

## My 2009 Healthcare Outlook

### 10 Challenges and Solutions

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Dear Colleagues and Friends,

The changes that occurred in the US economy in late 2008 have been much worse than anyone could have imagined. 2009 will bring challenges and concerns for many group practices. I have identified 10 major challenges facing group practices in 2009, based on my work with clients and discussions with industry leaders. These challenges will have a significant impact on our healthcare system and will cause board members and physician partners to focus and concentrate their resources to address the very difficult year ahead.

Here are the 10 major challenges for 2009 that every group practice should understand and address.

#### The Economy



Although healthcare is generally thought to be recession-proof, group practices are not immune to increases in general operating costs, as well as spikes in patient premiums and co-pays. Many unemployed workers accessing healthcare benefits through COBRA will find premiums unaffordable. Retail healthcare services will see a drop-off in use, despite discounted pricing. Group practices should prepare for corresponding decreases in volume, as well as higher incidences of uncompensated care.

Physicians and their board members should conduct monthly, or even weekly, review of accounts receivable, collection, and write-off policies. Creativity with pricing policies, payment plans, write-off timing and discounts for early payment should be investigated.

Other options include:

- Groups should renegotiate all of their managed care plans to get improved rates. This takes a great deal of effort, but can generate a much improved revenue stream in the coming year. Play hard ball with the managed care companies.
- Discuss with your billing company the need to reduce the days in AR by

10 days through more assertive follow-up of unpaid claims. This will provide the group with up to a 30% cash boost.

- Change the group's policy on collection accounts turn-over. Decrease the time to turn over by 15 days. This gets the accounts to the collection agency earlier and improves the probability of collections.

## Healthcare Reform

The new administration has targeted the following goals for healthcare: reduced costs, enhanced IT, and increased access. Undoubtedly, expansion of the State Children's Health Insurance Plan will be advanced quickly. The trickier notion of universal coverage will require cooperation and compromise between Senators and House Representatives, along with business.

Physicians and their boards should examine their exposure to managed care contracts that have not been renegotiated in the past 12 months. This renegotiation effort is monumental but can reap great dividends throughout 2009 and into 2010.

Other options include:

- Monitor new competitors. Groups will be more aggressively marketing to replace your group in hospital contracts.
- Avoid managed care risk, renegotiate your contracts, have the hospital assist with the renegotiations or go non-participating.
- Formulate a plan to support IT integration within your group. Do the ROI on an EMR system and see if the savings would pay for the system over time.

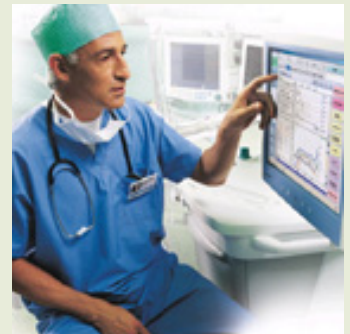
## Workforce Supply

The stock market crash has affected all age groups. Many retirees are re-entering the workforce. Losses in all forms of retirement savings and real estate values will bring retired nurses and physicians out of retirement or prompt those close to retirement to reconsider.

Physicians and boards should rethink their human resource policies and procedures to use creative ways to tap into this returning workforce and develop flexible part-time programs. They should also monitor employee satisfaction as providers return or stay when they thought they would be retired, as this could lead to dissatisfaction in the ranks.

Other options include:

- Consider forming an individual "pool" of floating employees.
- Establish a physician employment or contracting model that permits physicians and nurses to work one to four days per week (part-time).



## Capital Expenditures

The financial markets are frozen. It has become and will remain difficult to borrow money to undertake capital expenditures. Expect banks to look for "preferred relationships" with groups through commitment to multiple financings and movement of money and investment accounts to the lending bank. Interest rates will be higher than historical levels and covenants will be strict. Obtaining credit enhancements will become almost impossible.

Other options include:

- Examine possible reductions in the size of your borrowing.
- Assure that a clear process for prioritizing capital expenditures exists that matches up with strategic and operating objectives.
- Double your efforts in fundraising and grant writing.
- Consider leasing versus buying.
- Consider a merger or acquisition to form a stronger group practice.
- Focus on improving your operating performance.
- Business development opportunities in other surgery facilities and internally that will produce new revenues (Endoscopy).

## Physician Subsidy

As hospitals experience their own reduction in revenue, expect challenges and greater scrutiny of subsidies to group practices. Physicians should work diligently with hospital administration to assist in a more efficient, cost effective patient care delivery. Scour your activities to identify all that you do.

Other options:

- Be prepared with data to support your groups worth (quality indicators, productivity standards, surgeon satisfaction scores, etc.)
- Be prepared to demonstrate your cost savings efforts to date.
- Be prepared to show the hospital that you can help identify hospital inefficiencies and cost savings opportunities.
- Be prepared to offer value added services to help the hospital get their volumes back up. Offer to provide services for the Endoscopic procedures or other procedures that are billable for your group.
- Draft a strong, well-written community benefit plan and maximize your public relations effort.

## Utilization Decline

The recession, higher unemployment, and the increased cost of healthcare with larger co-pays is decreasing utilization, especially in the retail and elective cases (e.g., plastic surgery, dermatology, family practice, ambulatory surgery, and imaging).

Physicians should investigate all possible ways to maximize revenues and minimize bad debt, while cutting operating costs.

Other options include:

- Manage variable expenses to actual volumes.
- Explore cash discounts to help with demand for services.

## Increased Organizing by Labor

The new administration enjoyed strong support from organized labor in the election, which has expectations and demands in return for their efforts. Increased organizing efforts through the use of "card check" activities and efforts to establish nurses and physician assistants unions at the largest group practices should be anticipated.

Physicians and their group boards should expect the large medical groups to experience organizing efforts by the unions. Monitor employees' feelings, turnover, reasons for leaving, and satisfaction. Make sure you stay close and communicate with them.

Other options include:

- Actively support your industry associations in their efforts to deal with staffing rules changes.
- Monitor efforts by labor to place limits on work hours.

## Legal Affairs/ Malpractice Insurance

The Obama administration will steer antitrust enforcement through its appointments in the Federal Trade Commission, the Justice Department and federal courts, as well as legislation that would remove roadblocks erected by previous legal decisions.

Legal challenges will come from specialty hospitals that claim general hospitals unfairly squeezed them by denying staff privileges to physician-owners and persuading insurers to exclude them from provider networks.

Providers who receive dollars from federal health programs should watch the progress of efforts in Congress to reinforce the False Claims Act, which will lengthen the statute of limitations, and address worries that a 2008 Supreme Court ruling could stifle cases that fail to draw a direct connection between false information and the government's decision to pay a claim.

Malpractice premiums will likely skyrocket due to the large financial losses suffered in the stock market crash by the malpractice carriers.

Other options include:

- Perform a review of your current compliance plan with your billing company or internal staff. Make necessary changes to minimize false claims risk.
- Audit charts with your physicians and nurses to insure that the correct level of documentation is being captured during the treatment episode.
- Investigate new ERM technology as a way of standardizing data collection for claims submission and quality analysis.
- Obtain quotes for your group's malpractice coverage to be prepared for any sudden rate increases. Review your claims experience and coverage limits.
- Investigate whether a captive would provide better cost, control and risk management for your group.

## Greater Physician Alignment

Hospitals are looking for physician groups to collaborate with them on every aspect of care to insure quality of care, access, patient safety, cost containment and operating efficiency. Expect a continuing physician shortage. Primary care will suffer the most. Conversely, some physicians and nurses, battered by investment and retirement losses, may knock on your door seeking full-time or part-time employment. Expect Stark legislation to be strengthened to restrict or eliminate physician investment in healthcare services in which they can refer.

Other options include:

- Communicate with partners to identify their needs. Seek to find solutions through collaboration with economic benefit to the hospital and the care delivery system.
- Educate your group on new care models and OR efficiency consulting methods.
- Collaborate with the hospital administration on making the patient care process more efficient and cost effective.
- Monitor increased turf wars between physicians over patient flow and procedures. Does evidence-based information indicate who has the superior outcome?

## Continued Transparency



Expect continued efforts to publicize quality, patient safety and pricing information. Both the government and private industry (e.g., health plans, employers) will provide greater access to information and expect improvements in accuracy, timeliness, and relevance.

Physicians should monitor relevant public databases that measure quality, patient safety, and pricing.

Other options include:

- Work with group management to demonstrate value to the hospital, surgeons and patients. (what outcome at what price).
- Redouble efforts to improve quality and patient safety.
- Ensure that systematic processes exist and that they are in place to correct problem areas.

- Continue to manage down your expense per operating unit and per episode of care.



## Summary

In summary, as I look forward to anticipate 2009 and all of its challenges and promise, I am reminded how important it is for senior leaders to define the vision and concentrate the group practice's limited resources in a few areas in order to optimize performance. In difficult times, superior leadership makes the difference between just surviving and thriving in times of economic uncertainty.

May Your Group Prosper in 2009!

Sincerely,  
Robert Cox  
Anesthesia Resource Network



Anesthesia Resource Network was formed in 1985 by anesthesiologists and professional practice managers who believed there was a better way to handle the billing and management aspects of their businesses. Their vision: create a company of the best professional managers with guidance from those closest to the work - the anesthesiologist. For twenty-four (24) years ARN has worked exclusively for anesthesia groups improving their financial performance.