e. practice management system and electronic health records). After careful investigation through demonstrations and reference checks, they identified the vendor of choice. One of the factors that influenced their decision was the helpfulness of the sales representative and other members of the vendor's team regardless of their small size. Some of the vendors that the practice considered showed little interest in a small practice, conveying the impression that the same attitude would continue if that vendor were selected.

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. We'll be happy to provide references.

These previous newsletters and articles provide insight into just a few of the many issues with which we can assist.

- [Using Telemedicine in Your Practice](#)
- [Managing the Medicaid Transition](#)
- [Staying Afloat in Your Own Medical Practice](#)
- [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 – 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](#)
- [Managing a Balanced Practice](#)