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Meet the Presenter…

On the topic:
Managing the Transition to a Facility Based Medical Practice

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Managing the Transition to a Facility Based Medical Practice

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Healthcare Trends

Our experience in the healthcare industry teaches us that change is inevitable.
Healthcare reforms have pushed “change” to a new level.
Every aspect of our healthcare delivery system is being reevaluated and restructured as mandated reforms are implemented to control costs under the Affordable Care Act
The Healthcare Market

Communities are concerned with providing all the commodities and services necessary for our well-being.

Healthcare services represent a large portion of these services.

Hospitals and physicians are key components as providers for much needed healthcare services.

The viability of hospitals and medical practices in a community depend on certain demographics:

– Industry
– Insurance Marketplaces
– Population/Covered Lives
– Relationships
– Referrals
The Healthcare Market

An understanding in economics pertaining to healthcare is important:

• Communities need industry in order for people to make a living.
• People need medical services and healthcare insurance.
• Insurance companies need covered lives.
• Hospitals and medical practices need those covered lives to establish relationships with.
• Hospitals and medical practices rely on those covered lives and referrals in order to provide services to the communities they serve.

In a nutshell, hospitals and medical practices are inter-dependent on one another.

• Hospitals evaluate the needs of the community and are very involved in the recruiting process of healthcare providers to ensure the medical needs of a community are being adequately addressed.

• Providers establish relationships with hospitals by obtaining “privileges” with community hospitals through the credentialing process.
The Healthcare Market

• Physicians need hospitals for advance medical care of their patients and hospitals need physician practices to support those advanced healthcare services through admissions and referrals to ancillary services.
• New methodologies for the healthcare delivery systems are being developed in the name of “healthcare reform.”

Healthcare Reforms

• Insurance availability for all
• Cost containment
• Reimbursement cuts
• Electronic medical records
• Meaningful Use
• Quality Improvement
• Move to quality based reimbursement system
Impact of Reforms

• Increased cost
• Increased regulatory oversight
• Increased patient monitoring
• Decreased reimbursements
• Quality of care concerns

The Results of Reform

• Physicians are weighing the value:
  – of continuing in private practice or….
  – leaving the burden of reform to the larger entities with deeper pockets….
  – looking to the employed-physician models as the way out.
The Employed Physician Model

• Changes in healthcare, have physicians, both established and new, rethinking establishing or maintaining a private practice.

• Whether the physician is just coming out of residency or is a long-time physician entertaining the thought of becoming an “Employed Physician”, this venture comes with more than its share of transition woes.

The Transition

• By and large, the transition should be seamless, unnoticeable to the staff, unnoticeable to the community…

RIGHT??????
The Transition

Well, not exactly!
However,
it is our JOB to make it work!

Transition Challenges

- Physician:
  - Owner vs. Employee
  - Salary vs. Income
- Office/Practice Manager
  - Chain of Command
  - Human Resources
  - Coding and Billing
- Staff
  - Chain of Command
  - Policies and Procedures
- Public
  - Fee Schedule Changes
  - Policy and Procedure Changes
Transition Expectations

- Physician:
  - Marketing
  - Volume
  - Patient Mix
- Office Manager:
  - Management
  - Finance
  - Marketing
- Staff:
  - Increased scrutiny
- Public:
  - Retain patient base

Physician Transition

Today, physicians out of medical school and residency are faced with the decision of owning their own medical practice or joining the ranks of the employed physician.

New, as well as veteran physicians are facing new challenges with lower reimbursements and higher costs relating to owning their own practices.

The stakes are high in both scenarios.
Physician Transition

Physicians should consider the following before making this important decision:

– Independence
– Awareness
– Trust
– Lifestyle
– Expectations
– Perspectives

Employed Physician Agreements

Understanding Employed Physician Agreements:

• Employed Physician Agreements/Contracts can be very complex.
• A physician considering becoming an employed physician must take time to analyze the agreement.
• Let’s look at some basic concepts that every physician should understand:
Employed Physician Agreements

- Compensation
- Schedule
- Malpractice Insurance/other business expenses
- Benefits
- Provisions:
  - Notice provision
  - Entire agreement clause
  - Buy-in, if applicable
- Term of contract
- Termination
- Liability

Physician Transition

- Overall becoming an employed physician can be a win-win for both the physician and the hospital.
- Challenges begin to appear when a greater level of oversight on finances and patient volume comes into focus.
- Challenges also appear when the status quo of the private practice is confronted with corporate structure.
Office/Practice Manager Transition

• Challenges for the Office/Practice Manager increase based on the following:
  – New reporting responsibilities.
  – New policies and procedures to learn and communicate.
  – New systems to learn and train staff on.
  – New layers of management to navigate.
  – Maintaining staff and patients.

Staff Transition

• Members of your staff are comfortable with “the way things are” and will have difficulty navigating the “changes” which can include:
  – Timekeeping and payroll
  – Personal health insurance
  – New policies and procedures
  – More scrutiny
  – More responsibilities
The Public Transition

- The public, in other words, your patients will notice possible changes in:
  - Paperwork requirements or methods.
  - Increased fees or out-of-pocket expenses.
  - Tougher financial policies.
  - More intensive collection efforts.
  - Different billing operations

Transition and Expectations

- Transition to a facility-owned practice is not for the faint of heart.
- It requires solidarity and commitment of all team members.
- It requires a “willing” and a “can-do attitude.”

To be successful, the Office/Practice Manager must be a “Leader,” an “Encourager,” and a “Mentor” to others.
The Employed Physician

- Physicians opting in to an employed physician contract do so for many reasons:
  - Escape the rigorous regulations
  - Have a better work/life balance
  - Share the risk
    - Malpractice costs
    - Staffing issues
    - Reduced reimbursements

The Employed Physician

- Physicians looking for this type of employment model may be:
  - Just out of residency.
  - Have an established practice.
  - Recruited from another area to fill a community need, known as out-of market.
The Resident

- Physicians just coming out of residency are typically used to working in the hospital environment.
- Estimated that approximately 61% of Residents will seek employed physician status.
- Residents may have little to no experience with:
  - Coding processes
  - EMR/EHR systems
  - Managing in-office patient volume
  - Business operations

The Established Physician

- Physicians who have been in practice for many years are typically familiar with:
  - Coding processes
  - Practice operations
  - In-office patient volume
  - Staffing
- The established physician will experience a greater level of transition due to the fact that this physician has been in control of his operation and staff members.
The Out of Market Physician

The out of market physician is one who is relocating from another state/community.

• Challenges with out of market physicians:
  – New to the state/community
  – New to enrollment processes with insurers, hospitals, etc.
  – No existing patient base
  – Complete office set up, space, furniture, staff
  – Possible resistance from established practices

The Recruiting Process

Certainly changes in the healthcare industry are the driving force behind hospital-physician alignment, but there are other key reasons for hospitals to align with physicians, such as:

– Hospitals continually assess community need
– Physicians retire
– Physicians move to other locations
– Physicians change their hospital allegiances
The Recruiting Process

Once the need is determined, hospital corporations seek to fill those needs through a solicitation and interview process.

This process is extensive and very time consuming.

In addition, this process is generally confidential, largely due to competition between local hospitals.

The Recruiting Process

Typically during this time, negotiations for salary, bonus, etc. are taking place along with a projection process that takes an extensive look at the salary/bonus structure and the ROI associated with bringing on the new physician.

Contracts between the entities will be formulated based on this information.

The projection is most commonly referred to as the "proforma".
The Recruiting Process

There are several processes that are happening behind the scenes, such as:

– Letters of Intent
– Negotiations
– Proformas
– Contracts

In general, hospitals and hospital corporations allocate a lot of resources to this process and it is very costly.

The time involved on-boarding a physician can vary widely depending on the negotiation process

Acceptance from the existing medical community is very important as well.
Letters of Intent

- Typically, it is the Letter of Intent that starts the process of on-boarding.
- Practice structure and space allocations are being investigated.
- The proforma is being developed.
- Final touches for the contract are underway, in addition to the credentialing and privileging processes, which are very time consuming and sensitive.

The Proforma

- For the office manager, the proforma is important because it is the matrix by which the practice’s performance will be evaluated.
- The proforma indicates how long it will take the practice to reach a break-even point and then become profitable.
The Recruited Medical Practice

Regardless of which type of physician is recruited, whether it be out of area, resident, or transition from private practices the successful management of the medical practice will be the key to whether the practice meets the proforma goals set forth.

Common Transition Scenarios

- The employed physician becomes less engaged.
- Staff turnover.
- Changes in structure, computer systems, telephone systems, practice management systems, healthcare insurance, pay, etc.
- Changes in carrier contracts, billing procedures.
- Changes in the authority, i.e., chain of command.
- More scrutiny.
Delicate Balance

• As the office manager, your responsibility is to understand the changes, understand the challenges and navigate the practice positively.

The Focus

• Be engaged, or as engaged as you can in the proforma process.
• Learn and develop an understanding of the proforma.
• Learn and develop an understanding of the financial reports.
• Understand the new insurance contracts and billing company challenges.
# The Focus

- Keep your eye on the following things:
  - Marketing
  - Patient volume
  - Staff allocations
  - Receivables
  - Budget expenditures
  - Credentialing
  - Hospital privileging
  - Education

## Marketing

Marketing is vital, especially if the practice is new to the community.

It is important to understand the politics that are present in the medical community.

If you live where two or more hospitals have a footprint in a community, you have a healthy competition for the existing patient base.

Remember competition is necessary and vital.
Marketing

Be prepared to invest yourself, your staff and the Physician in marketing strategies. Marketing strategies include the following:

– Community service
– Speaking engagements
– Medical staff involvement
– Meet and greet sessions
– Physician to Physician marketing

Patient Volume

We talked about the Proforma and the projections that are developed as a benchmark for the medical practice. Obtaining a copy of the Proforma is important for the practice manager for the sole purpose of understanding the corporate expectation for performance in addition to managing the bottom line.
Patient Volume

Through the Proforma you get a comprehensive picture of the following projections:

- Patient volume
- Revenue
- Contractual adjustments
- Payer Mix
- Bad debt allocations
- Expense allocations/Budget

Patient Volume

Evaluate the patient volume expectations based on the practice structure.

Getting a brand new practice up to projected patient volumes must be realistic.

Patient volumes for new practices should be graduated with percentage growth especially during the first year.
Physician contracts can vary in the terms of how long the employment guarantee will be in effect.

Generally, after the 1st – 2nd year, the physicians salary will begin to transition from the guarantee salary to one based on performance/volume.

Patient volume is the driver of revenue.

Other indicators such as revenue, contractual adjustments, payer mix, bad debt and maintaining the budget provide the overall profitability picture of the practice.
Staffing Allocations

MGMA, along with other organizations contribute to providing statistical information upon which the proforma is developed.

Statistical information used to determine how many staff members are allocated to the practice.

Expect many changes to the human resource process, hiring, firing, disciplinary actions

Receivables

It is important to keep a tight reign on your receivables.

Factors like, patient mix, fee schedules, payers and time of service collections can impact your receivables.

From a corporate perspective time of service collections, timely billing and follow-up are critical elements to the profitability picture.
Receivables

Becoming part of the employed physician model means additional scrutiny when it comes to the billing process.

Large amounts of billing data are collected for the purpose of evaluating how successful the practice is in this area.

Budget Expenditures

Again, projected patient volume is a driver for expense allocations.

It is expected for a practice to stay within budget.

Many corporations have contracts with suppliers, that enable the employed practices to obtain supplies at a lower cost than individually owned practices.

This can create a change in the norm for previously independent practices.
Budget Expenditures

As the practice manager, you will be responsible for maintaining the budget as well as navigating some new processes in how you process accounts payable. Expect that there will be time frames, additional approval processes, and follow-up with vendors, that will be necessary because of the transition.

Budget Expenditures

Additional scenarios that will be affected by the budget process are:

– The use of temporary staffing
– Strict approval levels
– Salary/hourly pay
– Purchases
– Allocations for new equipment
Credentialing

Transitioning into the employed physician model means being credentialed with new carriers and being re-credentialed with old carriers.

Hospitals and hospital corporations will have local, state and national contracts with large carriers.

Expect to navigate the differences in fee schedules.

Expect to have conversations with your existing patient base as well.

Credentialing

The credentialing process is a lengthy one.

The involvement of the practice manager may vary.

Expect delays in the process, expect to have billing delays due to the credentialing process as well.

Make sure, as the practice manager, you stay connected with the department responsible for credentialing your physician. Your practice revenue for that first year will depend on how quickly this process is completed.

Make sure you know what the retroactive payment period is during the credentialing process.

Staying on top of billing will be key during this period.
Hospital Privileging

Generally, physicians in a community will obtain privileges from one or more hospitals.

Due to some contractual arrangements, a physician may only obtain privileges from the contracting hospital.

Care should be taken to ensure that the patients in your practice are aware of which hospital will be used.

Privileging and Credentialing

Physicians and practice managers are responsible for maintaining this information and keeping track of CEU’s that are required for the physician’s specialty.

Expect to be called upon when copies of the medical license and CEU’s are requested.

Be sure you set up calendar reminders for important expiration dates.
Private Practice vs. Employed Physician Practice

There are benefits and risks to any transition. Differences between private practice and the employed physician model may vary. Anticipate changes, open lines of communication with staff. Ask questions, ask to be involved in as much of the transition process as you can. Get additional training in areas of financial management, billing and/or compliance.

Anticipate Changes

- Authority in the practice
- Oversight of:
  - Billing
  - Staffing
  - Patient volume
  - Collections
  - Compliance
  - Medical records

- Human Resource
  - Hiring, firing, discipline, timekeeping
  - Payroll
  - Benefits

- Systems
  - Practice management system
  - Outsourced billing
  - Outsourced accounts payable
Corporate Support

The benefit of the employed physician model is the vast amount of support from the corporate entity for issues such as risk management, compliance, and human resource management.

Keys to Smooth Transition

- Identify the core reporting structure and know your chain of command.
- Communicate to staff members to ease anxiety.
- Learn about the key philosophies and culture of the corporate environment with which you will be aligning.
Keys to Smooth Transition

• Be ready to embrace change and assist your staff in embracing the changes that will filter down as your private practice is integrated into the new employment model.

• Identify any areas where you may need additional training and begin to sharpen your skills.

• Some organizations will require you to obtain certifications as a means to ensure you have the skills to successfully manage the practice.

Good Luck!

“Coming together is a beginning, keeping together is progress, working together is success.”

-Henry Ford
Questions?

• Thank you for your attendance!!

• Get your questions answered on PMI's Discussion Forum: http://www.pmimd.com/pmiForums/rules.asp

• Contact information: gwright@pmiMD.com