Starting in Practice, Part 2

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Learning Objectives

• Understand the external market forces that can impact an allergist’s salary
• Describe the key financial “vital signs” your practice needs to track
• List three strategies for establishing and expanding a referral base

The Market, Earnings, & Financial Vital Signs

Disclosures:

Keith Borglum is:
a Licensed & Certified medical practice Broker and Appraiser
a private practice consultant to physicians
author of the Medical Practice Forms Book
author of the Medical Practice Pre-employment Tests Book
author of the Medical Practice Valuation Workbook
contributor to the AAAAI Resource Workbook
member Society of Certified Healthcare Business Consultants
member Medical Group Management Association
member Institute of Business Appraisers
member National Association of Certified Valuation Analysts
member California Association of Business Brokers
member of consultant-panel or faculty of other associations

Many of which provided information or data
Negative Market Forces

- Decreasing birth rates
- Changing technology/SLIT/BioT
- PPACA ACOs – referrer controls
- Weak regional economies
- Increasing overhead
- Lowering reimbursements
- Bonuses/P4P risk – set by payer
- Non-medical care

Positive Market Forces

- Decreasing allergist supply
- Aging allergist supply
- Increasing population
- Climate change/pollution
- ACOs via IPAs (maybe)
- Increasing acceptance of alternative & retainer models

Employed vs Self-employed

- Trend is to hospital employment
  - Also insurance co. employment
  - Chain employment
  - Corporate/industry employment
    - WalMart wants to be biggest PCP
- But most don’t care about allergists much, since you don’t admit much or do surgery
Employed vs Self-employed

• Difference between employee and owner pay is shrinking
  – Median owners - $302,270
  – Median non-owners $268,309
• But risk can have rewards
  – Personal / philosophical / control
  – 90th%ile MGMA is $535,000 pay
  – 50th%ile NSCHBC is $515,000 pay

Employed vs Self-employed

• Owners benefit from leverage
  – Profit on employed allergists
  – Profit more on employed PCPs
  – Profit most on employed midlevels
  – Not sharing ancillary income
• But ownership adds risk and management duties.
  – Many rarely “leave work behind”

Employed vs Self-employed

• Without “dividends” there is no financial value (ie fiscal “goodwill” value) for ownership of the business/practice
• Without “dividends” there is no financial reason for the risk to be an owner (though there may be non-financial reasons)
Employed vs Self-employed

- Ownership has other benefits; often more important than $$
  - Control of everything, or a vote
  - Clinical focus, style of practice
  - Choice of employees/partners
  - Self-satisfaction of success
  - Entrepreneurship

Typical Successful Practice
Financial Vital Signs

- Collections > $750,000
- Income after expense >$275,000
- Support staff expense < 23%
- Rent <6%
- Marketing <5%
  - Except: marketing elective services can be 10-15%
- Total overhead <65%


Start-up Expenses - EHR

- Choose the EHR referrers use
- Use ASP (rent) model $600+/mo
- Biggest cost can be inefficiency
- Meaningful use is not enough $ upon which to decide
- Most experts still say wait
  - Unless referrers use it
  - Unless multi-specialty or large
- 2rd & 3rd installs is big business
Successful Startup Tips

• Do it right; do it once
• Use the AAAAI Practice Management Resource Guide
• Read Small Time Operator
• Read One Minute Manager
• Become a “master coder”
• Hire the best possible staff
• Get a medical-specialist consultant, CPA and attorney
  – Find many at NSCHBC, AHLA

Financial Management of Your Practice

Marshall Grodofsky, MD
West Hartford, CT

Disclosure

• I’m Region 1 Governor for the AAAAI RSL Board of Governors
• I’m a fellow of the ACAAI and AAAAI and member of the JCAAI
• I’m President of the New England Society of Allergy
• In private practice for a 9 physician Allergy practice in central CT
• Email address is: grodoc@aol.com
Keys to “Financial Management”

- Make sure you have cash to operate your business
- Have “loans” or lines of credit to allow you to finance your business while building up a practice
- Know how to track and maximize revenue production
- Don’t spend extravagantly if you can’t afford it

What have we been trained to do well that will serve us in understanding business?

- Be Analytical!!

How to Analyze Practice Performance

- Need to create “benchmarks” to allow for comparison
- Most important comparison should always be internal - always check against yourself
- Need to budget
Need to Budget

• Allows for analysis
• Modern technology makes this process easy and efficient for anyone

Advantages of Budgeting

• Allows you to compare and analyze how you’re doing weekly, monthly or annually
• Compares current performance with past performance, or from expected performance
• Allows you instant knowledge of “where you stand”
• Allows monthly cash flow analysis

Available Programs

• Quicken
• Microsoft “Managing your money”
• Quick Books
• Spreadsheet programs: Excel, Microsoft “Works”
Simple Accounting

Profit = Income - Expenses

Sources of Income

- See more patients (increase patient care hours)
- Maximize billing for testing or procedures
- Accurate coding
- Selling durable medical equipment
- Clinical research participation
- Invest cash reserves
- Sublet unused space
New “Obstacles” in Play
Which Will Affect Reimbursement

- Conversion from ICD-10 from ICD-9: could lead to insurance glitches affecting 3rd party payers responding to bill
- Accountable Care Organizations (ACO): are you truly efficient in providing your care???

Maximize your revenue (summary)

- You must learn to see more patients more efficiently
- Clearly document what you did
- Be able to support your actions

Understanding Revenue

“What do you mean, what I bill doesn’t equal what I collect?”
How Fees Get Paid

- Patients with insurance coverage
  - Payers determine allowable amounts for each service and physicians are generally contractually obligated to accept these discounted amounts
  - Differences are "adjusted" or written off
  - Patients have "co-payment" obligations

New Issue Regarding Large Deductible Plans

- New HSA plans and insurances with very high deductibles has led to the patient again being responsible for paying for the bill
- Physicians again need to aggressively collect fees from their patients

Explanation of Benefits
Understanding Revenue

**Most Frequently Collection Amount Used Fee Blue CPT Codes Schedule Medicare Cross HMO 1 HMO 2**

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Understanding Revenue

- Collection ratio
- Collections divided by total charges
- AAAAI Practice Management Financial Data Survey results = around 70% ratio

Payer Analysis

- Breakdown what percentage of your total charges each 3rd party payer is
- Includes collection ratio for every 3rd party payer
- Forces you to consider HMO participation diversification – do you need to participate with every HMO???
Payer Profile Analysis

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Understanding Revenue

“When Do I Get Paid?”

Aged Trial Balances

- How much in outstanding charges are present?
- This analysis tells you if you are collecting your fees
Understanding Revenue

• Accounts receivable aging
  – 75% should be under 30 days
  – Over 120 should be less than 10%

• Number of days in A/R
  – Calculate by dividing the A/R Balance by daily average charges (YTD Charges/365 days)
  – Goal should be under 30 days

Coding Issues

• ICD-9 Codes: diagnosis codes
• CPT codes: procedural codes
• Associated modifier codes (L-Codes & J-codes)
• Ultimately charges should be based on complexity of patient’s problem
• Unfortunately (maybe) ICD-10 is coming (log increase in amount of codes)
Understanding Revenue

“What are the typical coding patterns?”

Provider Analysis

• Compare charges and collections of multiple providers in a group
• CPT code analysis: allows for statistical analysis of coding approaches within a group, or in comparison to both regional and national data

CPT Provider Code Analysis
Understanding Expenses

“Of every dollar that comes in, how much goes out for expenses?”

Understanding Expenses

“Are expenses systematically analyzed?”
Understanding Expenses

- Overhead ratio
- General & administrative expenses (not including physician salary and perks) divided by gross collections
- MGMA survey on 2010 data: mean 57.8%
- Past PM survey suggests mean & median ratio of around 57%

Regularly Evaluate Expenses!

- Fixed expenses do not increase over time (rent, malpractice insurance premiums, etc.)
- Variable expenses are dependent on time of operation (staff payroll, medical supplies, etc.)

Regularly Evaluate Expenses!

- Constantly analyze discretionary vs necessary expenses
- These are subjective, but constant re-evaluation will allow for efficient cost cutting
Understanding Expenses

Operating Costs for Multispecialty Practices

- Total Support Staff Cost
- Building & Occupancy Cost
- Medical and Supply Costs
- Ancillary Services Cost
- Other General Operating Cost
- Total Non-Physician Provider Cost

Marketing and Referral Development

John Seyerle, MD
Allergy & Asthma Care, Inc.
Cincinnati, Ohio

Objectives

- Develop a marketing plan utilizing advertising, community involvement, and physician outreach
- Explain the costs and benefits of different marketing strategies
**My Background**

- Finished fellowship in 2011
- Previous experience as CPA
- Ran medical department in Navy
- FIT Rep for ACAAI and JCAAI
- Looked into starting my own practice
  - Wife and 2 kids to support
  - Concerned about initial lack of income

**My Current Practice**

- Joined solo practice in 2011
  - Recently purchased old practice
  - Previous MD had stopped new pts
  - Large patient base but few referrals
- 4 offices in Cincinnati and IN
- $1.4 million revenue in 2011
- Last year spent $30,000 on marketing

**“Marketing”**

- I try not look at it as marketing, but more as community outreach
- Hoping to become a valued member of the local medical community
- But we need to spend some money so people can find us
Marketing
1. Internet and Advertising
2. Community Involvement
3. Physician Outreach
4. Patient Care

Internet & Advertising
• Internet
  – Website
  – Search engine optimization (SEO)
  – Social media
• Advertising
  – Yellow pages
  – Internet advertising
  – Television, newspapers
  – Billboards, banners, business cards

Website
• Hire someone ($30/month)
• Provide copy – short articles
  – Biographies
  – Patient information
  – Hours and locations
  – Contact form
• Notify insurance & hospitals
• 30-60 visitors/day
• Most new patients
Internet Advertising

- Search engines
  - The new Yellow Pages
  - People searching for “allergies” etc.
  - Ads above and beside results
  - Right patient at right time
- Google Adwords
  - $400/month for 5-10 hits per day
  - SEO firm manages for us
- Also Bing and Yahoo

Search Engine Optimization

- Optimization improves rank
  - Separate from advertising
  - People likely to click on 1st result
  - Never go to second page of results
  - Right patient at right time
- We hired an SEO firm
  - $800/month
  - Improves links, changes names of photos, runs ad campaign

Social Media

- Facebook, Twitter
  - Only have 38 followers on FB
  - Time intensive
  - Not many potential customers early
    - Hard to find right patient at right time
  - May be better in the long run
- Physician rating sites
  - Healthgrades, Vitals, Angie’s List
    - Respond to negative comments
    - Ask patients to fill out reviews
Yellow Pages

- $1000/month
- Older patients still use this
- Still necessary
- Will become less important over time as more people move to search engines

Personal Advertising

- Signs, handouts, business cards – $100/month
- Put name on handouts (free)
  - Food allergy action plans
  - Asthma action plans
  - Allergy tip sheets
- T-shirts for patients ($75/month)

Other Advertising

- Television or radio - $$$$ – Expensive but great reach
- Newspapers – $500/month seasonally
- Billboards $$$
Community Involvement

- Health fairs
  - Hospitals, businesses, cities
- Talks to organizations
  - Schools, businesses, other
- Allergy awareness groups
- Articles for local papers
- Interviews on television or radio

Health Fairs/Community Events

- Possibly 1-2 direct new patients
  - Time intensive
  - Good for visibility
  - Asked to write article for paper based on participation in health fair
- Advertising support to local events
  - Golf outing, school athletics, fundraisers
  - $30/month

Talks to Organizations

- Schools
  - “Food allergy awareness”
- Businesses
  - “Costs of allergies and asthma”
- Community groups
  - Business associations
  - Social groups
  - Volunteer organizations
Allergy Awareness Groups

- FARE Walk for Food Allergy
  - $1000 for name on local t-shirt
- Asthma walks/runs
- Immunodeficiency

Writing Articles

- Expand on website copy
- Call newspapers & magazines
  - see if they might be interested
- Try to keep timely
  - Pollen allergies in Spring
  - Food allergies at Halloween
- Also contact radio and television

Physician Outreach

- Lunches, candy, holiday cards
- Pediatric/ IM/ FP Societies
- Hospital involvement
- Patient letters
**Lunches, Candy, Cards**

- About once per year each
  - 3 chances to see your name
  - $300/ month
- Also ENT, Derm, Pulmonary
- Take lunch for doctors *and staff*
  - Staff may control referrals
  - One page patient handouts
- Give doctors your cell number
  - Bring short education handout

**Society Meetings**

- Join local pediatric or IM society
  - Go to meetings and talks
  - Go to social events
- Offer to give talks
  - Also contact FP society

**Hospital Involvement**

- Get involved in local hospitals
- Attend hospital grand rounds
  - also department grand rounds
- Residents/fellows/students
- Hospital dinners and parties
  - Meetings and committees
Patient Letters

• All new patients
  – not just consults
• Major changes in Dx or Tx
• Send for every appointment?
  – Referring doctors see your name
  – Might bother some physicians
    • Keep very short if this frequent

Patient Care

• Be available
• See difficult cases
• Provide outstanding patient care!

Be Available

• Short new patient wait times
  – Keep openings for urgent referrals
• Telephone
  – Return calls promptly
  – Call patients with results
  – Be helpful over the phone
  – Give cell number to doctors
• Email or contact form
  – Respond promptly
See Difficult Cases

- Chronic urticaria
- Angioedema
- Immunodeficiencies

- Referring doctors will remember you the next time they need to start someone on allergy shots

Outstanding Patient Care

- Happy patients refer friends and colleagues
- Happy physicians continue to refer patients