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Your Orthopaedic Practice Needs a Managing Doctor

Who is running your group (two or more physicians) orthopaedic practice?

Unfortunately, most doctors would say the office manager or administrator runs the practice. However, even the best lay administrator should not be charged with making all of the business decisions required to operate a successful orthopaedic practice. Physician involvement is key. Even in huge (100-plus physicians) multispecialty practices with MBA-trained non-physician executive directors, physician leadership is necessary and vital.

Most orthopaedists are far too busy to be actively involved in the day-to-day decision-making and management of the practice. Many also feel they lack the skills and do not want the responsibility. So they leave the management of the practice to the administrator.

However, the ultimate beneficiaries of the success of any medical practice are the doctors. Just as important, the owners are at financial risk if the practice should lose. At most, a practice administrator may be out of a job if he or she makes bad business decisions. The orthopaedists, on the other hand, not only lose income, but may be left holding the bag on unpaid loans, unexpired leases and other debts. The owner-physicians cannot take the responsibility lightly.

The solution is to consider having a managing doctor for the group.

Who Should Be the Managing Physician?

Often, but not always, the senior physician is also the managing physician. In cases in which the senior physician has excellent leadership abilities and people skills, is an adroit administrator and delegator, has entrepreneurial talent and experience, and really wants to do the job, that is an excellent situation.

However, if the senior physician is clinging to the post despite the lack of these qualities, he or she might be doing the practice more harm than good.

In universal terms, either you have what it takes or you don't. Be honest with yourself and with your partners. Ask your partners to be honest with you. If you want to be the managing physician only because of the prestige, think twice.

Generally, leaders evolve. Typically, the best leader is the physician who always (or at least usually) takes on that little bit of extra work that makes a world of positive difference to the practice.

Consider a physician meeting in which somebody proposes an idea that everyone immediately recognizes as brilliant. If it is implemented, it may mean millions of dollars of revenue for the practice. Everyone gives the idea lip service, but *only one physician* takes it a step further and turns the idea into an action plan. That same physician also probably will be the one who implements it, tracks it, adjusts it, and reports progress to the other physicians. Likely, that physician is always the one who takes charge.

That physician is a good practice manager, in fact, if not in title.

The Role of the Managing Doctor

Many orthopaedists believe that the practice administrator should be able to manage the practice. For day-to-day operations, that is true. However, medical practices have had to become more competitive and the issues facing today's administrators go far beyond the scope of their responsibilities. There are certain things that only an owner-physician should handle.

Director of Strategic Planning: The group should establish the basic goals and direction. The administrator will handle the fact finding, financial modeling and other details. But you still need an overseer to pull it all together, someone with the authority to commit the group.

Further, you cannot ask *all* of the practice's physicians to research what the competition is doing, where the market is headed, who the major players (merger, consolidation, affiliation, managed care, etc.) are, where the practice currently fits within that framework, what the practice's optimal projected position should be, and how to get there. Most orthopaedic surgeons barely have enough time to read their own mail!

You need a physician to scout out new business opportunities, even ones that are not yet part of your strategic plan. Is the group in the next town looking to merge? Are they a good match for us? Is there a networking opportunity, if not a merger possibility?

Coordinator and Contact Point: In most group practice situations, several physicians are involved in promoting the practice to the outside world. They are involved in hospital committees and society activities. That's fine and it should continue.

However, you need one person to pull all of it together. It is then the managing physician's job to coordinate the efforts of these physicians so that no one is acting in a vacuum and the practice's resources are efficiently utilized.

For example, two of the practice's physicians may have decided that the computer system needs to be upgraded. Both may be investigating alternative systems, unbeknownst to the other. A lot of time could be saved if the managing doctor were in place. He or she would have coordinated the activity.

The managing doctor also serves as a clearinghouse for all information gleaned from these outside sources. Throughout each day, all of the group's physicians may learn bits and pieces about the hospital's plans, what other groups are doing, new managed care products and the like.

Even with the other physicians' involvement, there may be other networking opportunities that fall by the wayside. A managing doctor picks up the slack, making sure that all vital business contacts are maintained.

Operations Specialist: In solo and many small and mid-sized practices, there is no non-physician administrator, but only an office or site manager and the managing physician. In these cases, the managing doctor controls much of the day-to-day operations of the practice, or at least works closely with the manager.

Even in a large practice, though, members of the non-physician staff often need advice, instructions, and -- most importantly -- decisions to be made about issues that must be resolved immediately. Having a managing physician is the obvious way to proceed.

When push comes to shove and there are really big decisions to be made, it is vital for the practice to have a physician with "sign off" ability to make those calls for the group.

For example, what happens if your CT scanner fails and you must fix it, replace it, or refer those patients out? You need a quick decision made by someone with the authority to spend the money, incur the loss, or otherwise impact practice finances.

Without a managing physician functioning as an operational specialist, you will need to wait until the next meeting of the Board, or try to schedule an emergency session. In orthopaedics, wasted time is wasted money.

Financial Watchdog: Every practice should have at least one co-owner -- someone with a vested personal interest in the practice's business health -- keep tabs on the practice's financial indicators. Again, this is not a duty for someone who can only dabble at it.

Obviously, if you have a practice administrator, he or she should be watching expenses and whether or not bills are going out on time. But a *doctor* should oversee that effort; the administrator should report to the managing physician. Ask your administrator to generate the appropriate report(s) and to monitor receivables, billing, managed care contracts, overhead, and financial trends. These should all be reported to the managing doctor to determine when action is needed.

Managed Care Negotiator: Comparing patient care contracts is another important concern. Which ones are lucrative? Which are costing money? Which should we renew, renegotiate, or abandon?

The administrator should do the data gathering and preliminary analysis and the managing physician -- using the administrator's recommendations as he or she chooses -- should make the final decisions about what should be done to promote the practice's welfare.

But, at some point, the matter must be turned over to the managing physician, someone who is in a position comparable to the managed care entity's medical director. Some matters must be discussed doctor-to-doctor. Some decisions must be made by or on behalf of the practice's physician owners.

Physician Intervener: As practices grow larger, the need for basic ground rules increases. Not all of the orthopaedists may follow those rules. The administrator is not in a position to enforce the rules among physicians. Only another physician can do that. Hence, if a physician is seriously behind in documentation or has a history of not getting along well with the staff, the managing doctor may intervene to make sure the problems are remedied.

Support and Authority

Physicians tend to fall into one of two categories: those who are loathe to turn over control to another doctor and those who gladly give away the responsibility. Just because a practice has decided to have a managing physician does not relieve the other doctors of their duties as owners. The managing doctor should not have total control without limits, checks and balances.

On the other hand, establishing too many restrictions or allowing too much interference from the other practice physicians will defeat the purpose of having a managing doctor.

The best way to succeed is to start with a strategic planning retreat. All of the practice physicians should be involved. In the plan, as a group you determine what the goals of the organization will be. For example, you might agree that you want to open a satellite office, investigate establishing an ambulatory surgery center, hire a new spine surgeon or consider a merger.

The physician owners should also sign off on an operating budget, capital budget and special projects budgets, in which parameters are set for things like maximum costs to open a new office.

Once you establish the goals and approve the budgets, your managing doctor has a game plan to which you have all agreed. He or she is now able to carry out your agreed plans.

In addition, the physicians should agree to the limits of authority for the managing doctor. How much debt is the managing doctor allowed to commit the practice to before he or she needs separate approval of the group? May the managing doctor fire any employee or do higher level supervisory employees require special approval? Make sure the limits set are not too restrictive. The managing doctor needs to have enough authority to act quickly and decisively if it is in the best interests of the practice.

Once they elect the managing physician, the other doctors must allow him or her to do the job, keeping track of developments but not necessarily interfering in their development. Naturally, the practice also must have a mechanism in place to control the managing physician who makes too many critical mistakes or exercises consistently poor judgment. The managing physician must be accountable to the other physicians, if problems are perceived, and the other co-owners must retain the right to vote the managing physician out of office, ad hoc.

A crucial element to success is communication back to the owner physicians. The managing doctor should keep the others informed of progress on the various projects as well as summary reports regarding budget and other financial or volume indicators. As unplanned circumstances arise, the details should be disseminated.

A good deal of give and take is necessary, as the other physicians must vest a high level of authority in the managing physician and, in turn, the managing physician must work to develop consensus within the group and trust the other physicians to support his or her judgment calls.

Compensation

Perhaps the worst way for physicians to react is to point out that the managing physician -- especially one who is doing the work *de facto*, with neither title nor compensation -- is not pulling his or her weight, in terms of tending to patients.

Too frequently, the other physicians in the group do not recognize the amount of work being done by the managing doctor. They see simply that a fellow physician is only seeing patients three and a half days a week, and has cut back on hospital rounds. If this doctor spends a day and a half a week:

- schmoozing managed care company executives;

- in conference with the hospital administrator;
- taking the competing musculoskeletal group's managing physician to lunch;
- looking at spreadsheets with the practice administrator, who, after all, is getting paid good money to look at those same charts;
- digging through reams of electronic data on the Internet; and
- talking for hours on the phone,

then the other physicians say that he or she has a "cushy job," and complain that patient treatment revenues are lost.

What they fail to understand is that this is exactly the way business is conducted. They may also fail -- or refuse -- to consider their orthopaedics practice to be the small, service-oriented business that it is. They probably are oblivious to the fact that this doctor's efforts are directly responsible for one or more lucrative contracts that bring a substantial number of patients into the practice.

No doubt, they fail to understand that, in an increasingly managed care environment, winning lucrative patient care contracts may bring *much more* revenue into a practice than does actually treating patients, in many cases. In effect, they are taking an unfortunately narrow view of this physician's wide-reaching efforts.

To do the job effectively, managing doctors need time away from clinical responsibilities. Although they may not be generating patient income, their work is just as important to the viability of the group.

In addition to being given time away from patient responsibilities, appropriately compensating the managing doctor is also necessary. Their significant contributions to the growth, stability and financial well-being of the group are vital to continued success.

But if your definition of "significant contribution" begins and ends with "treating patients," your practice is headed for the type of trouble that always accompanies shortsightedness, sooner or later.

At the very least, your practice must make the managing doctor whole in terms of regular physician compensation. Hence, if any portion of the income division formula is based on productivity, you must prorate the managing doctor's share.

If your managing physician devotes only 4 days or even 3 ½ days to patient care, instead of 5, prorate his or her productivity payments to what they would have been had the managing doctor been available for full-time patient care. Find some way to make your managing physician's paycheck whole. Otherwise, he or she may simply resign for economic reasons. Compensate that physician for the productivity he or she lost when taking care of the practice's business.

Beyond that, the practice should also compensate the managing doctor for the executive functions he or she serves and the additional responsibilities taken on. Be aware that your managing physician will still be working evenings and weekends, even if he or she is relieved of some patient care duties. He or she also has additional responsibilities. Knowing that the practice has someone at the helm tending to the *business* of orthopaedic medical practice, the other doctors do not need to devote their energies to the business as much, leaving more time and attention for patient care.

Provide a stipend to compensate for this extra effort, stress, and lost personal time. Typically, the stipend is a flat dollar amount, to which all parties agree in advance. Alternatively, you can establish a percentage of net income, incorporate management goals generally in a bonus tier of a multi-tiered physician compensation plan, or tie compensation to the accomplishment of specific, pre-established management incentive goals.

Summary

Particularly as managed care makes competition for patients increasingly intense and as orthopaedic practices expand, affiliate, and merge, the emphasis on your musculoskeletal practice as a business entity will grow.

Treat your business like a business. Put an orthopaedist in charge. Give that doctor a mandate to tend to your business at the physician level, work with your non-physician administrator, cooperate and

communicate with your other physicians, and accomplish well thought-out business goals according to a formal business plan.

Pay for the service and pay well. Be glad you have a doctor doing what must be done to keep your practice flourishing. Give the managing physician the needed authority to act on your behalf and support him or her along the way.

Remember, businesses do not survive, and certainly do not thrive, by luck. The most successful practices have learned, by watching the world of business, that effective leadership is key.

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