

# Post-recession Planning

## Chapter FastFACTS

- 1. Regardless of when the recession ends, careful changes in the way your practice conducts business will help you prosper in the long run.**
- 2. Changes you make during the recession that are likely to become permanent include pre-screening patients for payment capability and insurance eligibility, greater use of credit cards, and aggressive collection processes.**
- 3. Diversifying now will help you survive future downturns.**
- 4. Taking advantage of current or future revenue-enhancing changes, such as pay-for-performance and EMRs, will pay off in the future.**
- 5. Government initiatives may help healthcare recover, but the pace will vary by geography.**

**I**s the recession ending? While debate over that question continues, some say we may already be in recovery (see “Are We in Recession Recovery?,” p. 69). That makes it critical that any change you make to your practice in response to the recession anticipates that the recession will end—although its effects may be felt for some time—and is viable and adjustable to what your practice will be like at that time.

“I think that the right way to deal with the recession is to have a sense of optimism that things will improve,” says Hobart Collins, principal, MGMA Healthcare Consulting Group, Louisville, Ky.

Your post-recession planning should also anticipate that some



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type of healthcare reform will ultimately take place. How and to what degree we can't predict at this writing. Regardless, experts say certain business-related changes physicians put into place now will only strengthen their practices in the long run and position them to do better than ever.

### **Changes That Will Stick**

Physicians who carefully hone their neglected business skills will find themselves in a better position when the economy improves. Those skills include a keener understanding of the business of healthcare, from staffing to cost management to revenue cycle management, Mr. Hertz says.

Some changes made to tighten or better equip your practice to cope with tough economic times will pay off if you maintain them post recession. For most physicians that will include re-engineered processes for reviewing and addressing cash controls as well as billing, according to Mr. La Penna. "Permanent changes in a doctor's practice will be pre-screening of patients for payment capability and insurance eligibility, a rising use of credit cards and debit payment forms, and aggressive collection processes," he says. Once a practice streamlines these procedures, there will be no reason to go back to the way things were.

Other changes likely to last include these:

- Adjustments physicians make to their participation in managed care because of the recession
- Some staffing changes, especially as senior physicians choose to retire
- Sales of retail items
- Sales of complementary services and products in their offices

Perhaps less likely to remain are lifestyle changes, like adding additional hours and appointment slots. Once the financial pressure is off, the desire for more free time and lifestyle improvements will re-emerge.

### **Diversify and Plan Ahead**

Any lessons you learn now will equip you to survive what Dr. Goyal says is inevitable: the next economic downturn. A recession is likely to occur every 10 to 20 years, he says, and medical practices can't be made recession proof.

## Are We in Recession Recovery?

According to the National Association of Business Economics (NABE), its October 2009 industry survey provides new evidence that the U.S. recovery is underway. The report, which presents the responses of 78 NABE members to a survey conducted between October 2 and October 12, 2009, on business conditions in their firm or industry, reflects third-quarter 2009 results and the near-term outlook. Those results showed increased industry demand during the July-to-September period for the first time in five quarters in services sectors, which include finance and insurance.

“The survey found that the vast majority of business economists believe that the recession has ended but that the economic recovery is likely to be more moderate than those typically experienced following steep declines,” said NABE President-elect Lynn Reaser, chief economist at Point Loma Nazarene University. “Following a sharp 6.4% (annual rate) contraction in the first quarter of this year and another 0.7% drop in the second quarter, NABE forecasters expect real GDP to rise at [a] 2.9% rate in the second half. The more-than-three-year downturn in the housing market is very close to coming to an end, with substantial growth (from a low base) expected for next year. Other results included the following:

- All NABE panelists indicated that business decisions are being made with the expectations that economic growth, as measured by real GDP, will be positive in 2010; 73% of firms believe real GDP will expand between 1% and 3% in 2010.
- Profit margins widened for the first time in seven quarters, albeit at a modest pace.
- Price increases were more common than price cuts last quarter for the first time in a year.
- Job losses appear to be slowly abating, with the percentage of firms cutting payrolls falling to 31% from 36%. The percentage for firms adding jobs doubled from an all-time low of 6% in July to 12% in October. Respondents expecting their firms to add employees over the coming six months exceeded the number expecting job cuts for the first time since the recession began.
- For the first time since October 2008, more respondents reported a rise in capital spending over the prior quarter, rather than a decrease. Expectations for future capital spending improved for the fourth straight quarter and turned positive, on balance, for the first time in a year. Expectations were positive for spending on computers and communications equipment but negative for structures.

Instead of just hoping for the best, he recommends that physicians diversify now. He suggests getting more education in areas other than your specialty; considering getting a master's degree in teaching or in public health; and taking steps to improve relationships with your patients. For example, Dr. Goyal cites a physician who is reaching out to the Hispanic community by hiring a Hispanic employee to help him communicate and market his services more effectively to this community. For other ideas see "Explore Other Options Now," opposite.

## The Effect on Healthcare

The end of the recession isn't going to affect all industries the same or at the same pace. Some will recover faster than others. Healthcare may be buoyed by the stimulus money and by healthcare reform. Mr. Rosenberg says that while primary care will be subject to cost containment, he thinks that healthcare reform will increase the importance of primary care physicians.



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**Michael La Penna**  
practice management consultant  
The La Penna Group, Inc.

Mr. Bristow agrees. "If, in fact, there are more individuals covered by some type of insurance, assuming physicians elect to participate with those insurance coverages, there should be a greater number of patients coming to see the primary care physicians instead of getting their primary care through the emergency rooms," he says. "My concern is whether there will be more patients at a significantly reduced reimbursement amount. More work for less pay would not be very exciting."

However, the increasing number of physicians deciding to leave practice, especially primary care physicians, may in fact

## Explore Other Options Now

You may find that some changes to your practice to cope with today's current economic climate will work in the long term as well, according to Kenneth T. Hertz, principal, MGMA Healthcare Consulting Group, Louisville, Ky. He suggests exploring the following options:

- Branch into new product lines, such as a “physician-owned and -operated” spa adjacent to the practice.
- Offer a wide variety of cash-based services.
- Expand hours, offering early-morning or evening hours to increase your accessibility.
- Develop new ways to work with patients on outstanding balances, developing payment plans, discounted arrangements, etc.
- Create stronger marketing programs to ensure ongoing patient flow.

increase the number of patients who can't afford healthcare and thereby increase the burden on ERs, Dr. Stubbs says. And that, he says, could slow healthcare's recovery.

“I'm very hopeful that Congress will get healthcare changes through this year. We can't go on like this. Perhaps it will [make primary care more attractive to] medical graduates,” Dr. Stubbs says. “I hope that the healthcare delivery system will provide more choices, and that more people can afford healthcare coverage and have no more worries about pre-existing conditions.”

The pace of recovery will vary by geography. For example, some areas are “recovering even now” while others, like Michigan, will not recover as fast, Mr. La Penna says.

## Position Yourself Now

Regardless of other changes you might make to your practice, Mr. La Penna recommends that you investigate what the stimu-

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 in the first issue of *Doctor's Digest-Money Matters* at [doctorsdigest.net](http://doctorsdigest.net).

lus plan might do for your practice and patients. Monitor changes in healthcare and position yourself to take advantage of current or future revenue-enhancing changes, such as pay-for-performance, the medical home, EMRs, and data interchanges.

“A recession is an adjustment in market forces. Healthcare is pretty much recession proof, but a doctor’s practice is not,” he says. As a result, the physician-owner needs to become the physician-manager and operate his or her practice like a business. “Now is also the time for the doctor to become a venture capitalist,” Mr. La Penna says. “Take a fresh look at [your] business to see how it is positioned and how it can take advantage of the many initiatives in healthcare that are going to change, now and in the near future.”

Physicians should use their experience during tough times to better manage economics for the long run, according to Ms. Capko. She specifically recommends the following:

- Keep an eye on potential revenue leaks, such as missing charges or choosing a lower-level evaluation and management code to play it safe.
- Monitor performance of the revenue cycle from delivering care to getting paid.
- Manage staffing efficiency and costs.
- Watch expense trends, looking for recurring expenses that seem to be on the rise such as overtime and supplies.
- Recognize that staff continuing education is a great investment in the practice and its future even during challenging times.

Finally, and perhaps most important, never compromise patient service in your quest to improve profitability. Ms. Capko emphasizes that all the strategies you put in place will pale without a happy patient, who will not only be more compliant, but will also be an advocate for your practice’s growth and stability.

### Real Estate Investment Tips You Can’t Miss



Interested in investing in rental property? Now may be the time to do it, according to “Real Estate: Time to Buy Investment Property,” found only in **Doctor’s Digest-Money Matters**. Go to [doctorsdigest.net](http://doctorsdigest.net) and click on Money Matters to get details.