Is “Profit” a Four-Letter Word?

As patients act like consumers, practices must act like businesses.

BY VICKI RACKNER, MD


Dr. Kelly remembers the day his office manager said to him, “I have some bad news. I’m not sure we have enough money in the checking account to meet payroll this month.” Dr. Kelly was confused. The practice seemed to be thriving. In fact, he was so busy, his family complained that they never saw him anymore. There was no time for reflection. Something needed to be done urgently to avert a crisis. He made an appointment with his banker to secure a line of credit. Problem solved.

Then he re-directed his focus back to the thing that he loved: taking good care of his many patients.

What If This Were Apple?

Imagine the CEO of Apple saying to his board, “Great news. We’re selling more product than ever before. Unfortunately we’re going broke doing it.” The shareholders would be up in arms. What was the cause of the poor profitability? What was being done to remedy the situation?

Business people—let’s call them Suits—know the business of business is to make money. Suits see stunted financial growth as a symptom, look for the underlying cause, and create a treatment plan to restore financial health.

Clinicians—let’s call them White Coats—approach profits differently. One doctor said, “My goal is to have enough money in my checking account so I can write a big check to buy a big toy any time I want.”

Many White Coats do not pay attention to profits until they are not able to meet their financial obligations comfortably. Then the financial pain becomes like a toothache: it’s all they can think about while it hurts, and completely forgotten when it’s gone.

Why Do Smart Doctors Make Dumb Business Choices?

About six months after his financial crisis, Dr. Kelly’s wife pressed him to explain why he had changed his mind about buying their son a new car. With a bit of shame, he finally confessed to the practice cash flow problems.

“Where is the money going?” she asked. She persuaded him to get to the bottom of the mystery.

The Cause for Poor Profits

Dr. Kelly discovered that he was leaving lots of money on the exam table. About 30% of his insurance claims were rejected, and no one was following up on them. No one liked making collection calls, so patients’ financial obligations were dis- charged. Dr. Kelly even said, “When I write off patient balances, I get a much-needed tax break.”

During the financial discovery process, Dr. Kelly’s faithful receptionist, who never missed a day of work, handed in her resignation. Later he discovered that she had been pocketing the cash co-pays. While it was difficult to calculate how much she embezzled, it was most likely the equivalent of two to three years of his son’s college tuition.

The Reason for Poor Profits

Here’s the bigger question: why did Dr. Kelly slap a Band-aid on the cash flow problem by taking out a line of credit instead of seeking and fixing the underlying cause? He’s an astute clinician who would never treat a patient before making a diagnosis. There is a deeper root cause that limits the rewards from the practice of medicine: the belief that “profit” is a four-letter word.

Our core medical ethic holds that the care of the patients should be disconnected from a patient’s ability to pay. For us, money is the ultimate taboo topic. Further, many healthcare professionals feel ambivalent about connecting clinical care to profits.
Suits Versus White Coats

Here’s how to understand the differences between Suits and White Coats.

Metrics for Success

Although everyone wants to experience success, Suits and White Coats call on different metrics to track progress. Suits win by optimizing profits; it’s fundamentally about financial outcomes. White Coats win by optimizing the quality of medical care; it’s fundamentally about clinical outcomes.

Making money and making a difference are intimately intertwined. Businesses cannot make money unless they offer value that makes a difference in consumers’ lives. Medical organizations cannot keep their doors open unless they are profitable.

Skills That Support Success

Suits invest in finance, sales and marketing skills. White Coats invest in clinical skills. Before words like “managed care” were in our lexicon, if you just took good care of patients, your practice would grow and you would enjoy handsome financial rewards. This is no longer true.

White Coats have the training to care for patients. However, who laid out the rules and tools to manage the business side of medicine?

• They learned how to take good care of patients. Who taught them how to attract and retain those patients?
• They learned how to interpret the I’s and O’s of an ICU patient. Who taught them how to interpret how cash flows in and out of their practices?
• They learned how to integrate technological advances into patient care. Who taught them how to leverage Facebook, blogs and YouTube to grow their practices?

Gaps in business skills limit White Coats’ practice growth.

Relationships with Profit

Imagine a CEO announcing, “Profits are up 20% from last year.” You can almost hear the robust applause from the shareholders. Can you imagine being in the doctors’ dining room and hearing one of your colleagues say, “Things are going great in my practice! Profits are up 20%.” It simply wouldn’t happen. Most doctors would be horrified at the idea that they might be perceived as “being in it for the money.”

Many healthcare professionals feel that there is something “dirty” about money. They behave as if thinking about profits erodes their professional standing. They have the mindset that “profit” is a four-letter word. This hesitation to measure business outcomes leads to predictable consequences:

• Cash flow problems;
• Vulnerability to theft and fraud;
• Lack of joy and poor staff morale;

(Continued on page 130)
Profit (from page 129)

- Vulnerability to burnout; and
- A sense that the practice controls you rather than you directing the growth of the practice.

The truth is that money is neither good nor evil; it’s simply a tool that facilitates the exchange of value. When you generate more profit, you have more options that allow you to serve in a bigger way. Conversely, if you are not profitable, you will not have the opportunity to make a difference in patients’ lives.

You might be a Suit by temperament. Or maybe you’re a White Coat who sees the value in thinking like a Suit. Either way, insights about the differences between Suits and White Coats will help you bridge the gap between these different worlds, avoid culture clashes, and resolve conflicts more effectively.

Thriving Medical Practices: Suits and White Coats

Today, thriving medical practices benefit from leadership from both Suits and White Coats. Sometimes, it’s the same person wearing different hats, like the baseball switch hitter. Why? Patients are behaving like consumers. Consider your patients’ perspective:
- Patients have more choices. Gone are the days when healthcare professionals were the gatekeepers to medical information, diagnostic tests, and therapeutic interventions. Think about the growing medical tourism industry.
- Patients are directing the majority of healthcare referrals. Even if the referral came from another doctor, the patient may have suggested your name.
- People are consistent. Each person has a purchasing style that remains consistent no matter what they buy or how wealthy they are.
- Coupon clippers will go to great lengths to pay less.
- Value shoppers are willing to pay more to get more.
- Gourmands pay top dollar for access to elite products and services.

Your patients bring their spending style to healthcare choices. Patients want to talk about money. It’s time for us to overcome our discomfort and discuss fees. We do this in the spirit of helping patients make informed choices.

“Profit” Is Not a Four Letter Word

Every day you invest time and attention and dollars to enjoy the privilege of treating patients. Imagine yourself managing three accounts: your bank account; your energy/joy account; and your time account. These accounts reflect the personal, professional, and financial rewards from your practice. Every encounter results in a net deposit or withdrawal to or from each of the three accounts.

Attracting the ideal patients with medical conditions that optimize profits is a way of working smarter that makes deposits in each account.

Here are three critical starting questions to ask podiatrists:
- What are the profiles of your ideal patient, and the patient you dread seeing?
- Which professional activities bring you the most joy, and which activities drain you?
- What professional activities are the most profitable and least profitable?

These three questions can capture the three critical “practice vital signs”:
- Level of joy/professional rewards;
- Profitability; and
- Freedom to enjoy free time.

It’s like measuring your practice’s blood pressure, temperature, and heart rate.

Dr. Kelly’s energy account was overflowing at the time of his financial wake-up call; he couldn’t wait to get to work in the morning. How would he spend more time with the family and have the ability to buy nice things?

Since doctors trade their time for money, cuts in working hours usually translate to cuts in income, and it’s always hard to take a financial hit. However, attracting the ideal patients with medical conditions that optimize profits is a way of working smarter that makes deposits in each account.

A burned-out doctor wanted to be there to greet her teenagers when they arrived home from school. She also wanted to enjoy the connection with her patients, rather than fearing them as litigation threats. She decided to take a six-month sabbatical to recharge. Fortunately she could afford to do it. She couldn’t afford not to!

Whether or not you use profit as a vital sign to guide practice decisions, you should measure it. That means that you are making choices with your eyes wide open.

Pay attention to the business vital sign is the best way to help you get what you want. Suspend judgment and consider all of your options. PM

Dr. Rackner is a practicing surgeon; Clinical Faculty, University of Washington Medical School, Seattle, WA; founder and CEO, Thriving Doctors; author of The Myth of the Rich Doctor (Global Publishing, 2018), The New Thriving Medical Practice (Global Publishing, 2017), and 9 Ways Physicians in Private Practice Let Money Slip Through Their Fingers (Global Publishing); e-mail: vicki@thrivingdoctors.com; website: www.thrivingdoctors.com.