

Physician **Xpress** Starting a Pediatric Practice



Ken Dominy

Introduction



"A pediatric practice usually **take some time to build** a patient following..."

Many pediatricians dream of starting and operating a successful pediatric practice but do not know where to start or are unsure of the factors they should consider. Before you start a pediatric practice, invest some time to identify what your goals and desires are for starting and operating one. I helped friends of my wife think through this first step to identify their desires and some realized that they just wanted a higher paying position or more flexibility versus starting their own practice. Each area of the country has different competitors in the market to consider prior to starting a practice. Although, working 9-3 is desirable, there is a limited opportunity for a pediatric practice to grow in many metro markets in the US with these hours. However, some locations, can thrive on 9-5 hours (especially locations within minimal competitors). The competition in a particular area will help you identify the hours and options available.

Regardless of the area, parents are looking for quality care and a place where that meets their pediatric needs. Independent pediatric practices can provide good quality care and establish patient rapport. Some of the large health systems have turn over and larger patient profiles and miss this opportunity. A pediatric practice usually takes some time to build a patient following (if new to the area) and a pediatrician starting out on their own should realize that the first two years might be very low income (one option is to obtain a business loan over time). Although hospital systems were acquiring pediatric practices, there are opportunities for pediatricians to start their own practice. Realize that if you are starting on your own, there are a number of areas that you should consider prior to starting. This White Paper discusses many of these areas and provides some ideas/approaches for starting a pediatric practice.

What **Outside Help** Do I Need?

You have many skills and ability to learn quickly, but note that many activities are not worth the time it takes you to learn and/or supervise the activity. Despite the fact that there is an abundant amount of sources on the internet and books, certain functions, I learned, provide the most value by using a service. Some of the areas we will consider are accounting, bookkeeping, practice consultants, and attorneys.

Accounting: If you have an accountant you have been using for years and like her/his approach, ask them what experience they have with doing accounting for a small medical practice. Small accounting firms and individual practicing accountants usually provide the most value to a pediatric practice. Large firms will be most costly and in most cases, you will have an inexperienced accountant doing the accounting for your pediatric group.



Bookkeeping: Bookkeeping is fairly straightforward in the beginning and should be setup in a system like QuickBooks. QuickBooks is the most utilized bookkeeping software for small businesses and small medical practices. A suggestion is that either yourself or a family member learn how to use QuickBooks.

Payroll: How to do payroll? You can do it yourself via QuickBooks or other programs on your own. I have tried this and found that this is a big waste of time and my strong opinion is to select a payroll company. The largest two payroll companies are ADP and Paychex. There are also many regional and smaller payroll companies to consider. I would not invest too much time comparing too many options – 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 can save you time as well.



Practice Consultants: This used to be a thriving field for many including some medical societies that generate revenue via consultants. Consider a consultant might be appropriate to help with credentialing with the insurance company if they can negotiate a higher fee schedule than the standard. If they want to be paid their hourly rate to complete the insurance company forms, you might consider completing these forms yourself or a person who works in your office (realize that you will obtain the standard fee schedule in most cases). We design our PediatricXpress system and processes in a way that minimizes the need for practice consultants.

Attorneys: The use of an attorney can be a great upfront investment depending on your needs. I recommend identifying a lawyer with a focus in healthcare law who understands the issues of a medical practice. If you are setting up an entity like an LLC with just yourself as the owner, then you might not need an attorney until you hire a provider and need to develop a provider contract.

Medical Billing

A choice for the practice is how are we going to get paid consistently? 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 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

Which EHR should we use? The local hospital might provide a special offer to use their hospital system like Epic. Most of your pediatric practice is not linked to the hospital. It is also 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

Establishing your own office is a stage where you slowly start to realize that your dreams of owning a practice is becoming something tangible. While this is an exciting stage, there are many landmines to avoid during this process. Doing some extra research can help you make the best choices for your practice. Keep in mind that “perfect is the enemy of good.” Making a good decision and moving forward is better than being frozen in a state of concern or too much analysis. The information below provides some highlights in some major areas related to a pediatric office.



Location: Just like real estate, location, location, location are the top three items to consider. The location of your practice 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. Also, note that insurance reimbursements vary by market and location within the nation. To illustrate, 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. I recommend first identifying the “ideal” location then start looking for commercial real estate options for the practice.

Commercial Real Estate: You will need to locate your practice in a facility that can be used for medical practices. This is something to check with your commercial real estate agent as well as the local township office. The size of the office is something to consider – note that a commercial real estate agent and landlord will try to increase the size of space you lease due to an increase in their income. I have seen some new startups lease a huge space under the advisement of a practice consultant. This decision cost them for years and years. If starting on your own, consider 2-3 examination rooms, a lab area, small office for providers, front desk area and small waiting room. Consider starting with 3-4 examination rooms if you already have a large following.

A choice is to lease versus own the real estate. My recommendation is to lease the real estate until the practice reaches profitability. Even after being a profitable practice, in many cases, leasing makes more sense versus buying. Notice that many banks, pharmacies, and other retail areas lease their locations. 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 had some surprising 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 (i.e., 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 trusted commercial real estate agent and consider a commercial real estate attorney to review the lease.



Staff: You will need staff at your pediatric office. A front desk person and a medical assistant are core roles in a pediatric practice.

In the beginning, the office might be able to be staffed with just a medical assistant who functions as front desk, or a front desk person and the pediatrician completes the MA work (like vaccines). If you are moving from an existing practice and bringing patients, more than likely you will need to staff with both front desk and medical assistant roles. 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. They usually take the patient and parent back, take vitals, given 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.

Operation: For busy parents, the hours available is very important to them. While you are on your own, consider one evening night per week. Most parents look for the practice to be open five days per week with an option to be seen on a Saturday morning for sick visits. While some areas of the country are understaffed, the providers can do well just being open five days per week. Be aware when you are in locations with more pediatric offices open, as they highly consider the hours available.

Policies: The practice should set up some office policies and patient policies. 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.



Telephone: You will need to work with the local phone company or cable company to install phone lines as well as purchase phones that can be used for multiple lines. Staples or other office supply stores sell multi-line phones. The local telephone/cable carrier can also set up the phones, a fax line, as well as internet access for the office. In most markets, startup practices should consider either the local phone company (like Verizon) or cable company (like Comcast). Both will provide quotes and options over the phone. Consider three phone lines and a fax line to start as well as high-speed internet access.

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.

Insurance Contracting

Negotiating with insurance companies is a need since they pay the majority of the care for pediatric patients. There is commercial insurance and Medicaid based insurance. Medicare is for people over 65 years old or an adult who is disabled and so for this reason is not usually used in pediatric practices.

Medicaid covers patients below a certain income threshold and for many states have rules that regardless of income, Pediatric patients with certain condition are eligible for Medicaid insurance. A choice for the practice is will they accept 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. There is more discussion on this but the pediatrician should decide their approach up front. Some start with commercial and add Medicaid insurances later while others start with all commercial and Medicaid insurances and as the practice grows, limit the panel from low paying insurances or renegotiate the insurance. 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). A recommendation is setting up a contract with a vaccine buying group and setting up an account at Merck, Pfizer, Sanofi and Glaxo. Also, the practice can pay 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: The first insurance you will need is general liability insurance for the practice facility. You can obtain this from a local insurance agent. I recommend that you first evaluate the requirements of the insurance in your lease and identify the level of coverage that the practice needs. This 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 to pay a claim for a worker that is injured at the workplace. Although there is a small chance of an employee being injured, it 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. While this will be a small cost in the beginning (due to small staff), in many cases, this insurance will grow in cost until it is much higher than general liability. Recommend 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 as well as by insurance carrier within a state. I recommend contacting a malpractice insurance broker and obtain quotes from different malpractice companies. 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 & Marketing

Many Pediatricians believe that "I am a physician with a solid reputation and provide good patient care, why do I need to advertise or market?" Even though you probably provide quality pediatric care and have a solid reputation, most new patients do not know how to find a pediatrician. 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 a very good practice with enough hours for patient care, is the most important marketing tool for your practice. In the beginning, you need to get the word out. There are a number of ways for patients to find your practice including: Google and the internet, referral from an OB-GYN or another physician, referral from a parent whose children come to the practice or know you.

It is necessary to set up a website with some basic information about the practice and provide some useful links. Ask for parents to go to sites like Yelp to recommend your practice. You should also develop a basic brochure and provide this to OB-GYN 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. Postcards are good ways to make parents aware of your practice as a new option for treating children. Also, consider setting up a Facebook page for your practice. Reviews from parents can be left on your Facebook page as well. Only in a perfect world will there be 100% positive reviews, and we unfortunately do not live in one. It is a common courtesy to respond to negative posts with positivity and offer help in return. How you interact with people online will reflect the tone of your practice. Using social media may sound intimidating due to the numerous amount of platforms available. However, understanding your target audience, your current and prospective customers, as well as what social media platforms they frequently use, will significantly help with the success your practice.





Conclusion

There are many variables to starting a 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 she/he can focus on operating the pediatric office in a way that provides quality pediatric care.

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ABOUT THE

AUTHOR



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.

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.

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