

Job Ahead: understanding the business and financial aspects of US practice

BY SIDNEY CHRISTIANSEN

Dr Christiansen brings over 30 years of experience as a practising otolaryngologist both in private practice and in academic medicine as Associate Professor of Clinical Otolaryngology at the University of Missouri School of Medicine. Dr Christiansen started his career in solo practice and he subsequently built a multiple physician specialty practice. He founded and managed a multispecialty surgery centre, an imaging centre and was a founding member of a physician-provider organisation. From his experienced guiding many residents and fellows through the process of choosing a practice, he realised the lack of expertise available to physicians in career development in the medical marketplace. He developed Resolve Physician Agency to give other physicians the expert assistance necessary to find and establish successful careers.

In order for a practice to be successful, it must be run with healthy business principles in place. But the truth is that few physicians have any training in or knowledge about the business aspects of running a practice. Sound business principles, the economic impact of health care and the costs to society are important considerations for economies around the world. A satisfying and successful career requires good planning, and learning the business and financial aspects of medical practice is a great start.

Practice administration

Several factors play a role in the effective administration of a practice. When evaluating job opportunities, look for a practice that is physician-driven. Meaningful physician-to-physician and physician-to-administrator communication should occur on a regular and scheduled basis, and physicians should be the drivers in governance, financial and patient care decisions.

Consider these questions to determine what role physicians play in a particular practice: How frequent are practice meetings? What is covered in these meetings? Do all physicians attend and

participate? Is there a clear chain of command? Who is the 'bottom line'? What clinical, performance, and financial reports are monitored? How are disputes resolved?

Reports on practice data are key to good decision-making, and this information must be made available to the physicians before any meeting where decisions are made – and especially before any meeting related to performance evaluation. These reports can help physicians evaluate, prepare and focus on important issues.

A successful practice always manages overhead well. Overhead is the cost of doing business, including the cost of personnel, office space, telephones, information technology, insurance, retirement funding, and malpractice insurance. For a physician leaving training and heading out into the real world, this amount of detail can be daunting. Before joining a practice, be sure you have a clear understanding of what overhead costs are assigned to physicians, what the overhead costs have been in the past, and what the overhead costs are projected to be in the future. A well-run business will have all these numbers fully documented and will have strong

plans for the future in place. Take time to understand how physicians can influence overhead costs, and identify who the key decision-maker is for practice expenses. Physicians should seek an active role in helping to manage overhead, and that requires knowledge of fixed and variable costs and how to increase production and profitability.

Compensation

There are many factors that make up compensation besides take-home pay, such as bonuses, retirement plans, disability insurance, sick / vacation leave / maternity leave, educational time and reimbursement, and expense allowances. Despite that, salary is still a crucial consideration. Consider whether the salary offered is guaranteed, and for how long. What happens after that guaranteed time period? Also ask if bonuses and salary are based on the same criteria, and consider how the proposed pay rate compares to other physicians in the practice and nationwide.

Before entering a practice, be sure you understand how you will be paid and how you will be evaluated in relation to pay. Fee-for-service medicine is still the mainstay of physician compensation in

the USA, and it will most likely remain that way for the near future. Salary can be based on billings, collections, relative value units (RVUs), time spent, or several other factors. If patient satisfaction scores, admissions, re-admissions, length of stay, or other quality measures are used to determine pay, make sure you receive a clear explanation of how these measures are obtained, analysed and implemented. It can be helpful to meet with established physicians in the practice to discuss the pay structure. If the established physicians don't have a good understanding of the structure, that may be an indication of lack of transparency in the practice.

Other considerations

Electronic medical records systems can greatly impact productivity. While there are many different types of these systems in use, resident physicians often have only been exposed to a limited number of them. Some of these systems are not physician-friendly, so it's important to learn about the system in use at the potential practice or hospital. Find out what established physicians like and dislike about the system and how it is used.

The financial climate of the community – whether the local economy is robust,

stagnant, or in decline – is another important aspect of a practice. Look at the growth and stability of all the businesses in a surrounding community. Who are the primary payers in the community? In the USA, it is also important to consider the insurance breakdown, including what percentage of care is paid for by Medicaid and Medicare. All of these factors can affect a practice.

The malpractice climate of the state also plays a big role in the stability and profitability of a practice. In the USA, malpractice costs and climates vary greatly, affecting the practice overheads and physician satisfaction. States with excellent tort reform (legislation that limits physician liability exposure) in place are more attractive practice locations. Learn about particular locations from state medical associations and the American Medical Association.

Looking to the future

Consider your long-term success in a practice – what's next for you? Advancement occurs in many different ways, depending on whether it's private practice or employed practice. In private practice, explore opportunities to become a partner, including the costs and responsibilities that would entail. In employed practice, look at paths for

advancement such as becoming director of the practice, a medical officer in the system, the director of a distinct business entity within the system or academia, or progression in the department or educational hierarchy. Physicians are taking on many different roles within health care, and it's beneficial to define a pathway up front, if possible.

Taking the time to understand the business of medicine is crucial for building a successful career and providing great patient care.



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Declaration of Competing Interests

Dr Christiansen is the owner of Resolve Physician Agency which represents physicians in business matters.