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PERSPECTIVES ON MEDICAL PRACTICE MANAGEMENT

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Surviving—and Thriving—in a Changing Practice Landscape

More physicians are currently employed by hospitals or medical practices than ever before, while fewer are in private practice. Since 2000, physicians as a group have shifted from private practice to being employed, according to a 2016 Medscape report. And the rate of employed physicians has grown by more than 30% from 2000 through 2016.

One reason for this shift is that health care reform and declining reimbursements in many specialties have created greater stress and uncertainty for physicians in private practice. Another reason is that many physicians today want to focus on treating patients—rather than jumping through the many hoops that running a medical practice involves. Here are some tips for surviving—and thriving—in the current complex medical world.

Hospital and practice employment strategies

Physicians who work for a hospital or medical practice usually get paid, so they have more financial security. In addition, they obviously don't have to worry about human resources, billing, collections, rent, overhead and day-to-day operations. Here are some tips for achieving success in employment:

- Be aware of the tradeoffs and be prepared for them—in other words, know what you're getting into.
- Conduct due diligence on the hospital or medical group you're considering and make sure your goals are aligned with the institution's mission.
- Connect with physicians already employed at the hospital and discuss their work environment.
- Decide if the tradeoff of less control for fewer business and operational responsibilities will work for you.
- If any of these issues raise flags, you might want to explore involvement in any of the hospital's business-related committees or management-related positions.

Private practice strategies

Physicians in private practice don't have to abide by policies, procedures and pay set by someone else. They can use the electronic health record systems and practice models they've determined are best for them. If private practice seems a better fit for you, consider these strategies to help ensure success:

- Learn more about good business practices, so you can leverage profits and minimize overhead.
- Explore merging with another practice, partnering or forming an independent physician association (IPA).
- Look into becoming a micropractice (e.g., a physician with no administrative or clinical support), which could enable you to keep overhead costs down as low as 35%, compared to the more typical 60% at small primary-care practices.
- Investigate developing a concierge practice to cut back on the patient load by having patients pay an additional fee for more individualized services.
- Look for high-impact areas of savings and emphasize best practices in billing and collections.

Reap the rewards

Being a physician is a rewarding career, but all too often the business, regulatory, or administrative aspects of it lead to high stress and career burnout. Some physicians thrive in private practice, while others prefer employment. Make an educated decision to ensure you'll be the best doctor you can be.

Sidebar: 10 Considerations When Hiring a Billing Company

1. Determine whether the billing company is familiar with your specialty. Some agencies specialize.
2. Ask if you have to buy software that integrates with the billing company and take these costs into consideration. Ask about software installation, troubleshooting, and upgrades.
3. Find out whether the company will have access to your accounts and whether you'll be able to access and review the accounts as they stand with the billing company.
4. Decide the parameters of the billing company's role. Your contract has to specify the details concerning submitting claims and collection processes.
5. Set a method for keeping track of what the billing company is doing. Ask if you can audit your own records, whether by request or via an online access system.
6. Get a sense of the billing company's procedures and billing protocols. Insist on an action plan for steps to take when a claim is 30, 60, 90, and 120 days old.
7. Find out what the billing company's average days in receivables is. This tells you how long the average claim goes before it gets paid and is an indicator of the company's ability to collect claims.
8. Fully understand the billing company's contractual termination requirements.
9. Determine whether the company outsources services or performs everything in-house.
10. Ask if the billing company's staff are certified coders/billers, whether they have continuing education practices, and how they stay current on changes in billing and coding.

Should You Outsource Billing?

Whether to handle your billing in-house or hire an outside billing company is an important decision with significant implications for your practice's long-term financial health. It's a good idea to look at all the pros and cons to ensure your decision is the right one.

Typically, a billing company takes a 6% to 9% commission on all money they handle. In other words, if your practice sees $1 million in business annually, the billing company would take $60,000 to $90,000 of that amount.

Bringing billing in-house can reduce these costs to around 3% of your take (or $30,000 out of $1 million in business). So this might seem to be a straightforward decision: Save $30,000 to $60,000 annually by keeping billing in-house. But it's not that simple. One hard truth is that, unless you have, or someone on your management team has, a fundamental understanding of coding, billing and collecting—and a willingness to stay up to date on the systemic changes that will likely be necessary over time—it's better to outsource. The additional cost can be more than offset by the additional revenue that the billing company's expertise will help generate.

Look at the potential drawbacks

Billing companies generally charge a setup fee that ranges from $500 to $3,000. This acts as a disincentive for physicians interested in jumping to a competing billing company, because they'll have to cough up the fee again.

In addition, billing companies usually use a contract that locks the practice into a specific contractual period. The contract generally specifies that you can break it only if you're not happy with the company's services and can prove the company isn't meeting industry standards. This can be challenging, because industry standards aren't well established or easy to prove.

Many billing companies set up a system where checks are sent directly to them instead of to the physician. The billing company then parcels out the money after it draws its fees. Obviously, you need to trust a billing company to be transparent concerning its control over your funds. If trust is lacking, it can complicate the relationship.

The most common complaint about billing companies is that they sometimes fail to chase the money. Because they are paid on a percentage, their time and energy tend to go into handling bigger customers and claims.

Consider the possible benefits

Handling billing yourself can be complicated, and the requirements are constantly changing. Keeping billing in-house requires you to hire at least one person possessing the pertinent skill set. You or that person (or both) would need to be educated on billing and then stay current with billing procedures, coding changes and modifiers. Regularly obtaining continuing education on billing practices is critical.

A good, professional billing company can streamline your billing processes. You need to balance the expense of hiring a billing company with the costs of training and employing people to perform in-house billing. If you hire a company, be sure to sign a HIPAA business associate agreement.

Stay aware of the issues

Regardless of your billing decision, as a physician, you always have billing responsibilities. You have to ensure that what's in the chart and sent off to the billing company is accurate. And if a patient calls with a billing problem, you're still the one who is ultimately responsible for resolving the matter.

Quality vs. Volume: How Should Physician Compensation Be Determined?

Increasingly, hospitals, health systems, and the federal government are pushing for "pay for quality" or "pay per performance" over the more traditional "pay for volume" as the underlying structure for physician compensation.

Recently, several medical groups and hospitals have shifted the payment emphasis to the quality model. For instance, Henry Ford Medical Group, located in the Detroit, Mich., area, is reportedly basing compensation for its 1,200 physicians more on how many patients choose them—a sort of popularity contest based on patient referrals and online reviews. Previously, 66% of physician pay was based on the volume of relative value units (RVUs). Now it has become a 50/50 split.

In addition, Geisinger Health System, a 12-hospital system headquartered in Danville, Pa., reportedly eliminated physician bonuses completely. In addition, it placed all 1,600 employed doctors on a straight salary at, or above, the national average in their areas of expertise. Previously, Geisinger paid doctors 80% straight salary, with possible performance bonuses of 20%.

Another physician group in Middletown, N.Y., links 15% of physician compensation to quality, cost and satisfaction measures, with that percentage expected to increase to 30% over the next three years.

Some issues

Quality and patient satisfaction are important and need to be weighed in physician compensation models. But decreasing the number of diagnostic tests performed, reducing the number of procedures performed and shrinking hospital stay periods doesn't necessarily equate to improved quality or improved patient care. Such measures clearly decrease costs, but whether they amount to better patient care is less clear.

One of the basic tenets of productivity management is a reliance on RVUs, a system Medicare uses to determine how to reimburse physicians for the 9,000 or more services and procedures covered under its Physician Fee Schedule. The dollar amounts are linked to the Current Procedural Terminology (CPT) codes, and the three components of the dollar amount are calculated based on a physician's work, practice expenses and malpractice insurance.

A physician's work is broken into four subcomponents:

1. The time needed to perform the service,
2. The technical skill and/or physical effort to perform the service,
3. The amount of mental effort and judgment involved, and
4. The stress related to potential risk to the patient.

But quality is a far more ephemeral issue. Some hospitals conduct patient surveys after every visit, with a link to the survey emailed to the patient. Like Henry Ford Medical Group, some pay is based on online reviews and patient referrals. Many of what are being called alternative payment models (APMs) are based on various metrics, such as the Medicare Access and CHIP Reauthorization Act (MACRA), which often take data from population data sets and then compare that data to individual physician and patient interactions.

Problems with that approach are fairly obvious—it's hard to compare large patient populations to small patient populations or individuals, data sources aren't comprehensive, and information systems aren't standardized. These are technical issues. Political issues can involve physician stakeholder wariness and a lack of consensus over the appropriate quality metrics and how to report them to and from consumers.

At heart, the issue is that, while methods for objectively evaluating the amount of care are straightforward and well documented, benchmarks for value aren't well documented—and are often fuzzy at best.

Data matters

The risk, of course, is that the patient will get lost in all the data-crunching, and/or that insurers and government agencies will be less interested in quality patient care than in driving down costs and reimbursements.

As health care systems experiment—and this is clearly an ongoing, long-term process—more data will become available about how these different models work, at least in terms of how much money they save and how they affect productivity. Until everyone agrees on what "value" is and how to measure it, the results are likely to be a constant topic of debate. Although patient surveys or referral rates don't seem to be entirely objective metrics for value, they probably indicate a portion of value.

Going forward

Experiments in physician compensation based on value are likely to always have critics. They may be meaningful for some types of care and not for others. Patient noncompliance and other factors beyond the control of a physician, such as emergencies that throw off scheduling, can have a negative impact on patient surveys. Perhaps the search for "value metrics" is really a Holy Grail—and the experiments will only continue.

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Selling Your Practice in the Future? Eight Steps to Prepare

It takes years to build up a successful medical practice that is respected and valued by the community. It can also take time to find a qualified buyer at a satisfactory price. However, you can take several steps now to help provide a smooth transition when you finally put out a "for sale" sign. Here are eight suggestions for laying the groundwork:

1. Plan well in advance. To obtain the optimal price, you need at least a year to get all your ducks in a row. It might even take two or three years. You don't want to be forced to unload your practice in a distress sale.

2. Keep the practice humming. There's no need to slow things down prior to a sale. In fact, it's generally a good idea to step up your activities the year or two before selling a practice. There's no benefit to morale and productivity if your staff thinks you'll be calling it quits soon.

3. Obtain a professional appraisal. This helps fix an appropriate value for your practice. Since medical practice valuations are more complex than those prepared for other businesses, use a professional with the proper credentials for this industry.

4. Require nondisclosure agreements from candidates. This safeguards you from a practitioner opening an office across the street from you in direct competition. Similarly, when it is appropriate, obtain noncompete agreements from associates. Also, consider using a confidential intermediary to protect the identity of the practice.

5. Consult with your accountant about the potential terms of the transaction. There are many ways to structure a sale and the tax consequences play a big part. For example, should it be a stock sale or asset sale? Should a portion of the payment be deferred?

6. Ensure that your firm's accounting practices conform to industry standards. For instance, it is important to clearly segregate regular expenses from Section 179 assets.

7. Consider merging into a local group rather than selling. A merger can be structured to provide optimal income for several years in lieu of fixing a set sales price. This could provide a smooth transition that should avoid any precipitous decline in the number of patients.

8. Finally, be open to unusual, creative possibilities. The best deal may come from a long-time competitor or other surprising source.