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# Medical Practices Work on Ways to Serve Patients and Bottom Line



Daniel Rosenbaum for The New York Times  
Dr. Jack Flyer, a cardiologist with CardioCare in Chevy Chase, Md., reviewing test results with Leroy Armes, a patient.

By KATHERINE REYNOLDS LEWIS  
Published: September 7, 2011

They do not teach business in medical school. When doctors go into private practice, they learn about profits and losses on the job, in a complex industry that is subject to large-scale forces beyond the control of most individuals.

### Quick Tips:

- The biggest potential cost savings are on personnel.
- One way to stretch fixed expenses is to expand office hours.
- The time to lay the groundwork for a long-term relationship with a patient is at the first appointment.

### Suggested Resources:

Why more doctors are going to business school.

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Given fixed Medicare payments and nonnegotiable managed care contracts, it is difficult to move the dial on revenue. So physicians looking to maintain profits often turn to controlling costs. Based on interviews with business-minded doctors, a medical practice can become a cost-efficient machine if managers control human resource expenses, spread out fixed costs as much as possible, exploit information technology and carefully track business metrics.

“Overhead continues to go up, but your ability to raise prices is very limited,” said Dr. J. Fred Ralston Jr., past president of the American College of Physicians and an internist with Fayetteville Medical Associates, a group practice in Tennessee that recently marked its 100th anniversary. “Never in that time — which included the 1918 flu epidemic, two world wars and at least one depression — have we been as challenged as we are now in the changing world of health care.”

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**LIMIT STAFF COSTS** “Personnel is clearly the biggest place you can save,” said Dr. Jack Flyer, a physician with [CardioCare](#) in Chevy Chase, Md. In two years, the practice of 10 cardiologists cut its support staff in half, to 20 workers, by cross-training employees and working more efficiently. At the same time, patient encounters, or visits, actually climbed 20 percent.

“The days of having multiple medical assistants help you with every task is over. I do almost everything myself,” said Dr. Flyer, who prescribes and takes notes electronically and greets his waiting patients before personally escorting them to an examination room.

When the practice’s echocardiographers or nuclear technologists are done with their technical duties, they phone patients with reminders or to set up appointments. This also pays off when a staff member calls in sick or takes vacation. “We don’t have to hire a temp to be a medical assistant or secretary,” he said. “We can just take one of our billers or medical records people and slide them into a different position. Everyone in the office has a list of things to do if they’re not busy doing their primary job.”

Some medical practices rely heavily on part-time personnel to avoid paying benefits. But Dr. Ralston advised against getting too cheap with loyal employees whose expertise enables doctors to do their jobs. “We have low office turnover,” he said, “and we really feel that is helpful in running an office efficiently.”

**SPREAD OUT FIXED EXPENSES** Another quick fix for bloated budgets is to stretch your fixed costs across more physicians or expanded office hours. Practices with multiple doctors enjoy efficiencies that solo practitioners cannot obtain, as well as greater power in negotiating discounts with insurance companies, paper suppliers, vaccine makers and even credit card processors.

At [Hopewell Dental Care](#) outside Columbus, Ohio, for instance, the four partners see patients most evenings until 7 p.m. and on Saturdays, to spread the cost of office space over as much time as possible. “We make the most out of our physical building,” said Dr. Steve Krendl. “Compared with the single practitioner who’s only able to use his building clinically 36 hours a week, we’re using it 60 hours.”

The practice recently bought equipment to mill crowns while patients wait, which cut costs to about \$45 for materials, not including staff time; the nonmaterials cost to mill a crown off site had been \$190. The \$150,000 price tag for the equipment is affordable because it is spread over four dentists.

“Once that equipment is paid for, that’s a pretty dramatic financial benefit for us and the patient as well, if they don’t have to come back a second time,” Dr. Krendl said.

Big is better for [Shady Grove Fertility](#), one of the largest fertility practices in the United States, with 13 locations around the Washington-Baltimore area, more than 400 employees and 24 physicians. “The administration is more centralized, and you’re spreading it over a larger base,” said Mark Segal, the practice’s chief executive. “You’re able to get volume purchasing discounts on supplies. That makes it very difficult for a small, one- or two-physician practice to compete. We’re seeing more and more practices consolidating.”

**GO ELECTRONIC** The 2009 federal stimulus package included incentives of up to \$44,000 for each physician for adopting electronic medical records. Moreover, effective information technology systems can save physicians valuable hours in prescribing, note-taking and communicating with staff or patients.

“My time is used far more efficiently than it was in the past,” said Dr. Thomas F. Long, senior partner at the [San Ramon Valley Primary Care Medical Group](#) in California. Electronic prescribing eliminates phone calls to pharmacists or patients. “With that workflow improvement, it gives me time for an extra patient or two in the day.”

Electronic records also make it feasible to win pay-for-performance bonuses from



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insurance companies. For instance, when all of the San Ramon Valley practice’s diabetic patients with Blue Cross insurance complete a recommended blood test, the group gets a financial bonus. The practice needs software to track the eligible patient population and document that the benchmark has been met.

**MONITOR AND TWEAK AS NEEDED** Given the rapidly changing landscape in medicine, it is important to keep tabs on your business metrics and adjust your procedures if necessary.

Shady Grove Fertility holds monthly business meetings to track retention, yield and other metrics against past performance and industry benchmarks, on top of an annual planning retreat. New physicians are trained through a seminar on the practice’s procedures, including emphasis on first appointments to establish trust and lay the groundwork for a long-term relationship with patients. “The more hand-holding you do, the more retention you get,” Mr. Segal said. “Eighty percent of physicians out there don’t understand that concept.”

Two years ago, the credit crisis caused an enormous drop-off in patients as people were unable to tap credit cards or equity lines to pay the \$13,500 to \$25,000 cost of infertility treatment. Shady Grove worked with an outside company to secure financing for some patients. The practice also offers a program to let patients share eggs from a single donor, cutting the cost by as much as \$6,000.

Hopewell Dental relies on a consultant for information about industry benchmarks and trends, like a decline in company-provided dental insurance. The practice monitors its patient population to ensure that everyone comes in for regular appointments as soon as they are due.

No matter how effectively they cut costs, physicians in all specialties face uncertainty over the future of group insurance and Medicare, given the continuing debate in Washington. “It’s hard to do a traditional practice analysis,” Dr. Ralston said. “Having a good relationship with the patients and doing the right thing for them gives you an opportunity to weather what’s a difficult storm currently.”

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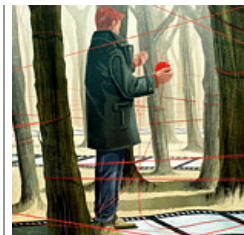
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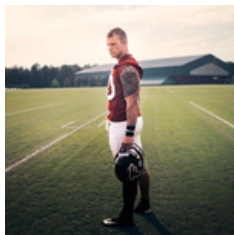
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