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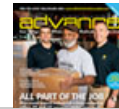
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Doing Business

Management Issues for PT Practices

Running a Cash-Only Practice

Tips to Keep the Minnows Swimming Upstream

by Robert S. Cohen, MA, PT

DO YOU LOVE TREATING PATIENTS, but are growing tired of the business side of your practice? Do thoughts of managed care, capitated rates, pre-authorization, large accounts receivable and collections make you dizzy? Has the industry changed so much that you can no longer practice your profession the way you think you should? If you answer "yes" to these questions, you may want to try my solution.

Just drop out of the system and set up a cash-only practice. (Yes, you read that last sentence correctly.) The concept is simple: Patients walk into your office, you treat them the way you think they should be treated, they pay you in full for the service, you give them a bill. THEY submit it to THEIR insurance company, and everyone walks away happily.

If this scenario sounds too good to be true, it isn't. This is the way a growing number of us are successfully running our practices. However, before you cancel all of your managed care contracts, make sure you understand the nuances of running a cash-only practice, because it's vastly different from what's typical in the industry now.

First, you must ask yourself why anyone would come and pay in full for the service up front when they could see someone else for a modest copay fee. The obvious answer is this: You need to provide a specialty service that's not readily available to them anywhere else. People will only be too glad to pay for your service if they know you'll help them.



My specialty is manual therapy. My typical patients have been to one (and usually more) practitioners in the managed care arena and did not get any relief. They're looking for someone with a fresh approach who will spend more than just a few minutes with them before they go to their next patient. I spend 1.5 to two hours for an initial evaluation, and an hour each session with each patient, doing only manual therapy. My patients know they'll have my undivided attention for that hour. Because I can spend more time with each patient now than I was able to do inside the system when I was treating three patients per hour, I am getting the reputation as someone who can, and will, take the time to evaluate and successfully treat even the most difficult cases of people with chronic pain and dysfunction. That's my niche in the marketplace.

To create a niche, you need to be fully prepared. People will be coming to you for answers they cannot get elsewhere, so what are you going to tell them? Having as much knowledge as possible is essential. You may need to educate yourself on topics that might not be routinely taught within your own discipline. Keeping current with the literature and continually broadening your horizons through continuing education courses are mandatory. You always must be ahead of the competition and what they're offering. While my state requires me to take one continuing education course per year to maintain my license, I usually take four to five such classes per year and participate in local study groups.

Running a cash-only practice also requires a completely different business approach and mind-set. While being able to spend an hour with each patient is nice relief from the managed care arena, it also means you'll be seeing fewer patients each day. This patient load obviously generates less total revenue, so it's mandatory that you control your costs.

Having a streamlined business operation is a must. My corporation has one employee: me. My total office space is 400 square feet, and my equipment consists of a treatment table, a desk and a computer. I set up my own appointments, wash the sheets and pillow cases I use on my table, and do my own accounting using an accounting software package. I spend only a minimal amount of money to keep my expenses low. What can

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you do to keep your costs as low as possible?

Because I do not have an office staff, patients have to submit their own bills to insurance companies; I don't have time to submit bills to insurers. That's why I'm a nonparticipating provider with all insurance companies and have elected not to be certified by Medicare. I simply explain to my patients that I won't be able to submit bills for them.

That doesn't necessarily mean your patients cannot receive any reimbursement from their insurance company, even if they're in a managed care plan. It just means the reimbursement rate may be different, and likely lower, than if they remained inside the network. Deductibles and a different rate of co-insurance may apply.

Not being able to submit bills might also mean that you may not be able to treat Medicare patients, since HCFA requires that you submit bills for all Medicare patients you see. If you have a Medicare patient who is willing to see you and does not want reimbursement from Medicare or any other insurance company, then you may be able to see this patient under the private contracting Medicare provision, which was part of the 1997 Balanced Budget amendment. This new provision took effect Jan. 1, 1998. However, it appears that physical therapists, occupational therapists, optometrists, chiropractors, podiatrists, dentists, and doctors of oral surgery may be excluded from this private contracting provision.<sup>1</sup> Accordingly, please check with your local congressmen, your professional organization and Medicare for an up-to-the-minute ruling, since changes are likely to occur to this new law this legislative session. Several amendments and lawsuits to the new provision are pending.

Your initial fear may be that you'll never have enough patients to have a successful practice. But realize that you'll probably need a lot fewer patients to achieve your goals. In my practice, seeing 25 to 30 patients per week (not per day) is well more than enough to meet my expenses and make a decent living.

Establishing your referral network may also require a different mind-set. You may need to find a new group of referral sources. If the majority of your current referrals come from the managed care networks, then finding new referral sources is a must. Your old referral sources may no longer be able to refer patients to you, since you'll be outside the network. Some of your current referral sources may even view you as competition when some patients begin to see you directly and stop referring to you altogether.

My current referral sources are probably vastly different from other physical therapists', since referrals from physicians are a small percentage of my referral base. Most of my patients are self-referred, so working in a state where physical therapy is available through direct access is a tremendous advantage. My largest referral source by far is from patients whom I have successfully treated. These people are certainly a good form of advertisement. Other referral sources include acupuncturists, massage therapists and personal trainers. Practitioners in the complementary health care arena are good referral sources, since they're outside the system already. In addition, their patients are already paying cash for their treatments, so this concept will not be new to them. Before starting your cash-only practice, make sure you have a good understanding of your anticipated expenses, projected revenues, niche in the marketplace, competitors, and from where your patients will be coming. A good business plan is vital. Consult with business professionals, such as attorneys, accountants, insurance agents and other specialty business consultants who can set your business up efficiently.

In addition to a change in referral sources, you will probably treat a different type of patient. You possibly won't be able to see Medicare patients, and you'll probably see few, if any, auto accident, liability or workers' compensation patients, since these people usually will not pay at the time of service.

A good percentage of your patients probably will be well-off and are willing to spend money on people who provide a valuable service. You're just like their accountant or attorney. If they get any money back from their insurance company, it's simply a bonus.

But don't make the mistake of thinking that all of your potential patients need to be rich, because that's not true. Every day, all of us need to decide how we're going to spend the money we earn. If you can provide a service people cannot receive anywhere else, then you become another option for them. If they can receive the same service inside the system, then they will not come to you. Many of my patients are plain working folks who need to get better quickly so they can earn their next paycheck. Some are even HMO patients who know they will receive no reimbursement at all.

If you're interested in developing your own cash-only practice, keep in mind the following:

- \* Be prepared to work hard. Even though the business is simple, you'll be doing much or all of the work yourself.
- \* Run the business professionally, even though it's a simple operation. Consulting with business professionals will be helpful.
- \* Pick a location that's convenient to your target market.
- \* Consider sharing space and expenses with other practitioners with whom you can cross-refer. I share a waiting room with several acupuncturists and a massage therapist with whom I cross-refer regularly.
- \* Be patient. Plan to build your practice slowly.

Running a cash-only practice is full of obstacles, but all of them can be successfully overcome. I personally would not trade the freedom to practice the way I want—free of all restrictions—for anything. So while large corporate entities continue to become an increasing factor in this changing health care environment, running a small cash-only practice has enabled some of us minnows to swim upstream just fine.

#### Reference

1. Medicare Part B Newsletter. (Dec. 15, 1997). Private contracts between beneficiaries and physicians/practitioners, 22, 13-18.

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Robert S. Cohen, MA, PT, is a manual physical therapist who's been running a successful cash-only practice for two years in Lutherville, Md. He would like to thank Loren H. Rex, DO, for his insight during the URSA Foundation Silver Series.

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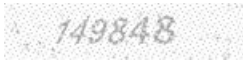
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