

Socioeconomic tips

Surgeons express new optimism at Clinical Congress

by the Division of Advocacy and Health Policy

Each year at the Clinical Congress, the Division of Advocacy and Health Policy sponsors complimentary practice management consultations. Tom Loughrey of Economedix was the consultant again this year, and he reports that the surgeons who participated in these meetings displayed a somewhat more optimistic and upbeat attitude than in the past. Following are some questions we had for Mr. Loughrey and his responses.

What were the main topics of interest this year?

Residents and surgical fellows asked about career opportunities, including what to look for in proposed employment contracts and practice equity buy-ins. Young surgeons also expressed surprising interest in starting up solo surgical practices, which may indicate renewed confidence in the ability of the marketplace to support a solo practice.

Mid-career surgeons generally asked about operational issues, such as group expansion, compensation, personnel management, technology integration, and compliance, particularly regarding coding documentation.

Surgeons looking at the last years of their careers were primarily interested in practice succession, recruiting, practice valuation, partnership issues, and checklists for closing a practice. Some questions covered all stages of a surgeon's career such as personal financial planning.

Is it really possible for someone just starting out to go solo?

It depends on how much risk the surgeon is willing to accept. Starting a solo practice is much like investing in the stock market. Unfortunately, most young surgeons are unprepared for all the issues they will face in starting their careers. Entering a good group practice is an opportunity to learn. While there is a cost to pay, it is generally benefi-

cial to join a group and take advantage of what other surgeons have discovered through experience.

Spending a few years in a group may prepare surgeons for solo practice. And, other surgeons may find that they would prefer to remain in a group so that they can share call and expenses and consult with and enjoy the collegiality of other surgeons. In the end, though, if someone is truly committed to going into solo practice he or she probably only wants advice about what to do.

So what kind of advice do you give a surgeon who wants to enter solo practice?

If I cannot talk them out of it, then they clearly have the traits they need to practice independently: resolute passion and an admirable level of self-confidence. Basic advice includes checking out the opportunity completely. Is it in a good location? Is the market sufficient relative to the number of surgeons already in the community? Will the professional community welcome the practice? After thinking about these basics, it is necessary to draft a business plan. A good business plan is pragmatic and conservative. It addresses such key issues as practice location, services that will be offered, and means of promoting those services.

The best plans have at least a three-year pro forma financial statement showing cash flow and cash needs. Most surgeons leave training programs with no concept of capital start-up costs and ongoing operating expense. Combined with the debt residents typically have accumulated, these cash needs can be tremendous. Usually, young surgeons need to borrow the money, and any bank will expect a detailed financial plan. A new practice may need three to six months or more to generate a positive cash flow, and that's assuming the practice has a successful start.

Although the surgeon may develop the plan, some professional advice may be necessary, particularly

for the financial projections. It's a good idea to check with local county medical societies for the names of qualified accountants experienced with medical practices. They can provide information on local costs and a critical review of the plan. Accountants may be useful in introducing a surgeon to bankers or other funding sources.

What coding concerns do surgeons have and what are you advising?

For the most part, surgeons want to be reassured that they're coding accurately. Some surgeons voiced frustration about having to create a medical record document that seems to have more to do with substantiating the work done for a code than describing the care rendered. Surgeons routinely document surgical care far better than evaluation and management services. As a result, they often do more work than they document and code.

Surgeons should understand the requirements of a consultation (a specific request for advice or opinion) and office and hospital visits. Surgeons also should approach the exam systematically, and document every task they or their staffs perform. It is wise to review the *Current Procedure Terminology* handbook when it is published each year to verify the documentation elements (history, examination, and decision making), as well as the requirements for the levels of these elements in the codes.

What are the most common operational issues surgeons face, and what advice do you have for them?

A basic issue is what the key factors are in appraising the performance of the practice. Surgeons want a template of key performance indicators. A few that give a good, quick analysis of a practice include: the gross collection percentage (payments divided by charges); the net collection percentage (payments divided by adjusted charges); the accounts receivable (A/R) ratio (total A/R divided by an average day's charge); and the delinquency percentage (how much of the A/R is more than 90 days old). Most modern practice management systems can provide this information daily. These measures can be used to compare last year to this one, or even surgeons' performance or that of payors.

Another issue is profitability. The turbulent stock

market of recent years has forced more surgeons to focus on operational profitability and stability. I suggest a "bottom-line budget process," where we start with the surgeon's income and savings goal. We then estimate the practice's expenses. The sum of the income goal and the expenses is the cash need for the practice. By dividing this amount by the collection rate, gross charges for the year can be determined. Successful practices have budgets and plans that allow them to stay on track.

What are the partnership issues for surgeons?

First and foremost is compensation. Surgeons want compensation in group practices that fairly and equitably reflect personal effort and promote productivity. They also want systems that foster group cohesion and cooperation. In some cases, these expectations are in conflict. The solution that all group members will consider "fair" will differ for each group and will change as personal goals evolve. It is important to review the compensation formula each year to make sure it is still regarded as fair and in line with the work ethic of the group and the individuals in it.

You say that surgeons seem to have an optimistic attitude about their practices. Do you think this trend will continue?

Surgeons have usually found the clinical side of practice rewarding, regardless of socioeconomic concerns. This feeling won't change. As to whether they will continue to be upbeat on practice management depends on improvements in public health policy on issues of fair and equitable reimbursement, tort reform, liability cost controls, and the issues that affect the fundamental patient-physician relationship. Time will tell, but surgeons appear to be approaching the challenges positively and proactively. □

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