5 POTENTIAL CURES FOR THE ‘AFFORDABLE’ HEALTHCARE BLUES

These best practices gleaned from independent doctors may help you earn more, save time and enjoy your profession again.

By Karen Coyne, CFP®

There’s probably never been a tougher time than right now to practice medicine. As a wealth manager who specializes in advising physicians, I talk to independent doctors on a regular basis. And some of them simply feel stuck.

The massive new healthcare law enacted in 2010 has created panic and complexity for many healthcare providers who already feel threatened by sinking reimbursement rates and costly administrative requirements.

But with disruption comes opportunity. I’ve also interviewed dozens of doctors and medical professionals who are thriving in this challenging new environment by doing things differently. They’re discovering that sometimes subtle changes can lead to increased income, more free time and improved quality of life – and more quality time with patients. What they are doing differently varies. But they are doing things differently.

EMBRACING A NEW WORLD

In his landmark book “Only the Paranoid Survive,” Intel Chairman Andy Grove refers to “strategic inflection points” – points at which a business environment changes forever. The medical industry faces such an inflection point now, as the dramatic change that has been taking place now represents the “new normal.” Reimbursement rates aren’t going to revert to what they were 10 years ago; those days are gone.

So it follows that running your practice like you did 10 years ago isn’t going to cut it. The hard truth is, if what you’re doing today is the same as what you were doing yesterday, it will be increasingly difficult to keep pace. And your practice – and your income – will likely continue to lose ground.

In advising the independent doctors who are having success in this environment, I’ve observed five best practices that I would recommend to any physician – to make your practice, and your life, even better.

1.) CLARIFY YOUR VALUES

Before you can hit a target, you have to know what you are aiming for. Before you can improve your life, you have to determine what you value most – and what you are willing to sacrifice. You must clearly see your preferred destination. Identifying what’s most important to you is like re-setting the GPS when you find yourself in front of a roadblock. If you want to continue on to your destination, you’ll figure out how to get there. But first, you have to know where you are heading.

For instance, do you want to remain an independent practice or make a change?
An Independent Physician Outlook Survey by ProCare Systems found that 73% of physicians prefer independence. But by remaining a solo or small practice, physicians face shrinking margins due to lower levels of reimbursement and higher costs. According to AID (Association of Independent Doctors), the number of independents declined to 36% in 2013 from 57% in 2000.

Ask yourself what you value most. Is it independence? Or is it freedom from the decisions and pressures of running a practice? Do you want to spend more time with your family?

If you choose independence, ask yourself these questions: Do I want to grow? Do I have room for growth? What would I need in terms of staffing and mid-level help to achieve my goals? What are the short-term costs in terms of time, money and/or energy? What are the long-term tradeoffs and benefits of staying independent?

Instead of focusing on all of the uncertainty, focus on what is certain to you, starting with your goals and values.

2.) EXPLORE YOUR OPTIONS

Whether you choose to remain independent or pursue other employment opportunities, you have abundant options. You could join a hospital as an employee, as many internists have done. You also have the option of retiring, of selling your practice to a third-party, or hiring and grooming a successor. Or you could remain independent and try a new business model. Many successful practices are not doing business as usual; they have adapted their delivery model in some form, and will continue to explore options and opportunities.

Here are some options:

Professional services agreement. Establishing a PSA with hospitals allows you to become an independent contractor, maintaining some of your autonomy while gaining efficiencies and cost controls.

Mega-groups. Some physicians are forming mega-groups to stave off hospital consolidation and gain access to capital and technological efficiencies.

Micro-practices. In contrast, other physicians are stripping down the barriers between them and their patients by going small – reducing staff, redundancy, overhead – and focusing on providing healthcare at the smallest functional unit.

Strategic alliances. Strategic alliances, like mega-groups, create efficiencies. A CEO of an eight-physician practice in Mesa, Arizona, joined forces with several cardiology practices in the area and saved nearly $400,000 in overhead costs.

Accountable Care Organizations. ACOs are groups of doctors, hospitals and other healthcare providers who come together voluntarily to give coordinated, high quality care to the Medicare patients they serve. While this option hasn’t permeated the landscape, and may be restricted to certain specialties, ACOs allow you to maintain autonomy and negotiate better reimbursement rates than independent practitioners. On the downside, ACOs still have not addressed the tendency for practitioners to avoid complicated, high-risk cases, and just keep low-risk patients. It is equally difficult to predict how rewards and risks will be divided among participants.
Independent Practice Association. An IPA provides services to managed care organizations on a negotiated per-capita rate, flat retainer fee or negotiated fee-for-service basis. You could join an IPA to maintain your independence, but gain the ability to negotiate better reimbursement rates as a group. This option also may free up more time to spend with patients.

Cash-only/concierge practices. In a “cash-only” or “direct payment” method of practice, physicians may refuse to accept insurance and require payment upon receipt of services. Some physicians are finding success charging patients $500 - $3,000+ per year for services. In this case, you still retain the option to accept insurance, or simply do away with the third party altogether.

Bottom line: If independence is what you value, you can find a way to make it work.

3.) PURSUE EFFICIENT GROWTH

Almost every independent doctor I know is time strapped. Administrative tasks such as billing, charting and complying with regulations consume an increasingly large share of your day. You also must keep abreast of changes in medications and lab procedures – as well as managing your staff. Undoubtedly, you struggle to find enough hours in the day to spend quality time with patients – let alone your family!

With these time pressures, it’s easy to become burned out – even disillusioned. You might be asking, “Will I have to work harder and harder, seeing more patients to make the same or even less money?” And if you’re doing the same thing as you were yesterday, the answer is decidedly yes.

When you’re overwhelmed by the daily demands of running a practice, it’s hard to see the big picture. Successful practices make time to work “on” the business, and not just “in” the business. As an independent business owner myself, I know it’s important to be intentional and pause to reflect. Consider these questions:

• Is there something I can let go, delegate or use technology to solve? For instance, some doctors use Physicians Angel, a virtual medical scribe, to take some of the stress out of charting.
• Will the short-term costs of outsourcing tasks or introducing new technology produce the long-term desired benefits?

In the time-challenged-ACA environment, independent providers must get creative and improve all facets of their business, taking advantage of under-utilized business tactics, including the following:

• Hire mid-level help. In addition to technology, you can improve your capacity by using mid-level providers. Employing non-physician providers such as nurse practitioners and physician assistants can stretch your patient capacity. And surprisingly, reimbursements are roughly the same.
• Increase patient volume. Another way to enhance profitability is to increase your volume while at the same time creating greater efficiency. For instance, you could improve your online presence and engage in more effective marketing, while at the same time evaluating your patient quality of care and staff training. Some practices create efficient “fast tracks” for patients with acute, easily treated issues.
• Explore service add-ons. You may also want to consider offering ancillary services, such as your own lab, EKG, X-ray and so forth to create more leverage. Can you offer a new product or service?
To survive and thrive in an ACA world, you must be creatively looking for ways to increase your patient base, your patient satisfaction and the number of services you profitably offer. Successful practices are regularly reviewing outlets like these.

4.) STRENGTHEN YOUR BUSINESS ACUMEN

Today’s challenging environment requires that you focus more than ever on running your business. Fortunately, you don’t have to go to business school to become a better entrepreneur. The first step is simply recognizing that you are, in fact, running a multimillion-dollar business. And then you need to allocate sufficient time to the business side of practicing medicine, including:

- Consistently running your numbers, especially consulting with a tax advisor on your “vital stats,” which include gross revenue and net collected.
- Regularly seeking feedback from patients about their patient experience.
- Checking out your competitors, including nearby hospitals or large physician groups, to see what services they offer compared to your practice.

Strengthening your business acumen means getting comfortable with wearing different hats in your job – physician, manager – and entrepreneur.

It also means reaching out to other professionals such as your financial planner, your tax advisor and your attorney – and relying on their advice.

To reach your potential, you must sometimes admit that you need outside help.

And that can be very difficult – especially for doctors with an independent streak. But no one person or professional has all the answers – or the time to find them. Interestingly, what I’ve observed is that the most successful doctors and practices are also the first ones to seek out help. They don’t try and do everything on their own. They look for savvy advisors to help them out so that they can spend their time doing what they are best at.

To maximize your potential, you should consider receiving input from the following sources:

- **Consultants.** Business consultants provide valuable perspective and expertise that can help you move forward. They can assist with improvements in your operations and income, and make recommendations regarding your scheduling, billing and staff training. Hiring a consultant doesn’t have to be a scary process. You can locate the right one through a peer referral or online search. Once you overcome your innate fear of change and reluctance to spend money on your business, you can receive the accountability benefits of hiring a business consultant.

- **Peers.** Peers can provide invaluable advice and collaboration. You shouldn’t let competitive rivalries prevent you from gaining wisdom from your peers. Make the time to socialize with other independent doctors, and learn to open up about your struggles and discoveries.
• **Other professional advisors.** CPAs and financial advisors can help you reduce your tax burden and make smarter retirement funding choices. Good advice on tax-free investment options, for instance, can save you hundreds of thousands of dollars in the long term, far more than the fee you’d pay your advisor. A good financial planner can also help you make the right choices about insurance – so you won’t be “penny wise, and pound foolish” in protecting your family and loved ones. With all that’s at stake, you can’t afford to go it alone on your finances – ever. You need the peace of mind to know that your finances are handled – so you can focus on practicing medicine.

5.) **SLAY YOUR MONEY DEMONS**

The final cure for the ACA blues? Overcome your personal fear factor when it comes to discussing money and business. Talking about money has been seen as taboo in some medical circles. It’s been ingrained in the medical community forever that most practices don’t, for instance, regularly talk about marketing.

For some, this might stem from their feelings of guilt about earning a living from treating patients who are often suffering financially themselves. Some mistakenly believe running a patient-centered practice precludes any notion of becoming more profitable. But this reluctance to discuss money can prevent you from achieving your goals.

If you’re not comfortable talking about money, you may not be able to envision or talk about growth, address issues with your team or plan for your ideal retirement.

Keep in mind, even the most charitable of nonprofit organizations still advertise, market and have costs that they need to manage. And they do this so they can continue to serve others. It’s the same with your practice.

Successful practices are comfortable having money conversations. This doesn’t mean that they talk dollars to anyone and everyone, but rather that they don’t feel conflicted in dealing with financial issues and addressing them regularly.

If you’re avoiding talking about money, it’s time to be honest with yourself, your spouse, your partners and your advisors. Think of the patient who doesn’t want to talk about their health issues or spend money on the office visit, medication, treatment and so forth. But this neglect usually exacerbates the condition, which results in even more cost. This is not unlike money issues.

Pretending issues don’t exist doesn’t make them better. More often, it gets more complicated and worse in the long run. This is true for your patients when it comes to their health, and it’s true for the financial health of your practice.

**CONCLUSION**

Without doubt, challenges abound for today’s independent medical providers. But inertia is not a strategy. While you can’t change the healthcare reform law or the financial realities of the healthcare marketplace, you can change how you will move forward. You have many options for maintaining your independence. This will require closely examining your practice and finding new ways to increase efficiency. You will need to analyze your revenue cycles and use of technology, while exploring more partnerships and synergies.

Physicians who are having success in this environment are getting out of their comfort zones, collaborating and making changes.

Bottom line: There is no magic pill or single, simple solution. But there are solutions – if you’re willing to take your medicine.
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References: