Midlevel Practitioners Help Drive Bottom Line

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SAN FRANCISCO — Physician assistants and nurse practitioners can enhance the bottom line of a dermatology practice, but it is important to take a hard look at the numbers before hiring a midlevel practitioner.

At the annual meeting of the Pacific Dermatologic Association, Janet McLaughlin, a certified health care business consultant in San Francisco, discussed some of the things dermatologists should consider when hiring a physician assistant (PA) or nurse practitioner (NP).

"This is a way to enhance profitability," Ms. McLaughlin said. "Most dermatologists are about as busy as they can be, so the solution is not simply to see more patients or add more appointments in the day. Aside from the financial issues, many physicians find that [delegating routine cases to a PA or an NP] allows them to treat more of the more interesting and challenging cases."

To determine whether hiring a midlevel practitioner would be worthwhile, direct staff to monitor all new-patient calls, she advised. How many are being received each day? Are prospective patients making appointments? Or are they going elsewhere because they couldn't get appointments within a reasonable period of time?

Hiring someone on a part-time basis—perhaps 2 full days or 4 half-days—can be a good way to test the waters with minimal risk before plunging in with a full-time employee.

"One of the most common mistakes I see once these individuals are hired is not to monitor their productivity and their profitability," Ms. McLaughlin said. "It's not all about the profit, but certainly you don't want to be losing money."

Doing this is not as straightforward as it might seem. It's not a matter of simply subtracting the practitioner's salary and benefits from his or her gross receipts. To get a true picture of profitability, one must also subtract a realistic share of the practice's operating expenses.

The next question is deciding how to compensate the practitioner. In general, there are three possibilities: a straight salary, an incentive formula based on productivity, or a base salary supplemented by incentives.

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If this is a new position one should start with straight salary, Ms. McLaughlin recommended, because it's impossible to predict how much revenue the midlevel practitioner will generate. Someone expecting substantial incentive income will be disappointed and might well leave after a short time if reality doesn't match expectations.

It will be more obvious after a year or so whether switching to an incentive program will work, but employees shouldn't be switched unless it's clear that they will be earning more money.

When considering an incentive program, one has to decide whether to base it on the practice's gross revenues or on departmental profit. Ms. McLaughlin expressed a strong preference for using gross revenues. Although basing compensation on departmental profit does give NPs or PAs some responsibility for keeping operating expenses down, there are many expenses that they cannot control. "You can end up with problems if you want to purchase a piece of equipment and they think, 'This is going to cut into my take, so I'm not so interested in doing it,' " she said.

It is important to compare the practitioner's billings with patients' medical records. Physician assistants and nurse practitioners are rarely trained in the art of third-party compensation, and there is a danger that they will underbill.

In commenting on Ms. McLaughlin's presentation, Dr. Ronald L. Moy, a dermatologist in private practice in Los Angeles, noted that upcoding can also be a problem, and to partly reduce that temptation, he always compensates his midlevel practitioners with a straight salary.

Dr. Moy had one final tip for working with these practitioners: "They [should] never see a new patient, because I think the biggest danger we all have is missing a melanoma or something." ■

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