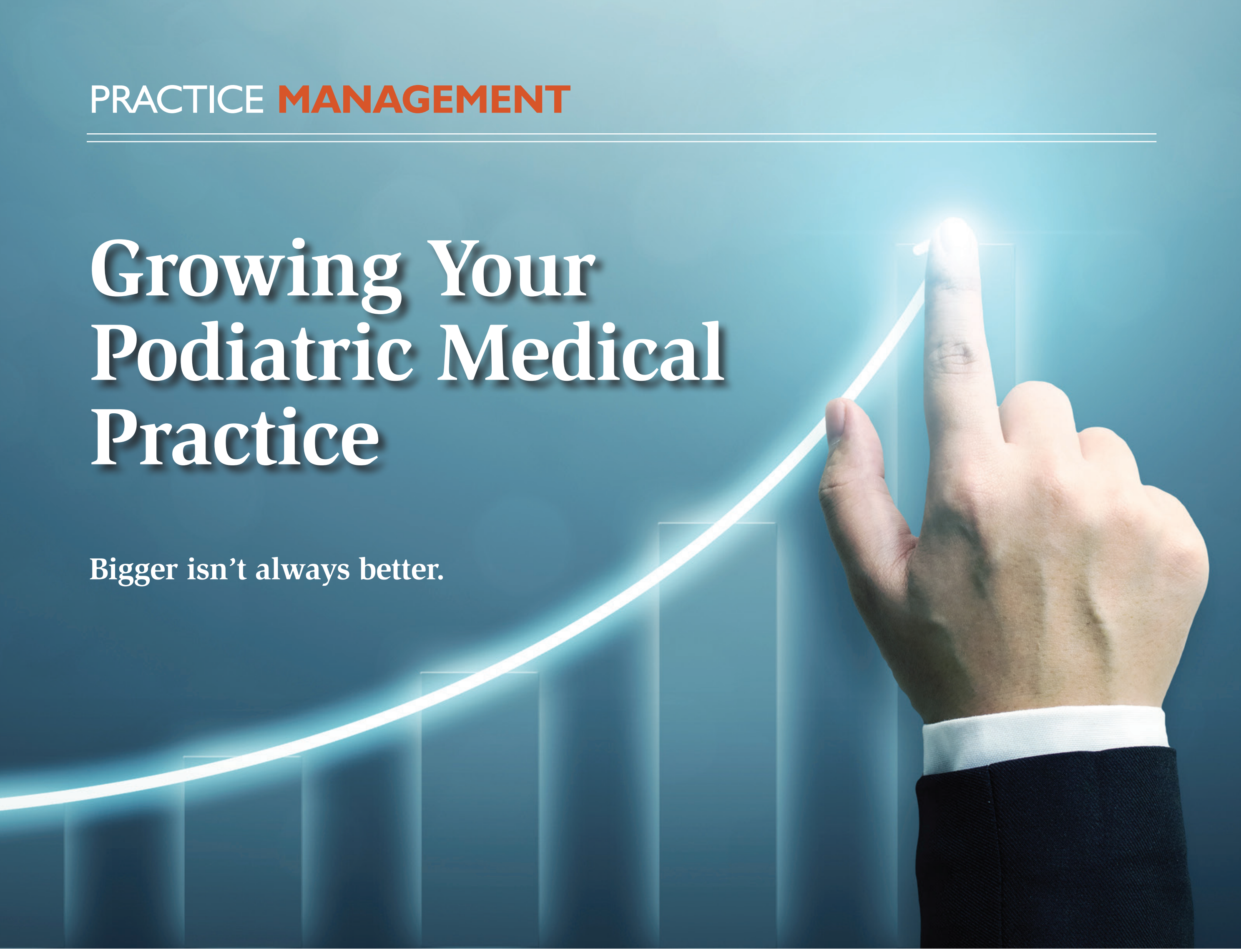

Growing Your Podiatric Medical Practice

Bigger isn't always better.

BY MARK TERRY

A common business mantra is "grow or die." At its worst, this is total nonsense and at its best, lacking in nuance. Edward D. Hess, a professor of business administration at the Darden Graduate School of Business at the University of Virginia, told *BedTimes* Magazine, "'grow or die' is a belief that has no basis in scientific research or in business reality. When not approached carefully, growth can destroy value as it outstrips a company's managerial capacity, processes, quality controls and financial controls, or substantially dilutes customer value propositions."

At the very least, in terms of a podiatric medical practice, you need to determine what "growth" actually refers to. Is it more patients? Is it greater profitability? As Rem Jackson, CEO and Owner of Top Practices, says, "Bigger isn't better. Bigger is bigger. Better is better." If you have more patients than you can handle, they're in an area of practice you're not particularly interested in, you're stressed out, practice morale is bad, and the business is being run in such a way that you're still not profitable; that's not better. That is, in fact, a mess.

Rem Jackson

"Bigger isn't better. Bigger is bigger. Better is better."—Jackson

So for this article, we'll talk about "growth" as "profitability." That doesn't exclude more patients, but it's only part of the picture.

Growth and Priorities

In their book *Streaking: The Simple Practice of Conscious, Consistent Actions That Create Life-Changing Results,* authors Jeffery J. Downs and Jami L. Downs suggest that it is conscious, consistent actions that create life-changing results. As a way to start, everyone should ask themselves four questions:

- *Who do you want to be in your personal life?*

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• *Who do you want to be in your social life?*
• *Who do you want to be in your spiritual life?*
• *And who do you want to be in your professional life?*

Although this article is focused on growing your podiatric practice, the level of growth and how it grows affects all four areas and your priorities. A certain amount of patient volume growth is always going to be necessary, but the amount and where it falls in your priorities can depend on the life cycle of the practice. If you're just starting out, increasing patient volume is vital. It might be a somewhat lower priority at other points in your practice's life cycle.


Mike Crosby

Jackson says, "Every organism has a rate of growth that is healthy. Every doctor needs to find their sweet spot in terms of growth."

Mike Crosby, President of Provider Resources, says, "Growing your practice means having a healthy number of paying patient visits every day, every week. And I would say that's no matter where you are in your practice. But maximizing cash flow of business is not always increasing the number of patients—it's about being better at what you do."

Profitability

So in terms of growth that refers to profitability, there are three broad ways of growing profitability. They are: cutting costs, increasing patient volume, and improving efficiency.

John Guiliana, DPM, MS, Medical Director of Podiatry for Modernizing Medicine, points out that "growth and profitability take much more careful analysis than just patient volume." But first, Guiliana brings up the subject of contribution margin. This is the selling price per unit minus the variable cost per unit; meaning, in the context of a podiatry medical practice, "the difference between a practice's reimbursement money and their variable costs." Guiliana notes three approaches to focusing on profitability within the context of contribution margin.

"Growing your practice means having a healthy number of paying patient visits every day, every week."—Crosby

1) Reducing Costs. "You have twice the leverage of improving profitability by focusing on costs than you do by focusing on increasing patients or revenue," Guiliana says. "The reason for that is the variable costs. You have twice the possibility of improving profitability by focusing on costs because every dollar that you save goes directly to your bottom line; whereas every dollar you achieve by increasing your revenue or patient volume gets eaten away by fixed costs such as taxes and overhead."

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Crosby completely agrees, saying, "How to grow your practice can be about controlling the cash flow of your business. I see people with one, maybe two staff members, and they outsource their billing, and even cut their patient load while cutting back on staffing but suddenly their cash flow is better than it has been in years. And it has to do with controlling their costs."

2) Optimizing Volume. This goes back to the question of increasing patient volume. You want to *optimize* your patient volume versus *increasing* patient volume. Guiliana says, "That means taking a look at what you're actually doing for that volume of patients in terms of utilizing services that are evidence-based and protocol-driven that get patients better faster. It's not just about making money. It's about using evidence-based treatment and ancillary treatments that improve your per-visit value (PVV). So now you have the same level of optimum patients, but your production is higher and that leads to a higher per-visit revenue."


John Guiliana

This also means not just treating the indication but treating the whole patient—100% comprehensive treatment. Guiliana says, "That means setting up care plans. You don't have to do it all in one visit. You can stage it out, but you're practicing comprehensively and more responsibly and getting patients healthier. It's all about wellness."

3) Targeting Marketing. As opposed to simply marketing, targeted marketing means, Guiliana says, "that you understand the contribution margin of the treatments that you provide, and you seek to develop as a Center of Excellence around those high-contribution margin treatments."

For example, podiatry has a lot of

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palliative treatments for things like diabetic foot treatments, but newer technologies such as remote patient-monitoring come with a higher contribution margin. Guiliana says, "So you develop and target that market for those particular types of patients suffering with those conditions that have a high contribution margin. Of course, you have to like treating those things, and therein lies the balance of enjoying what you do. If you aren't fond of treating specific types of patients, then despite having all these advanced technologies, I wouldn't encourage you to focus on it if you don't like doing it."

Although there are numerous benchmarks published by podiatric and medical associations, from the perspective of balancing growth and profitability with your personal goals and life, they may NOT be the best for you.

Three Points of Leverage

Jackson has what he calls three points of leverage [*Podiatry Management,* January 2021] to improve your practice.

#1) Number and Quality of Patients. Although there are numerous benchmarks published by podiatric and medical associations, from the perspective of balancing growth and profitability with your personal goals and life, they may NOT be the best for you. Jackson says, "You have a choice between why we might grow or what we do to get there while at the same time thinking about the impact on your personal life, your time with your family. Do you want to be coaching soccer? Do you want to be able to take your hockey player on the trips they have? How available do you want to be? Because growing your practice then becomes an exercise in balance and making sure that as you do this, you don't extend yourself in ways you don't want to go."

Another way Jackson puts it is that if you have too few patients, your practice will suffer; too many, and you will suffer. There's no "right number," but 32 patients per day per doctor is a reasonable rule of thumb, but your practice might find optimal results at a different figure. But they should be the types of patients, for the most part, that you're interested in and enjoy treating.

Jackson recommends about 20% should be new patients "because you need to have around a 20% new patient ratio to existing patient appointments."

#2) Per Visit Value (or Per Visit Revenue). Yes, this is the same metric Guiliana mentioned as well (see sidebar for more key performance indicators). Jackson says, "Once you have the number of patients you want to see each day, then you need to market your practice so that you can generate that many of the kinds of patients that you want to see to hit the optimal number." And related to this figure, Jackson recommends about 20% should be new patients "because you need to have around a 20% new patient ratio to existing patient appointments."

#3) Dollars Per Hour. This is a slightly different metric than PVV in that you're tracking the revenue that comes into your office every hour. Simply divide your collections by the number of hours you're seeing patients—but don't use the number of hours you are in the office, some of which may be administrative, according to Jackson. Instead, calculate the number of hours you and your staff are actually seeing patients. This is a measurement of practice efficiency.

A Few Thoughts on Partners and Multiple Offices

It probably goes without saying that some podiatrists think that a way to improve profitability is to

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bring on an associate physician or to open a second location. And it might be, although everything discussed in this article about keeping costs under control, tracking metrics, determining how many and what type of patients you want to see, and targeted marketing still apply—maybe even more so.

Jackson points out that a lot of doctors want to take a vacation but don't feel they can because they'd have to close their office. So they start thinking, well, if I had an associate or a partner, I could take the time off. "It is infinitely cheaper and easier to just go ahead and take the vacation," he said. "Take a vacation, take two or three; you'll still be ahead. If you sit and do the math on what it actually costs to develop and grow another doctor, which takes two or three years, you'll be further ahead taking the vacation."

The same—maybe even more so—can be said about opening a second location. You're doubling your overhead and fixed costs, while increasing the management and logistic issues. That isn't to say it's impossible to make it work, but if the only metric is to increase patient volumes, then it's probably going to be an uphill battle.

Key Performance Indicators (KPIs)

Although it seems obvious, you can't improve your practice's growth if you don't know where you are. You can track almost anything ranging from how many times the phone rings to dollars per hour, but you want to make sure that the things you track are providing useful, actionable data. Here are eight particularly useful KPIs.

#1 Monthly Charges. The number of bills for service your practice makes.

#2 Monthly Collections. This refers to how much you actually receive, as opposed to how much you're actually owed.

#3 New Patients. Look for trends associated with marketing efforts.

#4 Total Patient Visits. Total number of visits isn't always a key number, but it's an important number; particularly the ratio of new patients to existing patients.

#5 Accounts Receivable (AR). Accounts receivable is the outstanding monies owed to the practice. This is also a measure of how long claims are overdue. Generally, the claims over 90 days should be less than 20% of your total AR. What you want to know is "days in AR," or the average number of days it takes to collect the payments due to the practice.

#6 Per-Visit Value (PVV). This is also sometimes called revenue per-visit (RPV). It refers to how much money you bring in per visit. This is calculated by knowing the collections and dividing by total patient visits. This gives an indication of how each provider is measuring up and comparing to one another on the clinical protocols and utilization of services.

#7 Net Collection Ratio. This is [(Your Collections + Your Contractual Obligations) divided by (Your Charges)] X 100. Once you properly adjust accounts according to your contractually obligated write-offs, you can calculate your net collection ratio. The optimal net collection ratio is greater than 93%.

#8 First-Pass Denial Rate. What this tells you is what percent of claims are not getting billed out correctly. For example, it costs about $25 to rework a claim that has been denied. Let's take a first-pass denial rate (FPDR) of 20%. If you have 20,000 claims and a 20% FPDR, that comes to 4,000 denials. 4000 denials X $25 is $100,000. Ideally, the FPDR should be less than 5%. **PM**

Make the Practice Work for You…

Grow or die, as mentioned at the top of this article, lacks nuance. Yes, all practices need to grow. At the very least, you will want to keep up with inflation in order to cover rising overhead costs and keep good staff. New patients are the lifeblood of a practice—many patients are one-time patients, they go elsewhere, or they move away or pass away.

Still, as Crosby says, "Does your practice match your lifestyle? You have to get to where your practice works for you more than you working for the practice. The thing about growth is it's good only if it's benefiting you." **PM**

Mark Terry is a freelance writer, editor, author and ghostwriter specializing in healthcare, medicine and biotechnology. He has written over 700 magazine and trade journal articles, 20 books, and dozens of white papers, market research reports and other materials. For more information, visit his websites: www.markterrywriter.com and www.markterrybooks.com.