Make Your Own Practice

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Learning Objectives

• Outline alternative business models for primary care practice
• Prepare a basic business plan for a new mode of practice

Why Alternatives?

• 60% have considered leaving medicine because they’re discouraged over the state of U.S. health care
• Almost 70% said they actually knew of at least one doctor who stopped practicing medicine due to low morale.
• Top low morale causes:
  – low reimbursement
  – loss of autonomy
  – bureaucratic red tape
  – patient overload
  – loss of respect

Why Alternatives?


• 54.9% of recommended preventive care is delivered
• 53.5% of recommended acute care is delivered
• 56.1% of recommended chronic care is delivered
• 52.2% of recommended screening is delivered
• 58.5% of recommended follow up care is delivered

Conclusion: “The deficits in adherence to recommended processes for basic care pose serious threats to the health of the American public.”

So, Physicians Are Seeking Alternatives

Physicians With No Managed Care Contracts

Source: Community Tracking Study Physician Survey, Center for Studying Health System Change, May 2006
Alternative Models

• Retainer or Concierge
  – With insurance
  – Without insurance
  – Robin Hood variation
• Fee for service or Cash
  – Flat pricing
  – “Capitated” pricing
• Micro-practice
• Whatever works

The Concierge Landscape

<table>
<thead>
<tr>
<th>With Medicare and Insurance</th>
<th>Without Medicare or Insurance</th>
<th>Mixed Model</th>
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<tbody>
<tr>
<td>Delivering non-covered services</td>
<td>Deliver whatever services needed</td>
<td>Some patients are concierge, others are not</td>
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<tr>
<td>600 patients, max</td>
<td>@ 300 patients</td>
<td>Range of patient size</td>
</tr>
<tr>
<td>Pros: Patient retention; MDVIP a key player</td>
<td>Cons: Risk of “double dipping,” need to amp up patient collections, will lose many patients, bad press and possible feedback from other MDs, marketing, service</td>
<td>Cons: Confused message, confused staff, does experimenting work?, site and service is the same</td>
</tr>
<tr>
<td>Pros: Less risk, more freedom</td>
<td>Cons: Need to amp up patient collections, will lose many patients, bad press and possible feedback from other MDs, marketing, service</td>
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</tr>
</tbody>
</table>

The Concierge Landscape

• Is it real?
  – Society for Innovative Medical Practice Design: 500 physicians in “with insurance” models
  – MDVIP: three-year sales growth of 1,841%. 21 markets in 15 states. Contracts with more than 100 physicians covering more than 33,000 patients

Retainer/Concierge

• Know what you are selling: Access? Preventive care? Longer visits? Same day service?
• Pricing:
  – Flat fee: $1,000 to $1,500/year a good norm
  – Tiered by level of service (family, “gold” rates)
  – Monthly or annual plans
• Be prepared to market
• Be prepared to respond to criticism

Retainer/Concierge

Comments on the negatives
• 2-tier medicine
• Get rich quick
• Contributing to physician shortage

Future of Family Medicine Project:
Mean age of patient: 47
Mean household income of $42,3K / Yr

2005 - Charleston, SC Mean Household Income: $37,810
Access Healthcare Patient Household Income:
22% < $40K
27% $40K to $59K
23% $100K to $199K
29% > $200K
Source: Private analysis by Access Healthcare, Charleston, SC. Used with permission.
Patient Demographic

Five Patient Types:
• Financially Unconcerned
• Inertia Enablers
• Value Seekers
• Hypervigilant: "Worried Well"
• Medical Misfit

Primary & Initial Motivation to the Practice

Practice Assessment

Patient Reporting

Value Seekers 36%
Inertia Enablers 17%
Financially Unconcerned 36%
Hypervigilant 11%

Source: Private analysis by Access Healthcare, Charleston, SC. Used with permission.

Resources for More Info

• Society for Innovative Medical Practice Design (SIMPD): www.SIMPD.org
• MDVIP: www.MDVIP.com

Fee for Service

• Cash at the time of service or monthly fee for all services required (tiered system)
• Opt out of Medicare, cancel all MCO contracts. Patients retain only catastrophic coverage.
• Or, do both

Fee for Service

• Case Study:
  – Vic Wood, MD, Wheeling, WV
  – Monthly fee: $83 for individual, $125 for a family
  – State insurance commissioner accused him of operating as an illegal insurer
  – Stopped promoting, but the Governor authorized a 3-year pilot project based on his model
  – In Washington, tried to pass legislation exempting physicians like this from insurance regulation. Failed in Senate.
  – Check your state regs – or charge by visit


Fee for Service

• Study the money:
  – Charge little but higher volume?
  – What are patients in your area paying out of pocket now?
  – What percent of your patients are uninsured or have HSAs or very high-deductible plans?
  – Can you assess your cost to deliver services? What if you don’t have to bill? (easily 20%) 

Fee for Service

• In 2004, minimum health insurance for a family cost around $9,000/year.
• Catastrophic health insurance cost around $3,000/year.
• That’s $6,000 in savings.
• If you pay $1,000 for all your doctor visits/year, you’ll be saving $5,000 for the year!

Resources for More Info

- Simple Care: www.simplecare.com
- Start-up Kit: www.hippocratespublishing.com
- Sample practices:
  - www.austinmed.net
  - www.letssimplify.com

Micropractice

- Can be cash-based or traditional insurance/Medicare model
- Often solo. Zero or one staff member
- Phones=answering machine; Billing=outsourced or do it yourself
- VERY low overhead – instead of “losing” 60% of every dollar earned, keep 90%
- Allows a lower volume, higher pay practice
- Cagey use of resources and technology crucial

Micropractice

Gordon Moore, MD
- Originally no support staff and just 150 square feet
- Full volume is 12 patients/day.
- Take home = more than $155,000 per year


Other Options

- House calls
- Service to travelers/hotels
- What do you like? Where is there an unmet need?

Resources for More Info

- www.idealmedicalpractice.org
- www.idealhealthnetwork.com/OtherProviders.html (Gordon Moore’s suggestions for other physicians)
- On line discussion group
  To subscribe send an email to:
  Practiceimprovement1-subscribe at yahoogroups.com (change " at " to "@" in the real message.)
Making a Business Plan

• Start with what motivates you
• Avoid the spiral. Chunk it out.
• What one thing would make it better? More time at home? Fewer patients a day?

Making a Business Plan

• Executive summary - a one-page overview
• Opportunity analysis - Analysis of community and patient needs
• Operations plan - structure, location, regulations
• Financial plan - how you'll finance your business, cost and revenue projections
  – Assume a long start-up period?
  – How many patients can you assume you’ll retain?
  – How many new patients/month needed
  – Average revenue per patient visit
  – ALL costs: non-compete buy out, legal and consulting help
  – Forecast for three years
• Marketing plan - your marketing strategy

Business Plan Resources

• Medical Practice Business Plan Workbook : A Blueprint for Building the Practice You Want and Deserve, Peter Lucash
• Rx for Business Success: Starting a Medical Practice, Tom Ealey

In Summary

• There are alternatives to traditional practice
• You just need to know what you want to do and find a model to make it happen

Contact

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