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# How to Prepare Your Practice for **Economic Uncertainty**



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**A strong economy is the best environment for improving your practice's relationship with patients. Especially in an era when healthcare consumers have so much choice.**

**The 2007-2009 recession was a trying time for countless practices in numerous medical specialties.**

Many factors shrunk demand for clinical services. Patients avoided elective procedures, delayed care, feared taking time off work, lost insurance along with their jobs, had a hard time paying bills, or simply stopped seeing doctors.

No one wants to see that scenario repeat itself. But **we are currently in the longest bull market in history and any economist or historian can tell you** that another downturn will come, sooner or later.

The good news is that lessons learned from the last recession can help practices prepare now for the next downturn, especially given the ever-growing spectrum of digital tools for practice management.

Let's begin with some of the key takeaways from 10 years ago.

## **Hard lessons of the 2007-2009 recession**

"For ortho, that recession hurt," says Chad Sackman, RN, MBA, COO for Signature Medical Group, which employs 60 orthopedists and 60 physicians in other specialties. "Some patients have only elective procedures, and some of those opted out. People with a knee that hurts would just take ibuprofen and deal with it. Patient responsibility was hard to collect."

During a recession, unemployment goes up, so there are fewer insured lives, says John Cherf, MD, MPH, MBA, section leader of practice management for the Health Care Systems Committee of the American Academy of Orthopaedic Surgeons. “People who have insurance are sensitive about losing their jobs, so they push out elective procedures and they don’t want to take time off work. If revenue is going to drop, to maintain profit you’ve got to reduce expenses.”

**When is the best time to invest in your practice’s future?**

Rather than feeling paralyzed by the prospect of reduced revenues, practice administrators should take action, says Dr. Cherf. “The time to make investments is now.”

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– Dr. Cherf

Dr. Joseph Feuerstein agrees. “When times are challenging it’s so much harder to make big improvements to your practice, because of the upfront costs of new investments in technology,” says Dr. Feuerstein, a gastroenterologist at Beth Israel Deaconess Medical Center and an assistant professor at Harvard Medical School.

With that in mind, we offer nine steps executives and administrators can take to optimize the health of their patients and their practices, no matter the economic climate.

**Act to improve your practice’s position in any economic environment.**

The first step to ready your practice for a volatile economy is to adopt a stance of forward-thinking practice management and timely investment in efficiency improvements.

“It’s not about getting ready for the next recession, it’s about how you strategically advance your practice and prepare it for success,” says David Zetter, owner of Zetter Healthcare Management Consultants and a member of the National Society of Healthcare Business Consultants. “You’re more likely to stay independent and profitable, no matter what.”

This means taking a fresh look at processes and technologies throughout the practice. “In less challenging times, it’s critical for practices to make themselves as lean and efficient as possible,” says Dr. Feuerstein. “For example, many hospitals and centers use many different suppliers. This can lead to inefficiencies and a loss of bargaining power. Consolidating to one supplier allows for better inventory control and ordering and also allows for negotiating bulk purchasing discounts or volume discounts.”

It also pays to take another look at basic parameters for medical or surgical procedures. “When times are good, we forget to look closely at how we do things, such as the optimal length of the appointment slot for a procedure,” Dr. Feuerstein says. Many gastroenterology practices schedule colonoscopies in 60-minute slots, but most of these procedures can be performed in a shorter interval, he adds. “Reducing the interval even to 45 minutes increases the number of procedure slots and increases revenue.”

**Test your assumptions and compare your practice’s processes and results with the competition.**

When your practice considers where to make investments and improvements, you have to know where you stand compared with respect to rival practices in your market.

“Benchmarking helps a practice understand how their bottom-line performance and compensation compare with similar practices,” says Vicki Sprague, Ph.D., senior director of data solutions and operations at the American Alliance of Orthopaedic Executives. Just as important, benchmarking can help a practice understand the effects of operational decisions on patients, staff and physicians.

Benchmarking can provide surprising and actionable insights that make a big difference. AAOE’s benchmarking results indicate that some practices experienced much greater increases in revenue per physician than others between 2014 and 2017. While the average revenue per full-time physician increased by \$95,000, practices in the 90th percentile saw a much greater increase, more than \$400,000 per physician. One takeaway: Substantial investments in increasing revenue per physician – for example, by deploying advanced patient-scheduling software to fill gaps in doctors’ appointment calendars – can yield big returns.

**Collect patient responsibility up front and eliminate manual billing and collection.**

Patients’ out-of-pocket costs continue to climb, as do practices’ potential losses on unpaid bills and debt collection services. With the rapid growth of high-deductible health plans, the average patient’s out of pocket costs for physician and clinic bills alone rose to \$185 in 2017, from \$148 in 2009, according to a Kaiser Family Foundation analysis of CMS’s National Health Expenditure Data.

As deductibles continue to rise, more practices are collecting part or all of the billable total during the patient visit. “Patient responsibility is much larger, and patients are much more sensitive to what they owe,” says Sackman.

Another billing fundamental to attend to as you prepare for the eventuality of leaner times: If your practice hasn’t fully embraced electronic verification of insurance and digital revenue collection processes, now is the time. About 90 percent of practices still do at least some of their billing work on paper, Zetter says.



Increase in out of pocket costs between 2009 and 2017

**Analyze workflows and patient flows for efficiency; automate wherever possible.**

It's a steep challenge for practices to use IT to automate as many office processes as possible – while taking care not to frustrate patients with confusing interfaces or burden staff with additional tasks just to accommodate inflexible software.

"I noticed on a recent doctor visit that there was a sign at reception saying, 'If you utilize online sign-in, tell the person at the desk,'" says Graban. "This begs the question, why doesn't the workflow work better? It's a mistake when practices embrace technologies without thinking enough about people." Better workflows mean more satisfied employees; better patient flows mean happier patients.

A strong economy does present a great opportunity to automate appropriately; practices have the financial resources to make investments that take into account human factors. See this helpful presentation from the U.S. Department of Health and Human Services on how to evaluate practice workflow.

**Trim waste in clinicians' workdays with centralized scheduling.**

On the revenue side, it's critical for practices to reduce the number of appointment slots that go unfilled, says Graban. One strategy is to deploy software that instantly notifies patients on a wait list when an appointment slot opens up due to a last-minute cancellation.

Improving the management of no-shows also presents a significant opportunity to boost revenue per physician. Take endoscopies, for example. Endoscopy suite no-show rates typically range from 12 percent to 24 percent, according to a study in Medical Decision Making. Implementing systematic patient reminders can put a big dent in these losses of potential revenue. In the study, phone reminders cut no-shows by 75 percent; text reminders yielded no-shows reductions of 39 percent. At the same time, it's important to design or revise scheduling templates to reduce overscheduling, which can damage patient satisfaction. Given the long interval between standard screening colonoscopies, "recall is critical," says Dr. Feuerstein. "Once someone enters the colon screening process, you already have your schedule for 10 years for now. If you take ownership of recall from the patient, you don't need to spend as much on marketing. Some practices do have a medical assistant reach out to the patient panel once a year" to keep in touch and update contact information. Patients acquired in a good economy will be even more valuable when they are recalled in tougher times.

phone reminders cut  
no-shows by

↓75%

text reminders yielded  
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↓39%

**Trim labor, keeping employee satisfaction and retention in mind.**

Staffing is typically the largest component of a practice's overhead. As a strengthening economy has created ever more labor shortages, payroll has increased disproportionately.

Staffing cost as a percentage of orthopedic practice revenue was relatively stable between 2014 and 2016, according to surveys by AAOE, floating between 30.26 percent and 31.15 percent. But in 2017 staffing cost jumped to 34.30 percent of revenue. That sharp increase could create financial vulnerability for practices in the event of a recession.

“Start by eliminating overtime,” Zetter advises. But be aware that some employees may be counting on the income if they’ve regularly been racking up overtime. Retaining effective staff is critical right now, especially as patient satisfaction grows ever more important.

**“Lower overhead is good, but if you reduce staff too much you have employees who are overwhelmed, and patients feel it,” says Sprague. “Things get lost.”**

#### **Boost customer service to retain patients.**

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“In a consumer-driven market where patients have a lot of freedom to change providers, being friendly and providing a top-shelf customer experience is key,” says Dr. Cherf. After all, it’s more expensive to acquire new patients than to retain current ones.

Customer touches can make a big difference with patients. If your practice still isn’t making follow-up calls for every procedure, you’re at a competitive disadvantage. “We call the patient afterward to make sure the procedure went okay,” says Dr. Feuerstein. This simple service generates word-of-mouth referrals, “because patients will say your practice is patient-friendly.”

This is also a good time for practices in most specialties to consider adding telehealth services, whether or not they already offer some. “The patient experience of getting to a medical office is disruptive,” says Dr. Cherf. “In ortho, communicating by email, text and video teleconference is great for managing a lot of patient situations, like post-surgery. But telehealth services have to include revenue.”

The numbers back up anecdotal evidence that patients want to have more consultations without leaving home or work. About three-quarters of patients say access to care is more important than face time with practitioners, according to a research summary by the American Hospital Association.

### **Take into account every patient's preferences in scheduling systems**

If you haven't reevaluated your patient scheduling system in a few years, it's time.

Seamless appointment scheduling and convenient appointment times will be even more important when tougher economic times increase competition and raise patients' concerns about taking time off work.

"After-work hours are important; the market requires it now," says Sackman.

Self-scheduling is attractive to Millennials and other patients, but only if it's done right, says Graban. For example, patients will be frustrated with a patient portal that requires patients to wait 24 hours or more for reply to their online request for a specific appointment time.

Many older patients will be happy to self-schedule, but those who choose to phone for an appointment will be displeased if your practice allows call wait time to creep up. So, a high level of service needs to be established for every means of scheduling that your practice offers.

### **Consider making data-driven capital investments.**

Growing your practice with a major capital investment is a risk that might be worth taking while times are flush.

"It's a tricky balance, when a practice should add services," says Sprague. "Some ortho practices can add an MRI to improve their profit – or that investment can have the opposite effect if you're in the wrong market." The bottom line for Sprague: "We need access to data that can forecast the impact. If nothing else, start tracking your own internal data so you have the ability to compare to benchmarks, to other practices."

It makes sense for some practices that use hospital facilities to consider moving at least some procedures to surgery centers. With dramatically lower costs, a surgery-center-based practice can enter more markets for self-insured employers and for individuals. In orthopedics, the trend is dramatic: As of 2017, over 200 ambulatory surgery centers were performing joint replacements, up from just 25 in 2014, according to an article in Modern Healthcare.

Most medical practices can identify several improvements to their practice that can be accomplished fairly quickly and will generate a good return on investment in almost any economic environment. Taking action now is the best way to prepare for whatever volatility may be in store.