

Optimizing an Existing Pediatric Practice



Introduction

There are many independent pediatric groups in the United States. The pediatric groups range from a solo practice to a large group of over 50 pediatricians. The management functions of pediatric groups change as the size increases. This article is related to pediatric practices with less than ten (10) providers. Before you invest some time in areas that can grow and enhance your pediatric practice, invest some time to identify what your goals and desires are for operating your pediatric practice. If you are in a partnership structure, I suggest some uninterrupted time that the partners can discuss what is working well in the partnership and how the partners would like to grow or maintain the pediatric practice. For individual owners of a pediatric group, I suggest this same exercise but to discuss with a trusted adviser – away from the distractions of office.

Each area of the country has different competitors in the market to consider prior to growing or enhancing an existing pediatric practice. Regardless of the area, parents are looking for quality care and a place that meets their pediatric needs. Independent pediatric practices can provide good quality care and can build solid understanding of their patients and parents. This article will explore many of the same areas as the White Paper related to starting a pediatric practice. If you are just starting a new practice, recommend read the White Paper on starting a pediatric practice first.



What Outside Help Do I Need?

This is a great time to re-evaluate what activities can be outsourced to outside consultants and which areas provide the most value. Realize that although you have many skills and ability to learn quickly, many activities are not worth the time it takes you to learn and/or supervise the activity. There are good sources on the internet and in books, however, I learned that certain functions provide the most value by using an outside service. Some of the areas we will consider are accounting, bookkeeping, practice consultants, and lawyers.

Accounting

After operating for a few years, consider evaluating your current accountant or accounting firm. What advice do they provide you as a pediatric practice owner that optimizes taxes and helps you make better business decisions? Is your accountant proactive in providing suggestions such as “time to add a retirement plan with profit share”? Does she or he explain the impact of different choices for you and the pediatric practice? Usually small accounting firms and/or individual practicing accountants provide the most value to a smaller pediatric practice. As the practice grows, the needs for accounting support and advice might be better aligned with a medium-size accounting firm. The value of the overall work should be evaluated including the time the accountant saves the pediatric practice owners in administrative tasks. Early in my business owner experience, we went to an accountant that I needed to sit across his desk while he completed the business and personal taxes. While this only took a couple of hours when the business was new, the time eventually grew to a point that I was investing over 10 hours during tax season at the accountants office. Needless to say, our old accountant’s approach did not meet our needs as the practice increased in size. With our new accountant, I don’t sit for hours watching him complete our business taxes – we send the files and then have a final review/discussion.

Bookkeeping

QuickBooks is the most utilized bookkeeping software for small businesses and small medical practices. As the practice grows, this is a good time to identify if you and/or the person doing your bookkeeping needs additional training in QuickBooks. For larger practices, consider using a bookkeeping service to manage the book keeping.

Payroll

I am assuming that almost all businesses use a payroll company like ADP or Paychex. There are many payroll companies in the space that all provide basic payroll as well as options for other services, such as integrating the workers compensation insurance and/or 401k plan. Evaluate the convenience of incorporating all functions into one payroll service vs. the overall costs (sometimes it cost more to consolidate or the consolidation provides high fees on the 401k plan). In some cases, it makes more sense to just do payroll via your payroll service provider and select your 401k provider separately as well as the workers compensation insurance. I would not invest too much time – ask your accountant what he/she recommends and if they can receive some preferred pricing. The reports in the payroll system save the accountant time and you time as well.



Practice Consultants

This use to be a thriving field for many including some medical societies that generate revenue via consultants. Considering a consultant might be appropriate if they can negotiate a higher fee schedule than the standard fee schedule for the practice, other areas of their services you need to evaluate the cost/benefit ratio. Some of the services provide value while others can cause conflict in your office without much value. The value of the change needs to be worth the burden of the time and cost with the consulting group.



Lawyers

I recommend identifying a lawyer with a focus in healthcare law who understands the issues of a medical practice. As your practice grows, you might be adding providers to the practice. You will need a provider agreement for each provider in your group. A healthcare lawyer should have a good starting template and advice on how to work with the documents.

Medical Billing



This is a good time to re-evaluate the approach to medical billing for the practice. The practice will need to collect co-pays, bill the insurance and send out patient statements to collect patient responsibility. There are many payment rules with payers to learn and keep up to date as well as situations that require knowledge. A large medical billing company usually places less focus with smaller practices. A local medical biller might have some basic skills but not a system to do a review and provide a monthly report for the practice owner to analyze the billing performance and know that each claim is being managed appropriately. For further reading on this topic, I recommend our White Paper titled “Elite Pediatric Medical Billing.”

Pediatric EHR System

When it comes to deciding what EHR system to use for your practice, there are substantial factors to consider. For example, the local hospital might provide a special offer to use their hospital system like Epic. However, most of your pediatric practice is not linked to the hospital and it is much more important to have a pediatric EHR that is easy to use while optimizing the revenue and profitability for your pediatric practice. Over the years I have met many pediatric owners and learned some complicated situations that decrease their overall effectiveness and approach. Invest some time to identify the basic and optional needs of your practice and make sure the options you evaluate for a pediatric EHR align with these needs. For more information on this topic, I recommend you read our White Paper titled “Pediatric Practice Needs for a Pediatric EHR & Practice Management System.”

Pediatric Office

By now, you have some solid experience with your current office. This is a good time to re-evaluate the common areas of the office and identify potential enhancements. The information below provides some highlights in some major areas related to a pediatric office.



Location

Just like what they say in real estate, “Location, location, location!” Where your practice will take place can dramatically change the growth. For instance, if you open up in an area with four other pediatric practices (we have done this!), the growth rate will be slower than if your practice is the only choice in town. Note that insurance reimbursements vary by market and location within the nation. To further illustrate my point, the overall insurance reimbursements in some states in the Midwest are much higher than New Jersey for the common CPT codes used in well and sick visits. Since you established this office, what has changed that impacts the office and patients?



Commercial Real Estate

What has changed in the local commercial real estate market since you started your pediatric practice? Are there new commercial real estate offerings that the practice should consider or is staying in the current location the best option for the group? Evaluate your lease. Is the rent and CAM below or above the current market rate? Re-evaluate your current space needs and see if you need to increase or decrease. A choice is to lease versus own the real estate. Even after being a profitable practice, in many cases, leasing makes more sense versus buying. Evaluate the location first and then the cost of the it for a 10-20 year period. Interesting to note that many banks, pharmacies, and other retail areas lease.

There are many things to consider in a commercial lease, including the cost of the build out and the monthly rent and associated Common Area Maintenance (CAM). I have had some challenging experiences with commercial leases and seen some real nightmares. Two things to prevent a difficult situation: (1) limit the term to 3-5 years with the option to exit the lease with 3-6 months notice; and (2) establish a cap on CAM charges (e.g. no more than a 5% increase from year to year) to prevent the landlord from using the CAM clause to dramatically raise the cost each year. Speak with a credible commercial real estate agent and consider a commercial real estate attorney to review the lease.



Staff

If you have a solo practice, you might have yourself as the provider, a front desk person, and a medical assistant. If you have multiple providers in your pediatric practice, there are multiple medical assistants, front desk team members, potentially nurses and an office manager. A solid and consistent approach by the staff helps the pediatricians provide consistent quality care. Management and scheduling of the staff takes focus and time. Additionally, the practice should have staff policies and consider appropriate benefits to attract and retain staff. A person needs to be answering the phones to schedule patients and answer questions about your practice. This role also collects co-pays and patient balances at the practice. The front desk team has a very important role in the practice. The medical assistants are also a core role in your practice, as they usually take the patient and parent back, take vitals, give vaccines and support your role as the pediatrician. I have seen some practices under staff this role and not provide good patient care, which impacts the overall growth of the practice. As the practice grows, the pediatricians should monitor performance of staff and provide them feedback. For instance, does each staff member use a customer friendly approach to patients and parents? Sit down at least one time per year to provide some feedback to each staff member. Consistent monitoring and feedback should enhance overall performance of staff members so the parents and patients have the best overall experience.



Operation

For busy parents, the hours available is very important to them. Most parents look for the practice to be open five days per week with multiple nights to 8 pm with an option to be seen on a Saturday morning for sick visits. While some areas of the country do not have enough pediatricians, the providers can do well by being open five days per week during normal business hours. Also acknowledge your competitors' operating hours, as this can influence a parent's decision on which pediatric practice they choose to take their children to. Furthermore, I recommend monitoring the new patient growth rate for your practice over the last 12 months. If this starts to decrease, benchmark your office hours and overall practice operating to other choices.



Telephone

Are patients able to consistently reach the front desk during business hours? Each year, evaluate the number of phone lines and load on the phone system. As the practice grows you might need to add extra phone lines to accommodate the growth in call volume. Staples or other office stores sell multi-line phones and the local carrier can set up the phones, a fax line as well as internet access for the office. In most markets, smaller practices should consider either the local phone company (like Verizon), or cable company (like Comcast), while larger practices might need to invest in a telephone system. Make sure to have enough phone lines, a fax line, as well as high-speed internet access. The staff should either be outbound-calling patients due for well visits if the practice is not implementing an auto scheduling system.



Answering Services

In the old days, physicians used to forward their calls to after-hours answering services, rather than receive a call from a live agent with the patient information. While these live answering services are still available, another option to consider is an automatic answering service that sends the calls to the provider in charge. These systems provide the ability for the pediatrician on-call to call back through their system so that the caller ID is the phone number of the pediatric practice (versus the cell phone of the pediatrician). You do not want patients to have access to your personal cell phone number for various reasons.



Policies

The practice should have established some office policies and patient policies. This is a good time to review your current policies, make updates and review with the staff. There are many template resources that can be downloaded and changed to meet your specific needs. If you are using an elite medical billing company they can provide billing policies and might have access to HIPAA-related policies for your practice. Other policies to consider are related to internet use, security at the office.



Insurance Contracting

At least every few years, evaluate the contracts (fee schedules) with the primary insurance companies. The evaluation should include reviewing the reimbursements for Medicaid and commercial insurance products. The review should consider both the commercial insurance and Medicaid-based insurance. Medicare is for people over 65 years of age or an adult who is disabled, and so for this reason is not using leveraged in pediatric practices. A question that a practice may be asking themselves is, "Should we change our approach with the Medicaid insurances?" Depending on the state, Medicaid can be administered as a Fee-For-Service (FFS) by the state Medicaid government body and/or patients can enroll in a managed Medicaid health plan. The reimbursements for Medicaid plans vary but overall usually aligned to the state's Medicaid fee schedule. Limit the panel of patients from low paying insurances or renegotiate the insurance, or term the insurance if unable to renegotiate to a reasonable level. Note that if you enroll with Medicaid insurances, you will also need to enroll with the state Vaccines For Children (VFC) program.



Vaccine Management

Vaccines are for most practices, the number two expense after payroll. There are some exceptions to this (for instance, if a practice has a high amount of Medicaid and Managed Medicaid patients).

The practice will need to obtain vaccines from the vaccine manufacturers (Merck, Sanofi, Glaxo and Pfizer). The price of the vaccines is set on a schedule but there are discounts via using a buying group (e.g. Group Purchasing Organization). This buying group sets the practice up to receive a discount on vaccines. Additionally, the practice can obtain a 2% prompt pay discount if paying the vaccines within 75 or 90 days (terms vary by vaccine manufacturer).



Check your current contract with a vaccine buying group and the discounts you are receiving for Merck, Pfizer, Sanofi and Glaxo. Verify the practice is paying the vaccines at the end of the prompt pay discount on a credit card (which provides a few more weeks to pay the bill). It is very important to leverage a vaccine management system that links the inventory to the billing system. This end-to-end vaccine management system needs to have reporting to identify the profit per vaccine per payer so that the practice can identify issues. Make sure to use an elite medical billing service for pediatrics as well to optimize the revenue cycle. For more information on vaccine management, I recommend you read the White Paper titled "Pediatric Practice Vaccine Management".

Insurance Needs



General Liability

Check the policy and pricing of your current general liability insurance for the practice facility. Consider obtaining competitor quotes from an insurance agent or different company. Every few years, you should review the requirements of the insurance in your lease and identify the level of coverage that the practice needs. General liability insurance covers loss if there is a fire, damage from accident or other general liability issue. Shopping around can save some money.



Workers Compensation Insurance

Most states require workers compensation insurance. This insurance is insurance to pay a claim for a worker that is injured at the workplace. Although there is a small chance of employees being injured, the insurance is required to insure employees can get treatment for a work related injury. There are state requirements/guidelines for workers compensation rates, however, I found that the price varies by insurance carrier so a good idea to shop around every few years to insure the practice is receiving a competitive rate. To save some money, consider shopping for general liability and workers compensation together.



Malpractice Insurance

The largest insurance expense at a pediatric practice is the malpractice insurance. Each state has different requirements for malpractice insurance, so the rates vary by state and by insurance carrier within a state. Review your current policy, coverage, and cost, as well as consider obtaining quotes from different malpractice companies every 3-5 years. Malpractice policies are either claims made or occurrence policies. A claim made usually requires a tail coverage if the physician stops practicing while an occurrence policy does not. Even considering the tail coverage cost, it is usually in the best interest for a pediatric practice to select the claims made policy.

Advertising and Marketing

Although you probably provide quality pediatric care and have a solid reputation, review your marketing approach for attracting new patients. How you practice and operate your practice will establish your reputation in the community over time. What you do each and every day, to operate an exceptional practice with enough hours for patient care, is the most important marketing tool for your practice. There are a number of ways for patients to find your practice including: Google and the internet, referral from an OBGYN or another physician, as well as referral from a parent whose children come to the practice or know you.



Review the content of your current website and make updates routinely. Ask for parents to go to sites like Yelp to recommend your practice. You should also develop a basic brochure and provide this to OBGYN offices in the area so that they remember that your practice is now an option for patients in the area. Some pediatric practices send out a postcard when they first open to parents within a 5-10 mile area of the office. If you have a Facebook page, see how often yourself or the staff is updating the page. If this Facebook page is not updated routinely, assign the role to someone in the office and check weekly that the person is updating the content or information. Parents can also leave reviews of your practice through Facebook. While there may be a substantial amount of positive reviews about your practice, also acknowledge the negative reviews. Do not brush them off or delete them, try to respond to them by offering help in a respectful manner instead. By doing so, prospective parents, as well as families that are already part of your practice, can see that you have a respectable reputation. Lastly, take note of all the different social media platforms out there. Consider which ones are necessary for your practice to be on, and which ones might not provide a good return on your time (e.g., Twitter). Overall, understanding your target audience and what sites they frequently visit will help you in your success in this area.

Conclusion

There are many variables to enhancing an existing pediatric practice. The most important factor is first determining that you want to start a pediatric practice and your vision/goals for the long term (solo vs. developing a group). Once a pediatrician determines they want to start their own practice, they can greatly improve the chances of success as well appropriately manage the administrative aspects of the practice. Outsourcing certain administrative functions can both optimize the total revenue while minimize the administrative burden on the pediatrician so he/she can focus on operating the pediatric office in a way that provides quality pediatric care.

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About the Author

Ken Dominy has over 25 years of experience in the Healthcare Market and he is the founder and President of PhysicianXpress, Inc. He helps pediatric practice owners optimize the profitability and management of their pediatric practice via providing an end-to-end Pediatric EHR and elite Pediatric Medical Billing service. Ken led a team that created the PediatricXpress system, a Pediatric EHR and Revenue Cycle Management system. The PediatricXpress system is leveraged by independent pediatric practices that range from hundreds of visits per month to thousands of visits per month.

Ken managed the start and growth of his wife's pediatric practice from a solo pediatrician to four-provider, two office pediatric group. His overall experience includes: pharmaceuticals, vaccines, specialty

medical devices, medical group management, as well as development & implementation of Electronic Health Records and Medical Billing processes/systems.

Ken holds a Bachelor of Mechanical Engineering degree from the University of Delaware and a Masters of Systems Engineering from the University of Pennsylvania.



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