



# managed care forum

## Consideration for outsourcing practice administration

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In the first part of this article (Nov. 2000 issue), the authors discussed how physicians and hospitals are making the transition to on-line practice management as a practice enhancement. They argued that increased efficiency and reduced transaction costs will flow naturally from a well-designed and carefully implemented virtual practice strategy, allowing physicians to spend more time with patients and communicate with their office staff and patients more effectively.

In this second part, Marx and Griffin outline the strategic considerations of outsourcing practice administration. As hospitals consider spinning off physician practices from ownership arrangements, physicians are looking to outsourcing practice administrative functions as one part of the overall strategy of returning to independent practice.

When designing an outsourcing strategy, it is important to consider where a physician's practice will be in the long term. A physician who plans to remain in practice with two to three associates will outsource services differently than a physician who is considering PHO, IPA, and MSO affiliations. A physician group that is considering a joint venture with a hospital to build an ambulatory surgery center will have different outsourcing considerations as well.

Here are some models to consider along with services that physicians in these scenarios typically consider as prime targets for outsourcing.

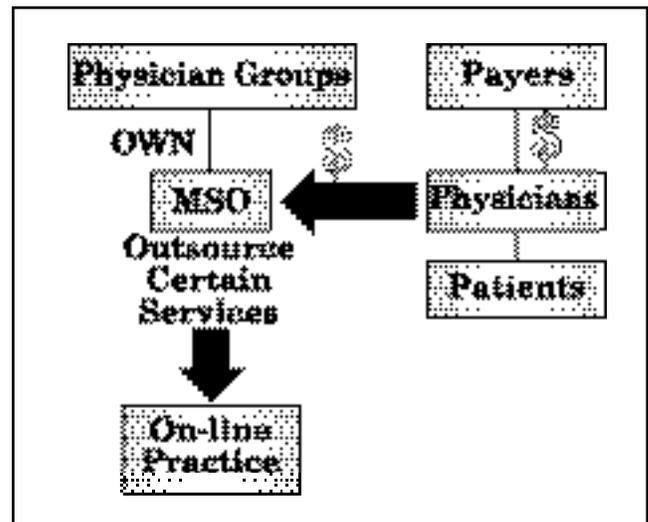


### 1. Independent physician in private practice

This model involves simple transaction of money and services between physician practice and on-line

practice administration entity. Practice can plug and unplug into service providers, but must be careful to not interrupt continuity of service to patients. Immediate services to target for outsourcing include purchasing, collections, billing, eligibility verification, and contract administration. Practices can benefit from other on-line services such as those that facilitate communication between physicians and patients, but these will require significant support from office staff.

Patient mix is another important consideration because for two to three physicians practicing together, there may be a large concentration of Medicare patients who are slow to adapt to on-line services. Patients may also receive mixed messages about using their HMO's on-line system and the physician's on-line communication tools.



### 2. Physician-developed MSO

In a physician-affiliated MSO as depicted below, physician groups come together to invest in an MSO that operates outside of the management of the physician groups. The MSO has its own administrator and staff. The MSO receives payment from the physicians with which it has service agreements. The

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## Consideration for outsourcing *(continued)*

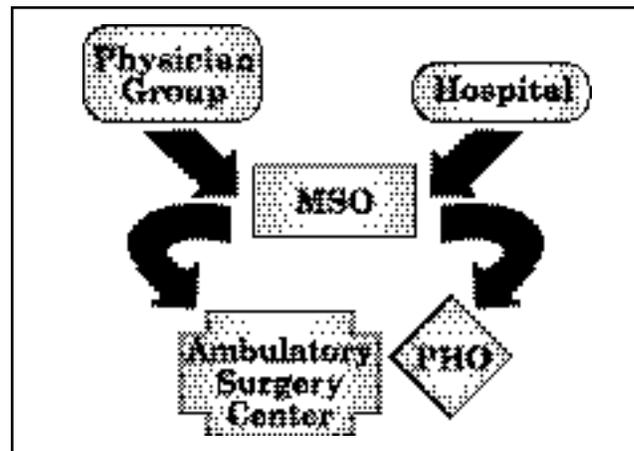
physicians pay the MSO for its management services through the money that they receive from payers for the delivery of medical services. Physicians can use this MSO structure in their community to contract directly with self-funded employee benefit plans. The MSO provides an efficient way for the physicians to coordinate the business resources and the information system technology necessary to administer the employee benefit plans.

Physicians in the service area of the MSO can affiliate with it at a variety of levels. The physician investors have a high level of affiliation with their monetary investment as well as the transfer of their practice administration to the MSO. Other physicians who are not investors but have developed alliances with the physician investors in the form of a specialty physicians network can, for example, sign a service agreement with the MSO to participate in the direct contracting relationships with employers. At a third level of physician participation, specialty physicians loosely affiliated with the MSO who are not part of a physician network can contract with the MSO for the purpose of participating in the opportunity to contract with self-funded employers. These physicians become independent contractors with the MSO. A physician-affiliated MSO can serve as a service bureau for a variety of physicians affiliated with the MSO in different ways.

The MSO has the opportunity to outsource some of the management services that it provides for the various physician practices with which it holds contracts. Services that an MSO might consider outsourcing to an on-line entity include claims, referral management, eligibility verification, laboratory results, and billing and collections. Through outsourcing these technologies, the physician investors of the MSO are leveraging on-line technologies and keeping transaction costs low because of the volume of services from the various practices that they can run through the on-line system. The MSO has the responsibility for maintaining staff who can run these transactions as well as support the physician practices in their daily operations. By selecting outsourcing, physician leaders of MSOs make the choice to invest money in staff who can manage the on-line exchange, provide service to their practices, and market the MSO services in the community.

### 3. Ambulatory Surgery Center

In this model, the function of the MSO is to support the joint venture relationships between the physicians and the hospital. The MSO may choose to outsource different services to support different functions. It may



outsource the billing, accounts payable, and collections for both the ambulatory surgery center and the PHO to an on-line service company, yet keep the contract management for the PHO and the referral management for the ASC in house. In this model, the physicians and the hospital have invested jointly in the MSO, and the MSO operations are separate from the operations of the physicians' practices and from the administration of the hospital. The MSO serves as the clearinghouse of services and can offer these services as a package to the joint venture products as well as sell them a la carte to other physician practices in the community.

Physicians should consider their strategy and goals of their practice, and then look for a model and method to accomplish that strategy. How the administrative elements of the medical practice will change as a result of an outsourcing strategy is an important consideration. Intertwined with the question of the future of practice administration is the discussion of buying hardware and software and establishing the practice's own system, or outsourcing certain elements to on-line technology firms that have packaged a web-enabled information system, with a professional technology staff. Physicians who have developed a plan and a method to accomplish it will need to consider the question of outsourcing – whether it is for their own independent practice or for their MSO or service bureau.

### Is your physician practice a candidate for outsourcing?

This is the question that is on the minds of many physicians and practice administrators across the country. There are no easy answers as the number of organizations offering practice management outsourcing options to physicians continues to grow.

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## Consideration for outsourcing *(continued)*

### Physician-Driven Outsourcing Solution

One of the best options for physicians to consider is the development of practice management organization as an extension to an existing IPA or MSO that is carrying forward physician-driven strategy in their market. Ron Fasano, president and CEO of NationsCare Management, has provided leadership in the development of such a management organization that supports physician practice administration of a multi-specialty networks and practices in Ohio and is in the process of developing a national strategy. Independent physicians are able to outsource their physician practice administration including billing and coding to NationsCare Management (NCM).

“The development of NationsCare Management has been a natural extension of a physician-driven strategy implemented initially by a group of physicians in eastern Ohio,” says Fasano. “We work in tandem with physicians to assess their current practice operations, show them opportunities for improvement, and offer practice management enhancements and tools through our web-enabled system that uses intranet technology.”

For a practice considering outsourcing practice management to NationsCare Management, the first step is to meet with Cheryl Chianello, practice management service manager with NationsCare. She works with the practice administrator to assess the system that the physicians are currently using – taking into consideration the number of staff members running the system, the accounts receivable, coding accuracy, and editing process. Chianello emphasizes, “When considering the savings of outsourcing of practice management services, it is important to look beyond salaries of staff. In billing, for example, salaries are a small percentage of practice costs to perform the entire billing function.” Through this on-site analysis, Chianello is able to present a report to the physicians comparing their current system to the capabilities of NationsCare Management.

Each practice selecting NationsCare Management as an outsourcing solution completes a standard practice questionnaire, and works side by side with the NationsCare Management team to develop a tailored practice procedure manual with policies customized for that particular practice. This manual becomes the bridge between NationsCare Management and the practice so that the physicians continue to have input into the practice administration.

Both Fasano and Chianello confirm that there are essentials to NationsCare Management’s system that have made it attractive to physicians committed to a physician-driven strategy. First, physicians have access

to their reports 24 hours a day, seven days per week. This is a necessity for independent physicians who perform practice administrative functions during hours when they are not seeing patients. Second, the software that a practice needs to work with the NationsCare Management system is offered free for those practices using the billing service. NCM is a service oriented company, not a software vendor, yet they do upgrade their software regularly. Third, the power of NCM is the opportunity for practice management productivity that it offers physicians. In the implementation process, there is time spent on-site at the physician’s office to restructure key front-office elements and to establish a long-term plan to maintain productivity.

For those practices considering outsourcing physician practice management operations, Fasano and Chianello offer the following “trigger points:”

- 1 Have you experienced turnover in the position of practice manager at least two times in the past three years?
- 2 Have you had trouble retaining billing staff for more than a year?
- 3 Are you considering upgrading or replacing your current billing software?
- 4 Are your receivables growing by 15 percent or more in a three-month period?
- 5 Has your practice paid over \$5,000 in practice management consulting fees over the past year?
- 6 Do you need to put an ongoing system in place to monitor billing activities? Is your office missing a full-time person who is responsible for managing the billing function?
- 7 Are you spending more than 25 percent of your yearly practice overhead budget on billing?

If a practice is experiencing a number of these factors, an outsourcing solution may be in their future.

Following a physician-driven strategy or a physician/hospital joint venture strategy will lead to the question of outsourcing. As physicians and practice administrators consider the outsourcing of practice administrative elements, it is important that they consider what services they are willing to outsource – understanding that they will always be responsible to their patients for the efficiency and results of these services.

### Application service provider solution

For physicians who are considering MSO or ambulatory surgery affiliations as part of an integrated delivery

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## Consideration for outsourcing *(continued)*

network (IDN), there are myriad considerations for the outsourcing of the administration of these entities. For many integrated delivery systems, the days of owning all of its software, hardware, networks, databases and technology centers, and employing a full information technology staff may be ending. Outsourcing physician practice administration for the physician practices and outpatient clinics affiliated with the integrated delivery system is part of this equation. Instead of finding one system that all physicians and practitioners within an integrated delivery system will agree upon, IDNs are turning to application service providers (ASPs) who can offer a suite of services from which physician practices, clinics, ASCs, and MSOs can adopt what fits for each business model.

An ASP is a provider of software-based services that are delivered to customers over the Internet or wide area network. The ASP leases its software and manages information technology and network system to the healthcare organization – providing infrastructure and bundling services to deliver the application to end-users.

Per-Se Technologies is a global leader in delivering comprehensive business management services, financial and clinical software solutions, and Internet-enabled connectivity as an application service provider. Per-Se Technologies enables integrated delivery systems and physician practices to optimize the quality of care delivered and profitability of business operations simultaneously. As the leading provider of business management services to physicians, Per-Se supports 33,000 physicians and 2,000 healthcare organizations.

As an application service provider, Per-Se Technologies provides:

- Data center supporting application and server system administration 24 hours per day, seven days per week
- Backup data center for uninterrupted service
- Network services supporting applications across the Internet and wide area network
- Scalable hardware platform
- Database storage
- Thin-client architecture that allows the application to run using network personal computers
- Front-end portal access and connectivity
- Skilled information technology staff
- Security features such as encryption, firewalls, and hardware and software technology
- Maintenance, support, and application enhancements

There are many advantages for hospitals, group practices, clinics and imaging centers as part of an integrated delivery network in using ASPs. Shelley Predmore, vice president of Managed Care for Per-Se Technologies, outlines these benefits:

- Reduce infrastructure costs associated with running an internal system
- Minimize information technology capital investment, up-front expenses and the total cost of ownership for business and clinical applications
- Give physicians and other staff secure, anytime, anywhere access to records – using any PC or laptop and the Internet
- Provide previously unaffordable application functionality with automatic upgrades
- Rapidly and easily implement enterprise-wide application suites
- Use different links of existing PCs for connecting to Internet-delivered applications, eliminating both system limitations and new hardware purchases
- Provide security, reliability and backup
- Offer scalability for size, complexity, diversity, and geographic distribution – to grow easily and quickly in the business
- Decrease IT space requirements, providing space for clinical or other uses
- Shorten employee software learning-time
- Free IT staff to work on mission-critical projects – and other resources for channeling back into the core business: providing patient care

Predmore describes how Per-Se Technologies is an ASP solution for organizations of all sizes. “Small and medium-sized organizations can more quickly, economically, and easily gain access to application functionality – often getting previously unaffordable higher-end functionality now at a lower price than they would have paid for lower-end functionality. Larger organizations can use Per-Se Technologies’ ASP capabilities to augment in-house IT resources to improve functionality faster, more easily and at less cost.”

### **How to determine if an application service provider is right for your organization**

The team at Per-Se Technologies encourages you to consider the following questions to determine if switching to an ASP would be a better solution for your organization:

- 1 Are your IT costs a significant drain on your organization’s resources?

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- 2 Are you spending too much on applications?
- 3 Does it take too long and more IT resources than you want to commit to implement projects?
- 4 Do you want to free up IT resources to focus on mission-critical projects?
- 5 Do your system needs change rapidly – or are you quickly growing within your location or expanding into other regions?
- 6 Does your facility need more clinical, office, outpatient or waiting room space, and you don't have the land or money to build?
- 7 Is hiring, retaining, and managing an IT staff keeping you from your core business or practice?

We have highlighted two strategies for outsourcing physician practice administration from the numerous outsourcing options available in the market today. As physicians craft an outsourcing strategy in their market, they should carefully consider their options and find a

solution that allows them to maintain their practice philosophy, cultivate market relationships with hospitals, employers and managed care entities, and ultimately enhance their relationship, communication and interaction with patients.

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**Mae Griffin** has 18 years of Managed Care experience in the development, growth and management of operations, software applications, finance, process reengineering, new product development, and project management. Ms. Griffin specializes in the development of procedures, reengineering processes, and operational assessments for DeMarco & Associates, [www.demarcowarren.com](http://www.demarcowarren.com). ◆