

# **Business of Medical Practice**

Transformational Health 2.0 Skills for Doctors

**Third Edition** 













#### ABOUT THE EDITOR-IN-CHIEF



Dr. David Edward Marcinko, MBA, CMP Founding editor of the first and second editions, David Edward Marcinko is a management consultant and health economist from Loyola University Maryland. He earned a medical degree from Temple University in Philadelphia and a business degree from the Keller Graduate School of Management in Chicago and completed his internship at Atlanta Hospital and Medical Center, ultimately serving as chief resident. Later, as a Fellow of the American College of Foot and Ankle Surgeons, he earned a financial planning diploma from Oglethorpe University in Atlanta. In addition, as president of a privately held physician practice management corporation in 1998, he consolidated 95 solo medical practices with \$50 million in revenues. Dr. Marcinko was also managing partner of an Ambulatory Surgery Center that was sold to a public company and is a Health 2.0 pioneer.

As a thought-leader, Dr. Marcinko is often cited in journals like Managed Care Executive, Healthcare Informatics, Medical

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Recent and former memberships include the American Board of Quality Assurance and Utilization Review Physicians (ABQAURP); American Society of Health Economists (ASHE); American Health Information Management Association (AHIMA); Healthcare Information and Management Systems Society (HIMSS); and the Microsoft Health User's Group (MS-HUG). After a brief stint as a university visiting professor, Dr. Marcinko was appointed Chief Executive Officer for the Institute of Medical Business Advisors Inc Currently, he counsels maverick physicians transitioning to nonclinical careers.

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### ABOUT THE INSTITUTE OF MEDICAL BUSINESS ADVISORS, INC

iMBA Inc is a leading practice management, economics, and medical valuation consulting firm and focused provider of textbooks, CD-ROMs, handbooks, templates, tools, dictionaries, and on-site and distance education for the health care administration, financial management, and policy space. The firm also serves as a national resource center and referral alliance providing financial stability and managerial peace of mind to struggling physician clients. As competition increases, iMBA Inc is positioned to meet the collaborative needs of medical colleagues and institutional clients, today and well into the disruptive Health 2.0 participatory future.

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—iMBA Inc Atlanta, GA, USA









# **Business of Medical Practice**

Transformational Health 2.0 Skills for Doctors

**Third Edition** 

David E. Marcinko, MBA, CMP Editor in Chief

Hope Rachel Hetico, RN, MHA Managing Editor











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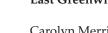
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# A Note From the Editor-in-Chief

The evolution of this publication continues to shape the private medical practice management landscape by following three important principles.

First, we assembled a world-class team of independent team experts who draw on their experience in managerial decision making for the health care industrial complex. Like many readers, each struggles mightily with the decreasing revenues, increasing costs, and high consumer Health 2.0 expectations in today's competitive marketplace and uncertain political future. Yet, their practical experience and applied operating vision is a source of objective information, informed opinion, and crucial information for all medical professionals.

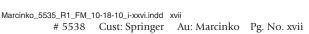
Second, our writing style allows us to present a great deal of information in condensed form. We integrate prose, news reportage, journalistic brevity, and regulatory and academic perspectives with Health 2.0 examples, blog and Internet links, as well as charts, tables, diagrams, URL citations, and Web site references. The result is a logically comprehensive and progressively integrated oeuvre of operational strategies.

Third, as editors, we prefer engaged readers who demand compelling content. According to conventional wisdom, printed texts like this one should be a relic of the past, from an era before high-speed connectivity and the Health 2.0 initiatives we feature. However, our experience shows just the opposite when the printed page is united with a companion Web Site for current updates, fresh ideas, and instantaneous interactivity (www.BusinessofMedicalPractice.com). Applied practice management literature has grown exponentially since our first and second editions, and a plethora of related information makes a cyclical book and blog that sort through the clutter, and provide strategic analysis, all the more valuable. Oh, it should provide some personality and wit, too! Don't forget, beneath the spreadsheets, profit and loss statements, and new business models are still patients who want and need to depend on you.

In this edition, we update and extend the traditional content of both prior editions and pragmatically offer, answer, and/or reframe significant questions about Health 2.0 like

- How do medical office, financial, and cost accounting mechanisms work, and how do transparent business information and reimbursement data impact the modern competitive health care scene?
- Where does the marketing hype over social networks and patient-generated content end, and fruitful advertising and ROI augmentation reality begin?
- How are medical practices, clinics, and physicians evolving as a result of rapid health and nonhealth related technology changes?
- Does transparent quality information affect the private practice ecosystem?

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#### xviii A NOTE FROM THE EDITOR-IN-CHIEF

- How are Health 2.0 technologies like online patient communities, podcasts, wikis, blogs, microblogs, and grid mash-ups changing the face of medical practice and physician-patient encounters?
- What about eMRs and meaningful use: fiction versus reality?
- What Health 2.0 policies are in place after recent domestic terrorist attacks?
- Does Health 2.0 enhance or detract from traditional medical care delivery and can private practice business models—absent command control sovereignty—survive?

Therefore, rest assured, The BUSINESS OF MEDICAL PRACTICE (Transformational Health 2.0 Skills for Doctors) continues to be an important vehicle for the advancement of applied knowledge and better managerial practices in our field. In the years ahead, we trust these principles will enhance utility and add value to your purchase and companion online community. Most importantly, we hope to increase your return on investment in some small increment.

> Fraternally, David Edward Marcinko Editor in Chief











# **Preface**

In the first and second editions of the **BUSINESS OF MEDICAL PRACTICE** we set out to produce a textbook of value to all medical professionals, as Managed Care 1.0 and Wall Street wrecked havoc with physician autonomy and patient care during the past decade. Now, in this third edition of the BUSINESS OF MEDICAL PRACTICE (*Transformational Health 2.0 Skills for Doctors*), we aim to leverage this philosophy to the Internet cloud, collaborative media space, and Health 2.0 participatory enterprises. How? Physician empowerment through patient centric care!

Most importantly, we believe that the Health 2.0 enterprise knowledge is a collective process; but not an entirely democratic one. And, while we welcome and appreciate the increased participation of our contributing authors, we will not abdicate our responsibility as informed review editors, and leaders of the Health 2.0 future, by burying it under the currently fashionable "wisdom-of-crowds." In addition, contrary to some political mindsets, we do not believe that health care reform 2010 will dramatically reduce health care costs, increase access, or improve quality for 10 reasons:

- 1. Doctors and their patients voraciously use new technologies and pharmaceuticals.
- 2. Quality is hard to define and most medical mistakes are due to human frailty.
- 3. Cloud computing, eMRs, and Internet grid collaboration for all stakeholders is exploding.
- 4. Traditional top-down leadership and medical bureaucracy is collapsing.
- 5. Transparent provider fees and health care institutional pricing promotes accountability.
- 6. Consumer directed health plans and medical tourism a growing trend.
- 7. Abandoning nonprofitable medical treatments is anathema to practitioners.
- 8. Aging baby boomer populations and demographics are against it.
- 9. A perfectly competitive or capitalistic health care free-market does not exist.
- 10. The push for continuous medical research and development is in our DNA.

Above all else, medicine is a uniquely personal experience, and society is not ready for the brutal efficiencies of rationing, or an intrusive governmental system.

On the other hand, we are pragmatic and realize that medical providers of all independent degree designations (allopathic, osteopathic, podiatric physicians, dentists, optometrists, chiropractors, psychologists, and nurse practitioners), must learn to better compete, collaborate, and appropriately use health information technology in the next decade. Ultimately, physicians who are clinically, technically, and managerially responsible will be future leaders of medicine. The information in this text will help achieve this goal and is most applicable to the solo, small, or medium group practice; or for those physicians who aspire to be decision makers and administrators. For the employed physician or resident,

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it will also serve as a blueprint for what can still be independently achieved. And, for practice administrators and office managers, it will serve as a guide to the next generation of more complex large group management endeavors.

The BUSINESS OF MEDICAL PRACTICE (Transformational Health 2.0 Skills for Doctors) is written in prose form, using nontechnical jargon, without the need to document every statement with a citation from the literature. We do refer to current visionaries who purport to have innovative new ways to collaborate in cyberspace, in an arm's length fashion. This allows a large amount of information to be condensed into a single and practical volume. It also assists in the comprehension of important concepts in a single reading session, with a deliberate effort to include germane examples. The interested reader is then able to research selected topics or communication with the authors, editors, and readers on our companion Web site. Overlap of material has also been reduced, but important concepts are reviewed for increased understanding.

New chapters and topics for this edition include

- Defining Health 2.0 and participatory care
- Managing and protecting accounts receivables
- Incurred But Not Reported (IBNR) health care claims
- Negotiating cost volume profit contracts
- Revenue cycle management and cash conversions
- Marketing, advertising, sales, CRM, and public relations
- eMRs, mobile-health, and clinical groupware
- Health IT, cloud computing, and SaaS
- Medical practice buy-sell agreements
- Disability insurance protections
- Medical practice sales and contracts
- Restrictive practice covenants
- Internal fraud and abuse prevention and controls
- Micro-capitation and pay-for-performance initiatives
- Mobile communications and ambulatory computing
- The USA PATRIOT and SAR-BOX Acts
- Social media and collaborative patient care
- Direct reimbursement and new-wave practice models
- Medical workplace violence and sexual harassment
- Mico-medical practice business models
- Next-generation physician leadership

We seek to breathe additional diversity into this work with these new contributing authors:

- Suzanne R. Dewey MBA
- Brian J. Knabe MD, CFP CMP
- Parin Kothari MBA
- Mario Moussa PhD, MBA
- Shahid N. Shah MS
- Susan Theuns PA-C
- Jennifer Tomasik MS

Your thoughts, suggestions, and opinions after reading the BUSINESS OF MEDICAL **PRACTICE** (*Transformational Health 2.0 Skills for Doctors*) are most appreciated and welcomed.

> Hope Rachel Hetico RN, MHA, CMP Managing Editor









# Acknowledgments

It is an incredible privilege to edit the third edition of *The Business of Medical Practice: Transformational Health 2.0 Skills for Doctors*. One of the most rewarding aspects of my career has been the personal and professional growth acquired from interacting with protean professionals of all stripes. The mutual sharing and exchange of practice management ideas stimulates the mind and fosters advancement at many levels.

Creating this text was a significant effort that involved all members of our firm. Over the past year, we interfaced with numerous outside private and public companies—as well as the Internet blogosphere—to discuss its contents. Although impossible to list every person or company that played a role in its production, there are several people we wish to thank for their support and encouragement: Robert James Cimasi, MHA, AVA, CMP of Health Capital Consultants LLC, St. Louis, MO; Leila M. Hover, D. Med. Human, Drew University, Madison, NJ; Darrell K. Pruitt, DDS of Ft. Worth, Texas; and Theodore C. Nardin, CEO of the Springer Publishing Company. Any accolades are because of them. All other defects are my own.

Of course, this third edition would not have been possible without the support of my wife and daughter—father, brother, and sister—whose daily advocacy encouraged all of us to completion, as well as all our Web site readers, blog forum subscribers, and Health 2.0 collaborators. It is also dedicated to our clients and contributing authors who crashed the development life cycle to produce timesensitive material in an expedient manner. The satisfaction I enjoyed from working with them is immeasurable.

**Dr. David Edward Marcinko, MBA, CMP** Editor-in-Chief Norcross, GA













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# **About This Edition**

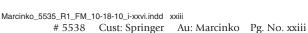
The first of three themes for this edition of The BUSINESS OF MEDICAL PRACTICE (*Transformational Health 2.0 Skills for Doctors*) is *collaboration*. In fact, we believe that—regardless of medical specialty or degree designation—if you do not structurally and virtually collaborate in the coming Health 2.0 tidal wave, you will not survive as a health care entity!

However, you may ask, with whom do I collaborate? The answer is short, everyone. You must collaborate with your patients and the public; your employers and benefits managers; your vendors and managed care extenders; your payers and health insurance companies; your local, state, and regional medical societies and government; as well as your colleagues and medical competitors. Moreover, you must collaborate with all divergent stakeholders of the health care industrial complex and seek to unite them all. If you do not, you may even experience something far worse than the demise of your medical practice. You may lose your livelihood, self-esteem, and personal lifestyle through the resulting lost autonomy or business dissolution. Whether you want this to happen or not, collaboration is going to play a vital role in the future of medicine and health care.

The second theme suggests how the *Internet* enables people to collaborate and have human conversations with the potential to radically transform traditional business practices, empowered by the social media and mobile technology of today's youth. As noted in the book, *The Cluetrain Manifesto*, authors Rick Levine, Christopher Locke, Doc Searls, and David Weinberger said"all conversations are markets." However, medical professionals across the nation are still not all jumping on the Internet bandwagon. Mature doctors, with their wealth of experience and clinical heuristics, are retiring early. Mid-life practitioners are dazed and confused. Fortunately, the current generation is embracing change—with its new wave ideas and unique business models—with confidence, fly and élan. Moreover, with the federal government pushing physicians to use electronic medical records, it is only a matter of time before medicine makes a successful push into Health 2.0 and beyond to related Internet initiatives.

The final theme of our book is that medical practices must not only recognize the above trends but also *execute* them in order to be successful. For example, enterprising health care providers have already deployed sophisticated Health 2.0 media strategies to extend their brand around the world. The Mayo Clinic maintains several blogs, a Facebook page, a library of YouTube videos, and a Twitter account. In addition, within months after Alan Copperman, the vice chairman of obstetrics and reproductive science at Mount Sinai, launched YouTube videos on *in vitro* fertilization, 100,000 people had viewed them. Some physicians also leverage social media to help their patients access illness support networks (a previously difficult undertaking for homebound or geographically isolated patients) or those with rare diseases. The result is that a short doctor

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visit can turn into an ongoing dialogue executed through a continuous flow of relevant information.

And so, we present these uniting themes in an easy to understand manner with sample problems and scenarios, fundamental theory, and illustrative case models, while concluding with transformers that mitigate strife using better (not best) evolving business practices. Needless to say, such transformations should not be taken lightly by any medical practitioner, clinic, or health care organization.

We trust The BUSINESS OF MEDICAL PRACTICE (Transformational Health 2.0 Skills for Doctors) will lead the way to future practice success. For those interested in learning more, please read on, and join the continuous "live" conversations at www .BusinessofMedicalPractice.com

#### WHY THIS EDITION—WHY NOW?

There are three answers to this query.

#### 1. Unintended Consequences of Healthcare Reform 2010–2018

Much like the physical laws of nature, action begets consequences, which are usually known, unknown, or disregarded by human foibles. The law of unintended consequences, often cited but rarely defined, is that actions of people—and especially government—always have effects that are unanticipated or unintended. Economists have heeded its power for centuries; for just as long, politicians and popular opinion have largely ignored it. Therefore,, regardless of political affiliation or opinion on the Patient Protection and Affordable Care Act of 2010, there are a plethora of unintended consequences that all medical providers must recognize, and those wishing to stay independent, must mitigate. For example:

- Health care costs will be shifted to doctors in the form of lower reimbursement with higher practice overhead costs for private physicians and with fewer office employees and more ancillary business and service line extensions.
- Hospital-based physicians like pathologists, radiologists, anesthesiologists, emergency department doctors, and hospitalists will demand, and receive, higher salaries.
- Fewer (underpopulated) primary care physicians with more (overpopulated) PAs, nurse practitioners, and DNPs, with a blunted medical establishment oligopoly.
- Higher health insurance costs for employers and most patients, especially young adults without a commensurate increase in aggregate risk.
- Medical care access impediments for most Americans but improvements for those previously uninsured.
- Health 2.0 electronic connectivity for the masses with medical data "Internet neutrality."
- Continued rise of evidence-based medicine and crowd-sourced health care information.
- Higher costs for DME, instruments, and drugs; particularly in the field of human genomics and personalized pharmaceuticals.
- Increased acceptance of MSAs, HSAs, concierge medicine, private pay, and other direct cash payment methods for medical care.
- Realization that people, not eMRs, improve patient care and reduce costs, as "meaningful use" is diluted.
- An enterprise-wide health data breach of epic proportions, with innumerable smaller security breaches despite the HIPAA laws.











- Poor-quality digital manipulation of medical information with eMR-specific inflation due to ARRA and HI-TECH.
- Promotion of outcomes reimbursement models, values-based health care (episodes of care), and various microcapitation derivatives.
- More community hospitals, which lost 12 cents/dollar spent on Medicare and 35 cents/dollar on Medicaid patients last year, will close.
- Fewer viable alternatives to commercial health insurance, other than Medicare and Medicaid, since the antitrust exemption for health insurers had not been repealed.
- Medicare may become the *de facto* health insurance, much like public housing, food stamps, the USPS, and public transportation.
- The impact of changing to ICD-10 and ICD-11 for medical records coding and billing will be as significant across the industry and will push other HIT projects to lower
- New HIPAA 5010 requirements will present substantial changes in the content of the data submitted with claims as well as the data available in response to electronic inquiries.
- Physician compensation will gradually decline.
- Private medical practices, often a doctor's largest financial asset, will go down in value jeopardizing personal retirement plans.
- Medicine's lost professional status will become complete as health care becomes commoditized and future grass-roots caregivers are neutered.

## 2. Managed Care 2.0

According to Mike Turpin writing for The Health Care Blog, health insurance reform is setting the stage for a new era of American health care—Managed Care 2.0. In launching this new period anchored by expanded access and insurance market reforms, we are expecting to say farewell to the three-decade era of Managed Care 1.0—a barren stretch of fiscal and social desert marked by spiraling costs, misaligned financial incentives, massive underfunding of Medicare and Medicaid obligations, fraud, overtreatment, public to private cost shifting, historic rates of chronic illness, and the slow erosion of employer sponsored health care, leading to an astounding number of Americans without insurance. Where Managed Care 1.0 was a time characterized by consolidation of stakeholders, cost shifting, risk shifting, and scorched earth Darwinian battles on the supply and delivery side, Managed Care 2.0 will begin "a battle for the soul of medicine."

#### 3. Medical Community Fragmentation

According to Richard Reece MD, independent medical practice in America is in trouble. It is a fragmented system with some 900,000 allopathic physicians—300,000 primary care doctors and 600,000 specialists, practicing in disparate settings. These physicians are located in roughly 580,000 locations. Some are solo, most are in small groups, and many are clustered around 125 academic medical centers, 100 integrated groups, and 5,000 community hospitals. They are not unified. Less than 18 percent of physicians belong to the anachronistic American Medical Association, opting instead for new-wave social networks and other more relevant collaborative tools. There are also 100,000 osteopathic physicians, 250,000 dentists, 50,000 optometrists, and 12,000 podiatrists in the United States. Many are struggling to remain independent, unbiased, and unbought.

This third edition of the Business of Medical Practice will address these issues, and more, in an attempt to "save the soul of the independent medical practitioner." Most wish only to labor omnia pro aegroto or "all for the patient."













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		Please provide degree and affiliation for this
	Author "Eric Galtress"	author.



