# Williams Mullen On Call - Summer 2020 Edition

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Welcome to the Summer 2020 edition of *Williams Mullen On Call*. In this edition, we are pleased to provide a timely interview with Jay Kossman[1], a health care consultant with over 35 years of industry experience, to discuss certain opportunities and strategies which he believes independent physician medical practices should consider during and following the COVID-19 pandemic.

**1. Jay, do you believe that medical practices will ever be able to return to the pre-pandemic level of economic performance?**

Just as 9/11 had a profound and long-lasting impact on commercial aviation, I believe the COVID-19 pandemic will similarly influence health care for the foreseeable future. While demand for medical services will gradually be restored, I believe physician revenues will be under great pressure to return to pre-pandemic levels both because of patients' increased reluctance to obtain in-person encounters and the incremental limitations on certain billing opportunities when care is provided remotely.

**2. Could you outline generally some operational and structural changes that have been or will need to be implemented by medical practices to address the new realities they are facing?**

Every medical practice should conduct an analysis of how the future will affect each aspect of historical operations, services and finances from something as simple as how to register patients to how much of a practice's revenue will come from virtual services. As is happening in almost all industries, technology will play a larger role in the delivery of care, and fees will no longer be tethered to having to "touch" the patient.

**3. What types of professionals and consultants do you envision teaming up to assist a practice in evaluating and implementing those strategies?**

Each team should be custom designed for the specific needs of the practice. First, and foremost, a physician leader with extensive clinical experience will be required. A revenue cycle expert is also necessary to analyze fee structure, billing and the cost to collect. There also may be a need for marketing expertise to reinvent historic marketing strategies.

Health care attorneys and accountants may be called upon as needed. Among the legal issues which may need to be addressed are: (a) human resources and employment, (b) various regulatory issues including telemedicine protocols, state and federal self-referral, corporate practice of medicine and fee sharing issues, (c) lease and real estate matters (d) managed care contracting and (e) the various considerations surrounding a practice sale, restructuring or private equity transaction.

There also may be a need for an architect or space planner, as well as a real estate professional, as office space may require redesign to address functions such as physical distancing in reception and waiting areas, single directional flows for patient traffic, patient examination space reductions based on demand, improved ventilation systems and other aspects involved in reevaluating the safety of the office environment.

**4. We would like you to drill down on some of those possible operational and structural changes.**

**a. What role do you envision for virtual medicine?**

The use of telemedicine has exploded. Many patients who have tried telemedicine visits during the pandemic have found them to be completely satisfactory – in addition to much more convenient. The genie is out of the bottle. I do not expect everyone to venture back to their doctor's office unless specific examinations are necessary that cannot be performed virtually. Offices will have fewer patients to accommodate physical distancing. Virtual visits provide easy access and eliminate transportation requirements and long waits to be seen. Concerns about contracting a virus or other infectious diseases are substantially diminished. That said, the efficacy of telemedicine will be enhanced if the relaxed regulatory framework which has existed to date during the pandemic continues. It is particularly important that the more flexible state licensure and third-party payor participation requirements continue and perhaps be expanded.

**b. What office staffing changes do you anticipate?**

Office staffing will require modification to accommodate the new realities of the physician's office practice. Fewer in-office visits will lead to a rightsizing of the staff – what we call staffing to demand. The front office may be largely eliminated; there may be a need to strengthen the back office as a focus on billing and collections will become paramount. The use of telemedicine will likely enable physicians to work remotely without the need for the same level of support staff. The "virtual front desk" will become an essential component of the new medical office. If properly implemented, this could lower the practice's cost structure.

**c. How can overhead and receivables management best be addressed?**

The challenge for all practices will be how to do more with less. With telehealth reimbursement now at in-person rates and not likely to revert, the margin on the visit could be greater than office-based settings. However, if the practice previously depended on testing and other ancillary in-office functions for profitability, that incremental revenue is at risk.

Addressing overhead is going to first require a realistic projection of revenue. Of course, revenue is also a function of how well – and how efficiently – the practice collects on services it renders. Revenue cycle can no longer be primarily about maximizing the collection rate. It now must also focus on lowering the cost to collect which primarily is driven by labor.

**d. What office space and architectural adjustments do you believe may be needed?**

Registration desks and waiting rooms will need to be modified. Fewer office visits will likely lead to a

surplus of clinical space. Downsizing is not automatic, as there may need to be an enlargement of back office space to accommodate physical distancing among administrative and clerical staff. Depending on the existing layout, it may be appropriate to review office patient flow to enhance throughput. Entering one door and exiting through another would accommodate patient distancing. Movement through the office should be directional to avoid close contact and congestion. While relocating walls and moving equipment may not be practical, the utilization of the space can be redesigned. Obviously, any office lease terms and construction expense will need to be carefully considered.

**5. Could you please share your thoughts on possible adjustments to physician compensation models?**

How physicians are compensated is largely dependent on reimbursement. There will always be the need for surgical procedures. However, since the physician seeing a patient remotely may be unable to read the patient's body language as well as would be the case during an in-office visit, highly effective communication skills will become more important to every practice to facilitate rapport and trust with the patient. Physicians may also find capitation or value-based methodologies to be more financially attractive than fee for service. Given this, does compensation based on RVUs still make sense? Under "alternative" reimbursement models, productivity takes on a different meaning.

**6. What service line changes do you foresee?**

As stated, any practice that previously relied on testing, imaging or similar in-office ancillary services may face a greater challenge to remain revenue neutral. Patients who are no longer captive in the office will get tested where it is most convenient. For example, a popular smart watch app monitors heart rhythm and transmits results to a remote data center of computers and cardiologists. Medical practices need to plan for more of this type of disruption when forecasting how future revenue will be generated.

**7. How do you anticipate practice consolidation and reorganization will progress?**

The changing dynamic of the practice of medicine will necessitate several changes to existing physician groups. Surplus clinical space will enable the recruitment of additional physicians to utilize office space more appropriately. Solo practices or small group practices may find their new practice economics do not favor continuing to practice in the same environment. Economies of scale will become more important as overhead will likely increase due to additional spacing requirements, enhanced cleaning and use of PPE. Hospitals have gone through varying levels of acquiring physician practices, and private equity investors have become significant participants in acquiring office-based practices. This will be a time when a great deal of activity will occur with practices merging and physicians affiliating with entities that provide infrastructure to their practices.

**8. Do you have any final thoughts you would like to share?**

The COVID-19 pandemic will have a transformational impact on the practice of medicine in all venues of care. It is primed for significant innovative disruption in most areas of clinical and financial practice operations, for independent and health system owned practices alike. Health care leaders and independent physicians will be challenged to assess their current practices and plan strategically for the future.

**9. You indicated when we spoke that you are available to talk with individual practices about the general opportunities they may have. How best would you suggest a reader communicate with you?**

Please feel free to contact me at **jay@hpsassociates.com** or by phone 917-968-0784.

[1]By way of background, Jay Kossman is a health care executive with over 35 years of experience in senior leadership and consulting positions with a focus on strategic planning, project management and relationship development and management. He is a member of the American College of Healthcare Executives. Jay started his health care career in Hampton Roads, Virginia with Optima Health Plan in 1983, followed by the formation and management of three other health plans located in Florida, Connecticut and New York. He served as President of HealthSell, a national consulting firm working with managed care organizations and hospitals. In the late 1990s, Jay joined the health care consulting practice at PricewaterhouseCoopers (PwC) in New York City until he was recruited to join Navigant Consulting's offices in New York and Connecticut where he worked until 2005. Jay formed Healthcare Productivity Solutions, LLC (HPS) in 2005 with a physician partner and continues to provide his health care consulting services through HPS. Among others, HPS has supported (a) the health care strategies division of an international, publicly traded real estate firm, (b) a national ambulatory surgery center management company, (c) a perioperative performance improvement company for hospitals throughout the United States, and (d) US Acute Care Solutions, a physician-owned and managed company that provides emergency medicine, observation care and hospital medicine to 220 facilities with over 2,000 physicians and 1,000 allied professionals in 20 states.

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