AdvancedMD

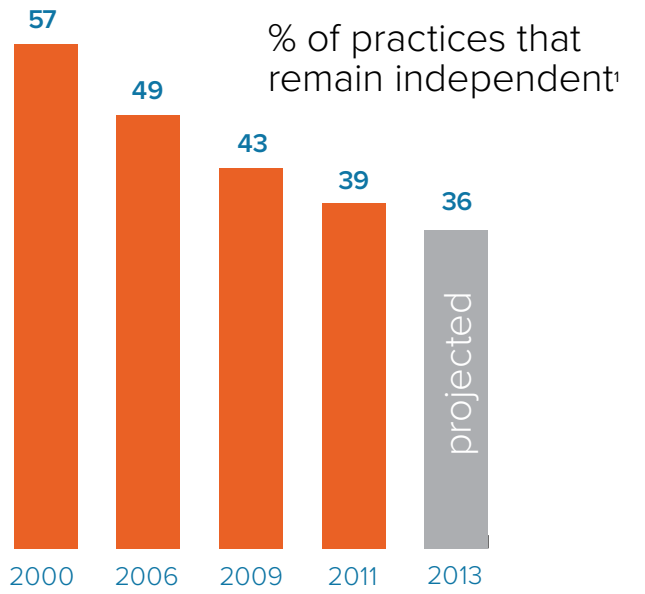
HOW TO STAY INDEPENDENT BUT NOT ALONE

Private practice physicians face three main employment options today: Seek employment, retire, or stay in private practice. As can be seen by the Accenture chart to the right, since 2000 more and more physicians are opting out of private practice. In 2000, 57% of all physicians were employed in a private practice. By the end of 2013, that percentage is predicted to slip to 36%.

Declining revenues, the bane of any small business, is a key driver of this trend. In the medical industry, the main source of revenue comes from claims paid by insurance carriers. Due to the complexity and follow-up inherent in the collections process today, if this task is not well monitored and managed, the practice can slide into bankruptcy. And that's exactly what the American Bankruptcy Institute is seeing. In a July 2013 statement, they noted that over the past year private practice bankruptcy filings "have spiked".

Compounding the situation, physician-owners have traditionally had minimal training on how to run a small business. The tasks of running the office, collecting patient payments, managing payer reimbursements, identifying and developing processes and procedures around office productivity are often consolidated into the hands of a single person, the office manager. This person may or may not have had any formal business management training, and frequently lacks the necessary resources to maximize revenue. As a result, physician-owners are often fuzzy as to why income is declining and the practice is under financial stress.

Decline of the private practice is undeniable



Consider these statistics:

61% of physicians surveyed identified "business operations" as one of the main reasons they are seeking hospital employment[2]

74% of primary care physicians surveyed say they lack financial controls over their practice[3]

83% of survey respondents reported being affiliated with a medical practice that had been the victim of employee theft or embezzlement; 70% of the reported cases were in practices of ten or fewer physicians[4]

A clearly exhausted-by-her-chosen-profession, physician writes in a Physician Practice blog, published August 2, 2013: "I am turning 60 in less than a month. I have worked very hard, much harder than my non-physician friends who have made more money, had more job satisfaction, and more free time. I am ashamed of my profession and what we have allowed to happen [to our profession]. We are now mostly employees in large groups, acting like hourly wage earners. I am still in solo practice and I work 70 hours a week in order to make ends meet. I am not serving patients as much as I am doing paperwork, paying taxes and worrying about the software, website, marketing, and everything else administrative. I would absolutely do anything else, but I have no way to get out of the lease, pay-off the seven-year-old debt of having to remodel in 2006... and the beat goes on."

Having worked with thousands of smaller private practices during my 20-year career, I have reviewed financial and operational details that related to both growth and failing situations. I am always astounded that the physicians in failing situations waited so long to reach out for help. If they had engaged with a medical business partner sooner, they could have improved their situation before it went critical.

1. 2012 Accenture Physician Alignment Research study
2. 2012 Accenture Physician Alignment Research study
3. December, 2012 survey of a sample group of 300 primary care physicians, conducted by Sermo and AdvancedMD
4. MGMA membership survey conducted in 2009

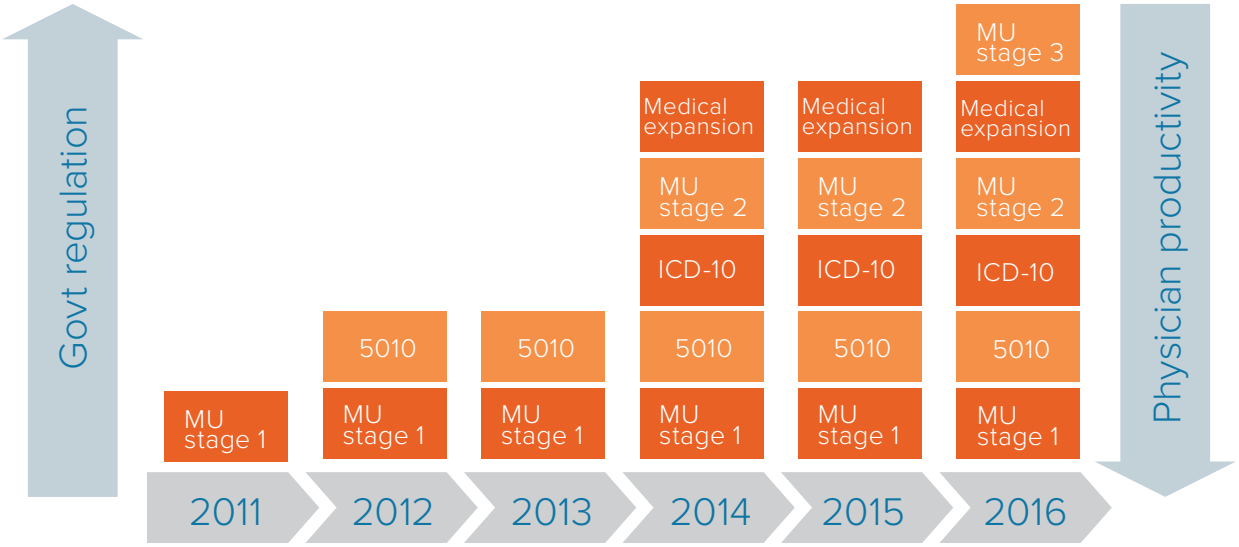
What gets practices into trouble?

Basic day-to-day operational inefficiencies are at the core of underperforming practices. They can be summarized into the following categories:

- Lack of knowledge about or interest in applying best practices to the daily routine of operating a private medical business, such as patient check-in and insurance verification, collecting co-pays and asking for outstanding balance payments.
- Lack of proper attention to codes, modifiers, units and other details needed to complete a correct charge slip. No periodic analysis of which procedures and codes are causing common rejection problems.
- Little to no investment in advanced practice management technologies, such as the ability to verify patient insurance coverage electronically, the ability to reconcile daily patient visits against claims filed, or the ability to file the majority of claims electronically and receive EOBs electronically.
- Lack of knowledge on how to create structured, aggressive processes around claim follow up.
- Lack of knowledge on how to read and interpret basic reports and analytics showing the health of the practice and its trends, including benchmarking.
- Lack of knowledge about basic checks and balances or audit and process controls, such as who has the rights to perform "write-offs" or "void" functions within the PM system or the habit of conducting end-of-month reconciliations of bank account deposits against payments posted.
- Still using a paper-based system to run the practice.
- Outdated carrier fee schedules; No one holds insurance companies accountable.
- Staffing issues, leading to a ratio of support staff to physicians that is
- not cost effective. On the business side, if the practice has only one person responsible for billing, when that person is out sick or on vacation, revenue flow can be significantly impacted.
- Physician productivity not maximized.

Private practice physicians who are struggling financially tend to be those who have stuck with outdated business models. They have not adapted to the new business realities of today, which demand a level of automation in order to stay current with the latest carrier rules and requirements for claim filings, tracking claim status and managing the various payment responsibilities among primary payers, secondary payers and patients. These physicians tend to consider business operations and analysis as something delegated to their office manager. They tend to think of a business strategy as more of a singular effort, stated as "we need to reduce expenses". When that approach doesn't convert to significant financial improvements, they panic. Many simply don't know what else to do as their practice slides into bankruptcy.

Challenges to staying independent



Reports CNNMoney in an April, 2013 article: “Five years ago, Plantation, Florida-based bankruptcy attorney David Langley didn’t have a single doctor as a client. Since then he’s handled at least six bankruptcy cases involving doctors. Two current clients – an orthopedic surgeon and an OB/GYN – are in bankruptcy. None of his physician clients had malpractice lawsuits that landed them in dire financial straits. All are “top-notch doctors,” he said.”

The reason private practice physicians must become more savvy about business, or engage with a trusted business partner, is because the environment has gotten far more challenging ...across multiple fronts.

A quick look at the busy chart on page three summarizes just how demanding the regulatory and government programs have become, siphoning off valuable time and money from physician-owners. There is far less room for missteps in today’s medical practice if one is to survive.

When you put all of these government regulations and programs together with the challenge of working with carriers and the changing economic landscape, it is clear there is real need for a change in how physician-owners run their practice. You can’t keep going the way you’ve been going and expect a different outcome. Our community has to realize that a private practice is a small business, and like thousands of other small businesses out there, physician-owners must apply automation and structured, intelligent analysis and decision making to their enterprise in order to survive.

Why physician-owners want to stay independent

Dr. Neil Nelson, writing in Physicians Practice, commented: “It’s good to know when I come into the office in the morning that I have control over the things that matter to me including the employees I hire, the hours I work, and, most importantly, the care I provide to my patients.”

When Dr. Ruth Haskins, an OB/GYN in Sacramento, CA, concluded her career as an Air Force physician, she opened a private practice, ran it for four years, then sold, according to an article in AMEDnews.com, dated June 24, 2013, titled “Independence comes at a price many doctors still willing to pay”. With two young children at home, and little time for school meetings and sporting events, she turned to hospital employment to gain control over her work/life balance. Five years later, she’s back in solo practice. Why? Because she gets to work with “hand-picked staff” who share her philosophy of patient care. Because she offers the services “she wants to offer”, uses “the EHR she chose herself”, and “runs the practice the way she wants to run it”. Her attitude: “I was born to do this”, despite the fact she works a 17-hour day and the practice failed to make a profit its first three years. Dr. Haskins’ situation is not unique. It’s about control over the right to practice medicine the way the physician-owner wants to practice medicine.

I admire the physician who wants to stay independent, as they offer exceptional personal care to their patients. While the reasons for staying independent can vary widely from physician to physician, the top four reasons I consistently hear involve autonomy and control over:

- Patient care-delivered their way
- Hours worked and vacation time-on their terms
- Hiring the employees they want
- Creating the practice culture they like
- Living their dreams

But don’t let your sense of “control” get out of control, especially if your practice is struggling to be profitable.

What can be done?

There are a number of solutions one can follow out there. However, one of the more increasingly popular paradigms among today's more business savvy practices is what is known as a hybrid model. This model enables the independent minded physician-owner to retain control over the clinical side, while sharing business responsibilities with a trusted, stable, third party business partner to ensure financial success.

Consider these five objectives:

- Embrace best business practices
- Code correctly
- Aggressively pursue your revenue and manage your A/R
- Hold insurance companies accountable
- Don't go it alone!

While hybrid business models can alleviate many headaches and take many back office functions off your plate, it is still vitally important that you maintain best business practices within your front office. One of the best sources of information on this topic is the MGMA book, entitled *The Physician Billing Process*. Keep it simple; begin by reading Chapters three through seven.

Best practices begin with how to capture maximum revenue, efficiently – which is to say without a lot of rejections, denials and re-work and they involve the practice. No matter what model you use, best practices begin with you and your patient visit (1), specifically your notes and documentation, which drives your staff's ability to review for appropriate codes and modifiers (2), based on services rendered. It includes how well your office performs when it comes to accurate patient information capture (3), pre-visit insurance verification checks (4), co-pay and outstanding balance collections at the time of check-in or check-out (5), and the processes and automation tools (6) that help your staff ensure such things as all charges for all visits performed each day have been submitted and reconciled within a 24-hour window. Do these six business functions well and you are on the road to improving financial performance. A good business partner can show you how to accomplish these best practices.

While the above functions are clinical and front office dependent, the next set of critical financial success factors deals with how well you manage your payers and general collections, often referred to as the back office functions. A leading indicator for how revenue collections are doing is your "days in accounts receivables" number. This aspect of the business is all about knowing which claims have been accepted by the payers and which have been denied and why. This is where the business of medicine gets, well, very businesslike. "Submit-and-forget" tactics by your staff won't cut it in today's medical business environment. You have to hold insurance payers accountable. Practices that have the processes and people in place to do this well, typically do well financially. Those that don't are candidates for seeking out trusted business partnerships.

That is why more and more independent physician-owners are turning to proven, trusted management services with which to partner. This is the hybrid model I was referring to earlier: the practice is responsible for managing the clinical and the patient experience, while the business partner takes over at the point of claim scrubbing for errors, claim submissions, claim follow up, reimbursement posting, secondary claim filings, denial and appeals handling, and patient billing. Today, these aspects of the business are heavily dependent on the quality of automation tools selected to support these functions and the skill and experience in medical revenue management of the people using these tools. Standard management reports and the ability of the business partner or staff members to provide analytical reports that provide insight into practice performance are also important. Like accountants and lawyers, the medical revenue management role is the new professional partnership behind successful private practices.

In essence, the hybrid model allows physicians to concentrate on what they do best – patient care – while back office functions and technologies are managed by the business partner.

Three real-world examples

Let me conclude this conversation about how to stay independent but not alone, by sharing three real-world cases I've dealt with recently.

EXAMPLE A:

- 4-physician practice
- 1 office manager
- 2 billing staff

THREE KEY CHALLENGES:

- Address billing staff turnover by hiring more staff
  - New staff was confounded by the mess left by the old staff member
- No financial benchmarks or business analytics; the physician-owners were "flying blind"
- The physician-owners "felt" as if they weren't collecting "enough"

ANALYSIS FOUND:

- Substantial problems with claims follow-up, a lot of submit-and-forget was going on
  - Very common to see staff members focus all their attention on getting the claims submitted, then blame the carriers for being difficult to work with when only a fraction of the A/R gets paid
  - Many errors begin at the time of patient check-in; patient information is not updated, patient insurance coverage is not verified, authorizations are not managed
  - No structure or process for tracking accepted claims, lost claims and disputed claims
- Average days in A/R was climbing
  - Cause for alarm when days in A/R stands at 50 days or more (depending on specialty and processes in place at the front office)
- Outdated technology, no data redundancy

RESULTS AFTER PARTNERING:

- Greater than 20% increase in revenue (these results are not typical for every practice)
- New, streamlined office procedures
- Physicians able to practice medicine with peace-of-mind regarding their income

EXAMPLE B:

- 2-physician practice
- Startup in pediatrics
- No history in running a medical business

CHOSE PARTNERED SOLUTION FROM START:

- Encompassed all systems: billing, A/R, analytics
- Office staff was able to concentrate on patient experience and delivering a high level of service
- Only wanted a partnered solution for one year, while they got their "business legs" under them
  - Both physicians recognized they did not know how to run a practice
  - Both doctors resigned to eventually handling all the administrative tasks themselves as part of being in "private practice"
  - Both agreed that for the first year, better to focus all their energy on building the practice

RESULTS:

- End-of-year run rate of approximately $1.4 million in annual revenues
- Days in A/R less than 30 days
- Practice changed its mind and never took revenue management inhouse

EXAMPLE C :

- 3-physician practice
- 1 office manager
- 2 “indispensable” staff, one billing and one A/R manager
- Current prospect, no decision

TWO KEY CHALLENGES:

- Making less money today than before
- Recognized the practice can’t stay in business if keeps going the way it has

ANALYSIS FOUND:

- Average days in A/R greater than 110 days!
- Carrier A/R review revealed very inefficient follow-up
- Over-staffed in the front office due to inefficiencies
- Outdated, non-integrated systems
- No business analytics in use

The situation as it stands today for Example C:

The doctor explained he didn’t have time to manage revenue collections. When I took a hard look at several of their key carriers, I found a large outstanding balance of unpaid claims, much of which had now passed the timely filing window. There were no notes in the system. There appeared to be no aggressive follow up with the payers. They were handling denials somewhat correctly, but denials management is only one aspect of revenue cycle management. Lots of dollars were bleeding through the cracks. When I showed them the details, it was an eye opener.

The front office was alarmingly overstaffed. For example, they have a “runner” handling refill requests for prescriptions. That person is responsible for writing everything down, pulling the patient chart, getting a physician to sign-off on the prescription, contacting the patient, and contacting the pharmacy. But what is really alarming – this practice was using an EHR! We showed them how to accomplish all these tasks in just a few clicks on the AdvancedMD EHR using the integrated electronic prescribing tool.

Regarding their staff situation, one of my recommendations was to re-assign the billing person to a patient care coordination role. My goal is always to help the practice keep good employees and in today’s healthcare world of outcome measures and driving more patient involvement in their care, there are always new roles needing attention.

If this practice becomes more appropriately staffed, more efficient in how they handle repeat tasks and partners with a reputable firm for revenue cycle management, I believe this practice will actually do quite well.

In closing, I challenge you to ask yourself what would be your next course of action if this was your practice. Would you ask for help? Would you select a business partner that aligns with the practices’ weaknesses?

“Saving private practice” is not just a marketing slogan at AdvancedMD, it’s what we do every day. We help practices get back on track to financial health.