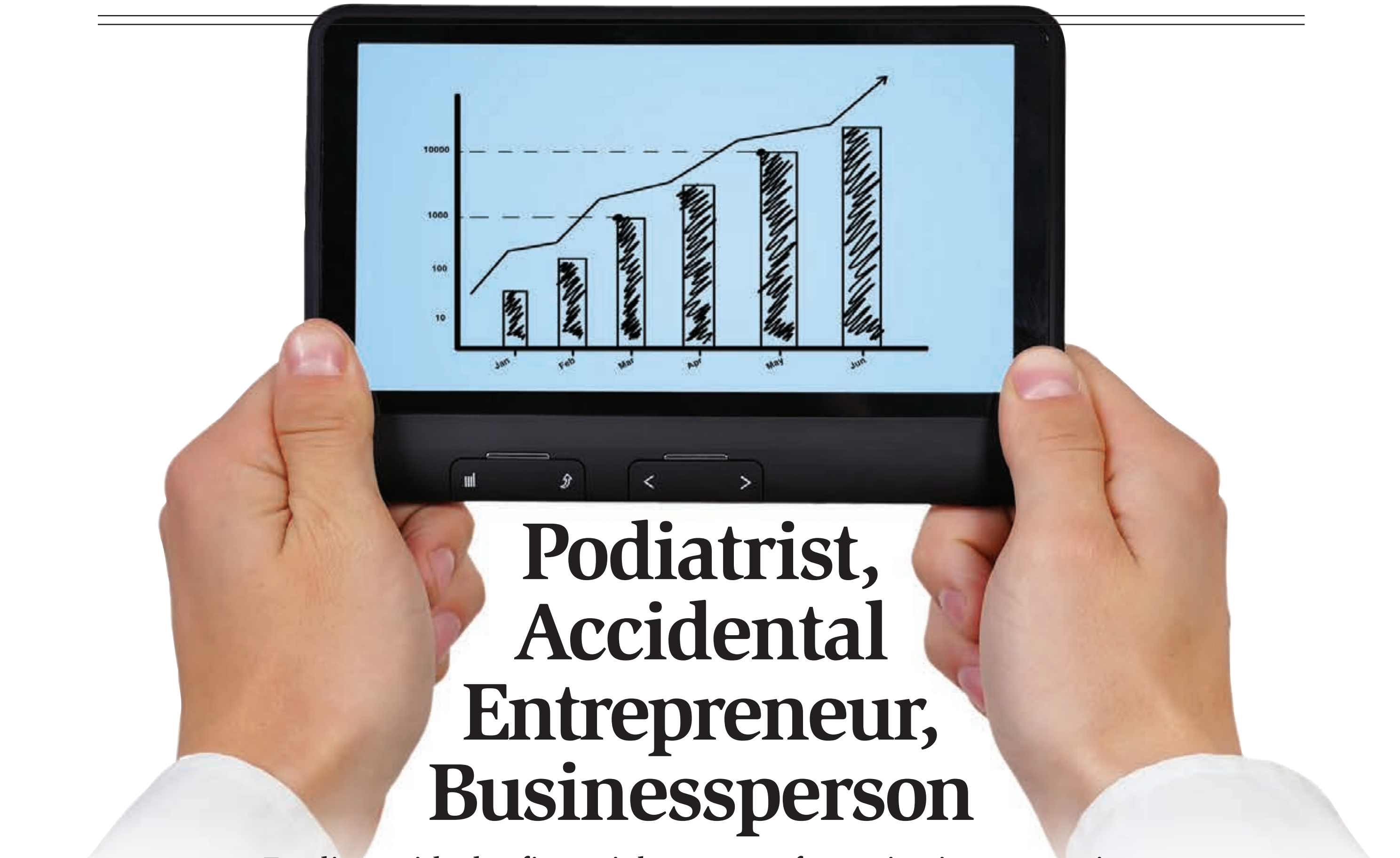

Podiatrist, Accidental Entrepreneur, Businessperson

Dealing with the financial aspects of practice is a necessity.

BY MARK TERRY

An Intuit survey found that 46% of small business owners do not have a business degree. About a third do say they have taken some business classes. Another way of looking at that, of course, is that of small business owners, two-thirds have no formal business training.

That should probably not be a surprise to podiatric physicians, who typically have excellent undergraduate degrees in some sort of life science—biology, physiology, chemistry, biochemistry, etc. But it would be a rare podiatric medical program that included a course in Running a Medical Business 101, let alone taking coursework in marketing, accounting, basic economics, business analytics, finance, or operations management. And that doesn't even include the specialized business aspects of running a medical practice, such as negotiating with payers and government regulatory compliance.


Rem Jackson

Yet, any podiatric physician running a practice is a businessperson, or what might be called an "accidental entrepreneur." That's not unusual. Many people in the U.S. run businesses without specific training in running a business.


Dr. Guiliana

Rem Jackson, president/CEO of Top Practices (Las Vegas, NV), says, "One of the great tragedies of professional schools like schools of podiatry, medical school, and law schools, and other advanced professional programs, is that they are coming out and going into private practice. And the schools do not prepare them for the world they're going to be in and the essential skills that they need to be successful and not be unhappy. It's one of the greatest travesties that there is for professionals."

Managed Neglect

In their book, *The Million Dollar Practice*, Jeffrey Frederick, DPM and John Guiliana, DPM, refer to a concept they call "managed neglect." That is to say, not paying enough attention to the business part of the medical business you are running.

Guiliana, Medical Director—Podiatry at Modernizing Medicine (Boca Raton, FL.), says, "What we meant was having a focus solely on patients, which, of course, is crucial. But to deliver high-quality care perpetually to patients, you have to focus on the business part of medicine as well. And unfortunately, physicians routinely have zero training when it comes to how to run a business, what metrics to monitor, how to look at the strength of the practice, the weakness of the practice, missed opportunities of the practice,

Continued on page 58

Businessperson *(from page 57)*

and to put together a strategic direction that enables that practice to be fiscally viable."

Peter Wishnie, DPM, (Piscataway, NJ) echoes the sentiment, noting that "there's a common misconception that you're not taking care of your patients running it like a business. The patient is very, very important. But at the same time, to take care of the patients to the best of your ability, and to be there for the community, you need to make sure you're around and you're thriving."


Dr. Wishnie

Jackson notes that doctors are highly educated people, and business, in general, is not nearly as complicated as medicine. He also points out that being a physician but not running your business well is a prescription for burnout. "I've never heard doctors say they don't like treating their patients. But I've heard most of them say they really can't stand all the pressure of running a small business. And on top of that, it's harder to run a medical practice than it is a regular business like a store or a restaurant."


Dr. Ornstein

Jackson added, "Every business has its issues, but in medicine, we have this ridiculous relationship with the payers and the government intrusion and all the rest of those complicating factors. It's not for the faint of heart. But the only way to survive and to have a life where you come to work, see your patients, and leave with everything done and manage to have nights and weekends and a life that you enjoy, is to learn to manage the business."

Key Business Issues

So what business issues should you be concerned about?

1) ***Cash flow.*** Jackson says, "The first thing I would tell all of them is the number one job of every business owner is to understand their cash flow matters, and you need to understand what you're spending and what you're bringing in. And the difference has to be enough to not only pay for everything else, but to fund your ideal lifestyle."

2) ***Profit & loss.*** Hal Ornstein, DPM, Managing Partner of Affiliated Food & Ankle Center (Howell and Jackson, NJ), says, "I would start, on a quarterly basis, running profit and loss and comparing it and dissecting it." He points out that there are two ways to take home more money—you can produce more, and you can cut expenses. "So we have to take a careful look at where we're going to make cuts."

Continued on page 59

Businessperson (from page 58)

3) ***Systems and protocols.*** "Number one for me has always been and still is systems and protocols," Wishnie says. "It trickles down to the bottom line. And if you're seeing a patient, have a system where you know exactly what you're doing, how to set up for a certain procedure." And that includes your business practices.

4) ***Metrics.*** Guiliana says it all starts with the importance of really understanding your practice, what the practice needs, and how the practice is behaving. "And in order to do that, there has to be someone that knows how to measure, monitor, and manage the data. All the data speaks volumes. It paints the picture of how the practice operates." [See sidebar: 8 Key Performance Indicators].

5) ***Breakdown.*** Understand where your expenses are. The largest expenses are typically your office and your staff. If you're looking to trim expenses, staffing is often where people look, but that's a tricky balance, because you need enough well-trained and motivated staff to run your practice efficiently and effectively.

"Number one for me has always been and still is systems and protocols."—Wishnie

Ornstein notes that if, for example, you're paying your staff $20 per hour, you might be able to cut an hour every day somewhere. That can come to $100 per week, or $5,200 per year. "And what people don't realize is that's just an example of one thing. We get complacent and don't understand where the money is going." There may be office supplies that are being ordered from a more expensive vendor, for example.

6) ***CPT analysis.*** Understand what procedures you're performing and how much money they bring into the practice. Guiliana says, "For utilization data, you can drill down to the data and for every patient with a certain diagnosis, how does each provider treat that patient? It's all in the data. If you know how many unique patients you've had with plantar fasciitis, for example, and you know how many functional foot orthotics you've dispensed, you can begin to develop provider ratios and look for variances in those utilization ratios. Once a provider sees they're falling below the mean of the other providers, they can adjust appropriately."

In the same area, Ornstein notes that you might find that there are simple procedures, such as strapping of the foot, that represent good medical care and some insurances pay for them, but they are not being applied to the billing. "Each practice should sit down and create treatment protocols so that all of the appropriate services are being applied and charged for."

7) ***Have the right people.*** Wishnie emphasizes not only having protocols and systems in place but also "having the

Continued on page 60

Businessperson *(from page 59)*

right people and then training these people and then retraining them periodically to make sure that as things change, they understand the changes and implement them. And everybody is trained in this efficiency."

8) ***Market.*** Marketing is an ongoing process, not a sporadic "campaign" activity. It's also multi-faceted. Jackson breaks marketing down into four pillars: web-based marketing, referral marketing, internal marketing, and external marketing. Together they make a successful marketing strategy. And as mentioned earlier, develop ways to track your marketing activities' effectiveness. One of the simplest ways is to ask new patients where they heard about you.

9) ***Negotiate.*** Guiliana notes there's a myth that "an insurance carrier is not going to negotiate with a solo practitioner." For some that might be true. But the biggest problem is doctors going to the negotiating table without any data. You can't just say, 'Hey, I need more money, I can't survive on this.' Show them the data, your variable cost per patient, and demonstrate that the insurers need to pay above that figure."

"If you don't have an office manager or an administrator, then it's up to the doctor to spend a few hours every week running their business, understanding their business."—Guiliana

10) ***The daily nut.*** All the metrics and data you collect about your practice often come down to this question: how much money do you need to bring in to pay for it all? To cover your infrastructure expenses, your business and equipment leases, your payroll, your medical and business supplies, and your own salary to meet the lifestyle you want. Once you have that figure, then break it down to how much income you should then bring in every day to hit that number. You won't, necessarily, hit it every day. And some days you will exceed it. But by having that daily figure, you can look at how much each patient visit typically brings in, which will allow you to determine how many patients you should see. And that metric will help determine the number of staff.

Continued on page 61

Businessperson (from page 60)

8 Key Performance Indicators (KPIs)

A broad range of metrics can be tracked in a podiatric medical practice. Anything from how many phone calls to how many minutes a patient is in the facility. At one time or another all may be worth tracking to better understand your practice, but there are eight KPIs that are viewed as the most fundamental to a medical practice.

1 **Monthly charges.** The number of bills for service your practice makes.

2 **Monthly collections.** How much money your practice actually receives each month.

3 **New patients.** Evaluate the number of patients coming in and look for trends associated with your marketing efforts.

4 **Total patient visits.** Monthly, yearly, and understanding the number of new patients with the overall number of patients.

5 **Accounts receivable (AR).** Outstanding monies owed to the practice. This also measures how long claims are overdue. Claims over 90 days should be less than 20% of your total AR. Days in AR is the average number of days it takes to collect the payments due to the practice. High-performing medical practices generally have billing of 30 days or less in AR, with an average of 40 to 50 days, and 60 days being below average.

6 **Per visit value (PVV).** Sometimes also called revenue per visit (RPV). How much money you bring in per visit.

7 **Net collection ratio.** [(Your Collections + Your Contractual Obligations) divided by (Your Charges)] X 100. A good benchmark is greater than 93%.

8 **First-pass denial rate.** This tells you what percent of claims are not getting billed out correctly. A good benchmark is less than 5%. **PM**

Continued on page 62

Businessperson *(from page 61)*

Who and How Much?

It's safe to say that the physician can't do everything in the practice. A recurring mantra in this publication and by practice management consultants is that the physician should primarily focus on the things only they can do—practice medicine.

But it is your business. You're the owner and operator. Regardless of the size of your practice and specific job title, you are the chief operating officer. Does that mean you need to handle every detail of running the business? No. Delegation is important. Typically, you would have a business manager, or at least a staffer, who handles most of the business details.

Ornstein emphasizes that it's "critical to have a good accountant. And a lot of podiatrists won't hire a bookkeeper because they don't want to spend money. But the bookkeeper is going to dissect your numbers. He or she is going to be a business partner saying, 'Hey, listen, this is where we need to clean things up.'"

But you do need to spend time running the business. Guiliana says, "If you don't have an office manager or an administrator, then it's up to the doctor to spend a few hours every week running their business, understanding their business."

Both Jackson and Wishnie refer to a day a week or several hours a week as "rainmaker days." Guiliana, Wishnie, and Jackson recommend at least three hours a week, with Ornstein suggesting a full day.

Jackson says, "I think every doctor needs to block a minimum of three hours every week they can spend on 'rainmaking activities," working on your strategy, marketing reporting, and just looking at the health of your business. It needs to be scheduled during existing patient hours. You can't do it at night. You can't do it on the weekend because your family has opinions about what you're doing on the weekends, plus you never do it. There are certain things in your professional and personal life that need to be protected, and spending a specific amount of time on the business aspects of your medical practice is one of them."

A well-run medical practice provides you and your staff with strong, stable finances to enjoy the life you want to have and allows you to provide the best possible care to your patients. **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.