

# Healthcare Weather Advisory: **REFORM IMMINENT**



Ron Howrigan

For years, I was the bad guy. As a negotiator for several of the largest health insurers in the U.S., my job was to convince providers to agree to the smallest reimbursement possible for their services, at terms that were largely unfavorable to them. I was good at what I did,

and highly unpopular among the physician community. In early 2000, right around the time that my second child was born, I had a sudden, striking realization. Why hurt the very people we turn to when we are hurt, when our loved ones are sick, when our children are injured? I realized I was working for the wrong team, so I left the insurance industry and started a consulting firm to help physicians deal with people like me. I use the knowledge gained while working in the managed care industry to found Fulcrum Strategies, a managed care contracting and practice marketing firm. Since its inception in 2004, Fulcrum Strategies has helped hundreds of physician groups nationwide, in nearly every specialty, to renegotiate their payer agreements and secure higher reimbursement and more favorable contract language. We work every day to provide our clients with the support they need and deserve in this tumultuous world of health care.

With 25 years of experience in the health care industry, one of the questions I am frequently asked is “How will health care reform impact my practice?” Now that the election is over and the Patient Protection and Affordable Care Act (PPACA) is quickly becoming a reality, most of my clients are wondering what’s next. My short answer is: “I’m sure it won’t be good.” The problem is that adding 20 million to 30 million people to the roles of the insured and increasing benefits will put huge amounts of financial pressure on a system that is already stressed to the point of breaking. The next

few years are starting to look like a storm that has the potential to significantly damage the practice of medicine in this country.



**I believe there are six things that every practice should be doing to prepare for health care reform.**

**1. Improve operational efficiency:** There is no doubt about it; the future of health care will put significant pressure on provider revenue. Practices will no longer be able to cover up inefficient business models with fee schedule increases. Medical groups and other health care providers will need to learn how to make do with less, and that means becoming more efficient in their business functions. Practices need to take a serious look at their overhead, and look for ways to reduce their operating cost ratio. This doesn’t necessarily mean reducing staffing, although it may; in some cases it can mean learning how to add volume without adding expense. It can also mean looking at things like purchasing contracts, lease arrangements, or even consolidating debt to reduce expenses. It could mean taking full advantage of an EMR environment to reduce overhead and inefficiency. Whatever this looks like for an individual practice, it almost always boils down to one thing: professional management. The groups that are going to survive and thrive in the future are the ones that have solid professional management.

**2. Increase battlefield intelligence:** Ask any military commander what they need most in a difficult battle, and they will say “intelligence.” Knowing what the enemy is doing and what their strengths are can be the difference between winning or losing a battle. Health care is really no different. Practices need to keep their ear to the ground and constantly seek new information. Be aware of what your competitors, the payers, other practices and your hospital partners are doing. The last thing you want is to wake up and find

out that your two largest competitors have merged, leaving you in the dust, or that your hospital has just hired four doctors in your specialty and now you're not needed for the ACO they're forming. Keeping up with the ever-changing marketplace will help you remain competitive.

**3. Gain market position:** The other night I watched a movie called "Too Big to Fail." There's some real power in a title like that! In the business world, especially in difficult times, it's often the larger businesses that will survive; in the medical world, it's the larger physician groups. There are significant advantages to size, if well managed. That is why my third recommendation is to improve market position. This can be accomplished through organic growth (adding new doctors right out of school), merging with other groups, expanding geographic coverage, or cornering the market for a specific service or subspecialty. This market clout can be the difference between surviving the future – or not.

**4. Embrace marketing and customer service:** A major part of the future of health care may revolve around attracting not just any patients, but the patients you want. With the expansion of Medicaid, it is going to be more important than ever to avoid becoming overloaded with low-paying patients. You must attract your fair share of commercial insurance patients who can "vote with their feet," and in many situations will do just that. Given patients' ability to choose where they seek care, it's important to have a well-thought-out marketing plan that includes a clear message and a logical delivery strategy. Simply putting an ad in the yellow pages isn't going to cut it anymore. Your marketing efforts need to be backed up with solid customer service, so that word of mouth referrals are your friend and not your enemy. Giving careful consideration to how you treat patients as customers, as well as to the services and clinical care you provide, will be a necessity in tomorrow's health care environment.

**5. Prepare for the coming winter:** I grew up in a farming community. Every farmer knows that you work all year to harvest enough crops to sustain the winter. Medical practices need to consider doing the same. If this has been a good year for you, consider what you can do to store some of that good fortune for the future. Pay off any debts that you have. Make sure you are not using the line of credit. Do whatever you can to prepare your group for what could be a

"hard winter" in a couple of years. This is easier said than done because it means forgoing current salary and compensation for your doctors, but it will prove to be beneficial in the future.

**6. Seek professional guidance:** One of the latest changes sweeping the nation in health care involves how physicians are paid and who pays them. Doctors are bombarded with new concepts like: Accountable Care Organizations, Patient – Centered Medical Homes, Tiered Networks, Episode of Care, Shared Savings, Pay for Performance, etc. The complexity of our health care system has increased exponentially, and physicians who don't understand these terms and sign a contract they may not fully comprehend could find themselves suffering terrible business losses. Seek professional guidance to be sure that the agreement you are about to sign is in your practice's best interest. Fulcrum Strategies is uniquely suited to be physicians' best advocates during difficult and complex negotiations. Each of our negotiators has worked for at least one of the major payers before joining Fulcrum. We have a solid background in managed care contracting, as we've helped physician groups of all sizes and specialties across the country to successfully negotiate their payer agreements. There are plenty of consultants out there – good and not so good. No matter who you choose to contract with, be certain they have a great deal of experience and a spotless reputation. Ask for multiple references and be sure to follow up with those references to ensure their credibility.

Although many of my clients were hoping for a different outcome, the election is over and physicians must begin taking steps to prepare for the future of health care. You could enact every strategy listed above and it still wouldn't guarantee unqualified success, but not taking these steps all but guarantees you'll be caught out in the open when the storm hits. Remember, boarding up your windows when the storm is bearing down is much more difficult than doing it while it's still calm and sunny outside.

Fulcrum Strategies is here to help medical practices deal with issues related to managed care contracting, alternative payment negotiations, practice marketing, reputation management, and strategic planning. If we can be of assistance, please contact us by calling 919-436-3377 or visiting [www.fsdcc.com](http://www.fsdcc.com).

Ron Howrigan,  
President, Fulcrum Strategies