ASK THE EXPERT

The Business of Rheumatology

A rheumatology practice should be viewed as a small business, and the linchpin for a successful small business is a comprehensive business plan, Dr. Max I. Hamburger stressed at the 2010 Congress of Clinical Rheumatology in Destin, Fla.

In this month's column, Dr. Hamburger, a rheumatologist at the State University of New York, Stony Brook, discusses the fundamental components of a quality business plan, and how having one in place can benefit new and existing rheumatology practices.

RHEUMATOLOGY NEWS: Why is having a business plan important?

Dr. Hamburger: A written business plan is a way to document clearly the vision of a practice, and to define and accomplish the professional goals that are essential for fulfilling that vision, such as providing the standard of care and best treatment to patients, providing a service to the community and referring physicians, maintaining a pleasant practice environment, determining fair compensation for services, and enabling physicians, their families, and staff to achieve and maintain a good quality of life. A quality business plan not only serves as an owner's manual that guides daily operation and activities, but also provides a quality control tool, enabling a practice to identify and address gaps in preparedness for achieving a practice vision in a changing health care climate.

Without a business plan, practices put themselves at a disadvantage relative to other players in the health care realm. Insurance companies, pharmaceutical companies, and federal and state government agencies all know their goals and have formal plans to achieve those goals and to measure their progress toward them. We are at least a few steps behind.

Also, there are a number of important things coming down the pike, such as pay for performance, quality/tiered networks, comparative effectiveness initiatives, and technology mandates. These are programs of major impact. If we passively let them just happen to us, we will be caught up in the undercurrents and turbulence. We need the integrity of plans that we design in order to hold our own in this next decade.

RN: What is the connection between the business of medicine and the science of medicine?

Dr. Hamburger: The idea of a formal business plan may seem a few steps away from your primary focus of getting involved with the latest science, looking at emerging data, and staying up to date with it in your practice. The reality is that a business plan is critical for applying science and its complexities in your practice. It is not something that can be done by the seat of your pants. It requires a well-structured and organized practice.

RN: What elements are key for a rheumatology practice's business plan?

Dr. Hamburger: The plan should consider the resources that are needed to start and maintain a practice, the forces that could affect access to those resources, and the metrics that are needed to assess how effectively the practice uses its resources. If the plan is thorough, you will be able to objectively evaluate all of your practice's management, human resources, and financial decisions.

Your business plan should describe all of the services that you will provide, the patients to whom you will be providing them, and the implementation process. The plan should also address the health care environment in which the practice operates, the target market, and the customers, who, for us, are our patients and referring physicians.

Importantly, the plan should also include the marketing strategy, which specifically involves educating patients and other physicians about what we do. There are many community physicians who still are not entirely sure what we do, yet we are the panic resource when an antinuclear antibody test comes back positive or when a patient has fibromyalgia. We need to educate our customers.

Other considerations include office operations, insurance planning, management choices, human resources, and financial plans. These are all key elements. Define them, write them down, and think about them so you can come to an agreement with your practice colleagues and staff about them.

RN: Where does the provision of in-office ancillary services fit into the plan?

Dr. Hamburger: The same planning model should be applied to in-office ancillary care. Determine your goals for offering in-office diagnostic and therapeutic services, such as imaging, laboratory services, and infusion therapies. Then document the necessary resources, health care industry status, the target market, and marketing plan.

RN: What are some of the metrics for evaluating the efficacy of the business plan?

Dr. Hamburger: Metrics cannot be overlooked. Among the tools to assess the progress of a practice are year-to-year budget comparisons, activity-based cost accounting, claims analyses, 3- to 5-year projection spreadsheets, and productivity formulations.

—Diana Mahoney

DR. HAMBURGER *is the managing partner of Rheumatology Associates of Long Island in Melville, N.Y., and is the president of both the New York State Rheumatology Society and the American Society of Clinical Rheumatologists. He is a member of the speakers bureau for Abbott Laboratories, Genentech Inc., Bristol-Myers Squibb Co., Roche/GlaxoSmithKline, Smith & Nephew Inc., Novartis, and Sanofi-Aventis, and has received research support from Abbott, Amgen Inc., BMS, Pfizer Inc., Genentech, Roche, Merck & Co., and Smith & Nephew.*

Changes in Physician Billing Could Save $7 Billion Yearly

BY JANE ANDERSON

FROM THE JOURNAL HEALTH AFFAIRS

Implementing a single set of payment rules for multiple payers with a single universal claim form and standard set of rules potentially could save $7 billion per year nationwide in fees for physician and clinical services, according to a study of one institution.

Those changes also could save 4 hours of professional time per physician and 5 hours of practices' staff time each week, according to Bonnie B. Blanchfield, a senior research scientist at Massachusetts General Hospital, Boston, and her coauthors (Health Affairs 2010 April 29 [doi:10.1377/hlthaff.2009.0075]).

"The U.S. health care system has generated byzantine systems of rules and regulations regarding payment for medical services. The result has been a growing and costly bureaucracy, which, in the end, pulls resources from direct patient care," wrote the investigators.

The authors analyzed what they called the "excessive administrative complexity burden" imposed on a large, urban-based, academic teaching hospital's physician organization that contracts with multiple payers, each with different payment requirements.

For 2006, the study found that the cost of excessive administrative complexity, including expenses and lost revenue, was nearly $45 million for this organization, or nearly 12% of net patient revenue.

This represented $50,250 per physician, the authors said. Of the total estimated administrative complexity burden, almost three-fourths was attributed to the time costs incurred by practicing physicians and their office staffs in preparing paperwork and contacting payers about prescriptions, diagnoses, treatment plans, and referrals, wrote the authors.

"Many of the subspecialty practices within the physician organization even have full-time staff members dedicated to referral processing," they wrote.

On the revenue side, the study found that nearly 13% of billed charges for non-Medicare claims were denied on initial submission, and that 81% of these eventually are paid after appeals.

Non-Medicare payers ultimately deny more claims than Medicare does, usually because the physician's office has missed the filing limit date because of the initial rejection, the study found. If these legitimate claims had been paid, they would have been worth some $6 million for the physician organization studied.

The federal health reform legislation approved in March directs health plans to implement uniform standards for electronic health information exchange by 2013, but "will not address the larger problems of excessive, different, and changing requirements imposed on the exchange of all health information, including billing information," they said.

"Thus, administrative complexity is likely to remain high and is likely to be a high-value 'target' for finding savings in ongoing incremental reforms."

The savings from reducing administrative complexity by implementing a single set of rules and a single claim form could translate into decreased health care costs in general while still allowing different types of insurance products, Ms. Blanchfield and her colleagues noted.

"An incremental move to one set of payment rules would yield significant dollar savings as well as work-life and productivity opportunities for physicians and their office staffs," the researchers said. "Done carefully, administrative simplification could still leave room for a diversity of insurance products." ■

Disclosures: *Support for the study was provided by the Robert Wood Johnson Foundation and the Commonwealth Fund. The authors reported no financial conflicts of interest.*

INDEX OF ADVERTISERS