

FEATURE

Good Sense Services

by Chris Womack



LIKE EVERYONE, doctors aren't immune from the current economic downturn. And despite the general understanding in the profession that the patient's health and well-being are their primary concern—even their only concern, depending on whom you ask—doctors still need income. The simple fact is that that medical school debt won't pay itself, and neither will the electric bill, the employee payroll or the malpractice insurance.

But rather than get on the treadmill of trying to cram more and more patients into the day—which certainly does no one any good—doctors do have some options that allow them to serve their patients' needs better while still keeping the electricity on in the office. By adding extra patient services, medical practices augment their revenue streams. And when a doctor's office also dispenses pharmaceuticals, for example, benefits can accrue in patient compliance and convenience, as well as in the bottom line.

Some medical practices have decided to team up with companies that enroll patients in clinical trials, which have the benefit of potentially extending health benefits outside the practice to the world's patient populace. On the more capital intensive side, it can make sense for a practice to add ambulatory services, specialized surgery or other ancillary medical services. And of course, there are a number of offices that offer general nutritional supplements, anti-aging supplements, physical therapy and massage—as well as the consultations that often come with them. In each case, *primum non nocere*—"first, do no harm"—is still the most apt maxim, although "look before you leap" is surely a close second.

Clinical Trials

Clinical trials aren't for every physician. Negotiating a clinical trial budget is tricky, and the paperwork, protocols and patient management create cumbersome and meticulous work. However, the positive side can be great: Patients get free treatments and monetary compensation; doctors treat their patients and get monetary compensation; and the medical community at large benefits from drug testing.

It's really those barriers—murky costs-versus-revenues predictions and the specter of project management drudgery—that keep physicians at bay. But there are ways to lower the barriers. Last month, the Los Angeles County Medical Association teamed up with St. Louis-based Integration Solutions, which will help member physicians get involved in clinical trials through its vendor partner. The Orange County Medical Association already has a similar deal.

In exchange for a share of the clinical trial budget, the company handles negotiations with clinical research organizations to get doctors and their patients involved in treatment evaluations without much hassle, says Dave Streilein, managing member of Integration Solutions. Doctors send de-identified patient information through Integration Solutions' software to the company, which matches it to available trials for doctors to choose from. "We guarantee a continuous chain of ownership of that data by the physician," he explains.

Both experienced and inexperienced physician-investigators can sign up for phase II or III trials. Most of the deals that the company arranges are phase IV post-market treatment evaluations. Only physician-investigators who belong to an organization contracting with Integration Solutions and can sign up for new trials.

The companies' approach fulfills several of the clinical trials community's needs, as Streilein tells it. The two companies and their physician partners provide high-quality pre-consented patients, those patients come from diverse geographical locations around the world, and the clinical trials data coming out of the arrangement is high-quality, since the company provides training of the practice's clinical research coordinator. Pharmaceutical firms also like keeping the patients in their medical homes because it encourages more of them to complete a trial, the data quality is higher, and it provides better circumstances for doctors to detect medication side effects. "For the same reason that it's better to have the family physician treat you when you're sick, it's better when you're doing clinical trials to have that same relationship," he explains. "There is something magical about that doctor-patient relationship." For doctors, additional advantages of clinical trials are the data quality is higher and there's a better chance to catch medication side-effects in a patient's medical home.

However, there is no guarantee that getting involved in clinical trials through any model is going to provide more revenue than cost, and the Integration Solutions model aims to eliminate cost with a slight revenue reduction. When pressed to provide an estimated range of income a typical physician-investigator might expect, Streilein gave a ballpark figure of \$30,000 to \$50,000 in annual revenue.

Asked how much revenue an experienced investigator physician can expect to bring in, if he or she handles all the negotiation, his answer is quick. "Purely on their own? Most of them are losing money," he says. The advantage of Integration Solutions and its physician partners is negotiating strength, he continues. "As a single physician negotiating with a large pharmaceutical firm or a large clinical research organization—that's getting into a battle of wits as an unarmed assailant," he says.

Would You Like Medications with That?

Doctors who dispense prescriptions out of their practices get three main benefits for their patients: better compliance; greater convenience; and higher satisfaction. The downside is the possibility of being influenced by—or even appearing to be influenced by the pharmaceutical industry.

Prescription dispensing is both popular with patients and lucrative for the doctor—a favorable situation if managed properly. About three-fourths of patients would prefer to fill their prescriptions at their doctor's office, with 84 percent calling the idea more convenient and 62 percent saying it would help them better manage their health, according to a study by Opinion Research Corp. The 2007 study surveyed about 1,000 respondents, but take it with a grain of salt—it was commissioned by health technology company Purkinje—now Essence—which offers the DRx dispensing program.

Handling patients' medications yourself can bring in about \$5 to \$15 per prescription, a spokesperson for Essence says, with start-up costs of about \$100 to \$300 for a small cache of medications most often prescribed. But of course, individual results will vary. In a case study offered by Essence, one small oral surgery practice gained about \$900 more per physician per month, or about \$5,000 a month for the office. "The average one to two doc practice can average about \$6,000 a year," but a great deal depends on how the doctor sells them, says Matt Neuwirth, director of sales for DRx. Dave Streilein's Integration Solutions also offers a dispensing program through vendor Primary Rx, and he estimates that a medium-sized practice could see a revenue bump of \$50,000 to \$75,000 a year from prescriptions and refills.

The field is diverse, too. The companies Asteres, MedVantix and InstyMeds, all offer prescription-dispensing machines that can be installed at a medical office or a retail location, such as a supermarket. The devices receive prescriptions from a doctor and sell pre-counted medications to a patient who enters identifying information. There are also machine-free drug dispensing systems, such as those offered by vendors Essence and VantageRx. Generally, vendor-provided software and hardware keep track of drugs, bill a

patient's insurance and check for drug interactions. Many vendors cater to practices that treat acute conditions needing few prescription refills, such as urgent care facilities.

The ethical issues revolve around conflicts of interest—or at least its appearance. Theoretically, unscrupulous physicians stand to gain by selling products that compliment a diagnosis, and patients could be pressured into buying. The American Medical Association supports a doctors' right to sell medications as long as the patients' interests are put first, and they have a choice of where to get medicine, while physicians must follow applicable state and federal guidelines.

Ancillary Speaking

"Ancillary medical services" is a broad term, but for our purposes, it refers to practice add-ons including ambulatory surgical centers, certain equipment leasing, real estate investments, and diagnostic imaging centers. The so-called Stark regulations forbid doctors from referring Medicare patients to their own facilities in most circumstances. However, referring patients to some in-office ancillary services is allowed, depending on billing, the services provided and other specific conditions. It makes sense to have a lawyer look it up and down, but in general, there's an exception for surgery centers in most states, including California.

The country's economic downturn should give doctors another reason to approach this topic with caution. Investing in equipment or real estate can be a real mistake if demand for a particular service plummets a month later. While the experience at David Aizuss, MD's, practice wasn't that dramatic, it serves as a reasonable cautionary tale. "It's more like a revenue hole," jokes Dr. Aizuss, a former LACMA president and ophthalmologist who added a laser surgery center recently. "I sunk a lot of money into building a new laser center and buying state-of-the-art equipment that is highly underutilized," he explains.

As an established physician in an established practice, though, he's got the benefit of a long-range view. "Down the road, I'm sure it will be fine—but laser vision correction, that market is very soft right now." But as he sees it, those ancillary services give the practice a full compliment of offerings. "My theory is that patients are getting more selective, so we try to offer 'Four Seasons'-quality service," he says, referring to the luxury hotel chain.

Outside of ophthalmologic procedures, other surgeries have fared poorly in recent months too. Aesthetic and cosmetic surgery services have experienced a decline of about 62 percent from last year, according to a survey from the American Society of Plastic Surgeons. Judy Capko, a Thousand Oaks-based practice consultant even says she's seen a sharp decline in the past few months, with a business shift from plastic surgeons to dermatologists, as patients turn to less expensive options. "They might not be selling as much product—such as skin lotions and things—but they are busy. I have a [client] practice giving a skin care seminar that had to do it two weeks in a row, because demand was so high."

However, that drop in cosmetic surgery demand brings an opportunity in the real estate market, with formerly busy surgery centers going up for sale, says Troy Lair, CEO of practice consultancy The Compliance Doctor. He attributes the rapid growth of ASCs to a boom in cosmetic surgery centers in the past two years, estimating that about half his business came from these projects. "I've seen a lot of them go up for sale recently, because of the economy, which opens up a great door of opportunity for people who want have them," he adds. His company knows of several that are currently for sale, some of which require little to no refitting.

Office-based ASCs are the most popular type, featuring lower facility requirements and thus a lower set-up cost, while more expensive multi-specialty ASCs allow their owners to invite outside physicians and charge a per-service facility fee.

The most profitable surgery specialties for ASCs are those with a high volume of patients, such as pain management.

The costs can be considerable. When Lair advises physicians who already have space to set up an ASC, he tells them to expect to spend \$500,000 for construction and equipment. Converting a place or buying old equipment can bring ASC set-up costs down, and Lair has seen them launched for about \$200,000. Costs go down with existing ASCs, with one client of his remodeling a former cosmetic surgery center for as little as \$60,000.

The payback can be considerable, too. One client of Lair's is an obstetrician-gynecologist who does only two types of surgery. With just 15 patients a month, that's revenue generation of about \$300,000 that he'd be missing if he didn't own his own place," says Lair.

Pain management doctors often own their own ASCs, and Lair says there might be room for growth among doctors who do bariatric procedures, as well as general surgeons, who often overlook the ASC option since they work mostly out of hospitals. “We’ve seen a lot of people who had were GI-guys, but Medicare has reduced their rates so that it’s not even affordable for them if they do a lot of Medicare,” and he steers most doctors away from having their own surgery centers if they depend heavily on that program.

Asked if doctors should approach diagnostic imaging centers, as well as other capital-intensive investments, Capko’s advice was unambiguous: “I’d steer clear of any expensive equipment right now unless I had a big demand for it,” she says. Imaging and laser equipment are expensive investments that may give a handsome return on investment in good times, but rough times are ahead. Bottom line: don’t sign anything or make major purchases until you talk to your accountant and your consultant.

Integrative Medicine

Over the past few years, a lot of physicians have moved into integrative medicine, where they offer acupuncture, massage, or nutritional supplements or other products, all as added revenue streams. Some of these ventures, such as nutritional supplements, stand to benefit from the increasing momentum of preventative medicine, which is prominent in all major healthcare reform plans. However, it might not be the right time to branch out this way. Patients often consider many of these added services and products less than crucial, although data on the subject are difficult to find. “It may be that those are also going to be some of the first areas that are going to be hit as people cut back spending,” in the current economic climate, says Mary Witt, a vice president at the Camden Group, a healthcare consultancy in El Segundo.

That phenomenon may be hitting medi-spas, whose offerings overlap with those of integrative medicine. “They’re downsizing because it’s just dead in that environment,” says Capko, the independent practice management consultant.

Several integrative clinics and medi-spas contacted for this article did not return calls.

If anything, the state of medical cosmetic products and procedures should be enough to give any doctor pause before investing in these as new revenue streams. And that’s a good thing. It’s possible to make good economic and medical choices in this environment, so long as physicians remain mindful of the marketplace and the health, welfare and preferences of patients.

Questions to Ask

BEFORE YOU DIVE into a new revenue stream, make sure you’ve covered all the bases. The following is a short list of questions you might consider asking about potential service additions. Also make sure to check the AMA’s ethical guidelines concerning any that catch your interest. Also, consider using a patient survey to learn what they find useful.

Clinical Trials

- How do the investments of time and labor through a vendor-arranged clinical trial compare to those arranged by physician colleagues themselves?
- How does the vendor or clinical research organization assure that the Health Insurance Portability and Accountability Act is carefully observed?
- Is there a continuous chain of documented patient data ownership?
- Can you expect any help with paperwork and protocols? How much?

Drug Dispensing

- Can I choose to stock only drugs manufactured in the United States, or can I exclude drugs manufactured in particular countries?
- Can I choose to stock particular brands or generics?
- What is the typical per-prescription revenue for doctors with your profile?
- How much time will a particular in-office dispensing system take me to use per prescription?
- Is an in-office dispensing system violating any terms of my building’s lease or any other contracts? (A pharmacy in the same building sometimes means no one else can dispense medications.)

Ancillary Services

- Do any of the Stark rules affect the service you hope to offer? Are there exceptions for certain types of billing arrangements or for a specific set of services in your specialty?
- How expensive is surgery center real estate in your area? Does it make sense to travel further?
- Is there a set of services you can offer that best weather economic times? Can this set of services be augmented easily for a better economy?