



BREAK AWAY FROM THE GROUP TO START AN EMERGENCY MEDICINE PRACTICE - 6 STEPS TO SUCCESS



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Are you and your fellow emergency department physicians looking to take the next step by starting your own independent democratic ED practice? Can you envision yourself at the helm of or as a part of a leadership team running an Emergency Medicine Practice? Whether you are a part of a hospital employed group or are employed by one of the few ED Practice consolidators out there, perhaps starting your own practice is your next logical step.

Over the last few years, there has been a steady increase in the number of Democratic ED Practices as well as emergency departments, with a 76% growth in number from 2008 to 2015.

We have also seen a growth in the number of free-standing emergency departments across the nation. Like their hospital based counterparts, a free-standing emergency department provides its patients with 24/7 access to healthcare professionals qualified in emergency services including a physician, registered nurses, as well as laboratory and radiology technicians. These facilities have the capacity to treat most emergent illnesses, such as heart attack, stroke, and trauma.

We've created a how-to guide that will identify the process, along with the necessary steps to ensure your success.



1. DEVELOP A STRATEGY

Like any business, successful practices are built on solid and well-strategized foundations. This entails formulating a business plan that details the organizational goals as well as its financial and human resource needs.

Do a market analysis to identify issues in your market that will benefit or hinder your success. One such factor could be the location of your practice. When deciding on location, do research on the demographics to make sure the location is in line with your business plan.

Also important are the marketing tactics to be used to develop a patient base. Consider the ways in which your facility will best provide the care needed in your community. One such way is to become more involved with your city's chamber of commerce.

The American Academy of Emergency Medicine (AAEM) has put together a good resource for planning out the initial stages of your break from a group to your own practice. They are outlined in [this article](#). In addition to the above points it provides some specifics on [expenses and revenues](#), [emergency coding and billing](#), salaries, loans, and even insurance.

Wages	Calculation
ED staffing	hours per day * average hourly rate
Overtime	if allowed
Holiday/Call-in Premium	if allowed
Incentive Program	if allowed
Physician administration	estimate by dividing above subtotal by 9 (9:1 ratio)

Other Practice Expenses	Estimates
Malpractice (claims made)	consult broker for annual premiums estimate
Malpractice (tail)	multiple above by 2 and divide by contract length
Coding/Billing/Collecting	\$6-10 per patient and varies by region
Legal/Accounting	start-up \$25-50K; thereafter \$5-10K/year
Miscellaneous/Unforeseen	allow \$50-100K

2. ESTABLISH POTENTIAL INTERNAL PARTNERS

The journey to a successful and operational emergency medicine practice will be long and arduous. It can be made more rewarding when done with a partner. Align your practice with a partner who can take you through this process from beginning to end and ultimately set your new practice up for success.

Potential partners include medical school colleagues, spouses and family members. When choosing a partner, make the necessary steps to establish a healthy professional working relationship. Some points to consider:

- ***Does this person share your passion?***
- ***Do they share your vision?***
- ***Do they have an extensive and well-connected professional network?***
- ***Are they experienced?***
- ***Are they comfortable with the risks associated with starting a new venture?***
- ***Can they contribute financially to the startup costs?***
- ***Are they honest and trustworthy?***
- ***Do they complement your skill-sets***

Give yourself six to 12 months to prepare and brainstorm your new venture. During this time you will also need to secure the services of a business attorney, business manager and an accountant. Retaining their services at the onset will be hugely beneficial to your venture as they will play a crucial role in helping you establish your business entity and lay the legal and financial foundations.

As an operating business, you will need to work with your attorney to choose the most suitable legal business structure. This decision will determine your tax filings and the extent to which you are personally liable for lawsuits, losses and debts. Your attorney will assist you by advising on the best course of action and drafting the necessary documents. Following this, you will need to register for an employer identification number on the Internal Revenue Service website. You will also need complete registration for your state and local taxes.



Hire an experienced IT consultant to oversee the design, setup, and implementation of your facility's IT closet. This includes all low voltage systems such as your fire alarm, security system, telephones, computer network, etc.

Last but not least, consider what your strategy will be for recruiting staff. Running a high-quality emergency department requires a significant amount of administrative time.

Nothing poses a greater threat to the community and the facility's longevity than being frugal with emergency department staffing.

The quality of care provided and the level of perceived compassion hinge on having a well-taken care of staff. This will in turn boost the facility's reputation and spur future business.

Successful administration includes oversight and continuous improvement of the facility's operations, maintaining an excellent staff, favorable CEO relations and patient satisfaction.

3. FAMILIARIZE YOURSELF WITH THE HEALTHCARE LAWS IN YOUR STATE

The laws governing the provision of fundamental healthcare services vary significantly across each state. When launching your practice, it is crucial to be well-versed and in compliance with your state's health care laws. To ensure this, work closely with your legal counsel to discuss the best plan of action for your new venture.

Familiarize yourself with these three prominent areas of healthcare law which vary by state:

Corporate Practice of Medicine (CPM) laws.

It is currently illegal for practicing physicians to be employees of corporations in approximately half of the states in the U.S. This law was enacted to safeguard medical professionals against corporate influence and financial pressures. There are exceptions in most states, allowing physicians to be employed by not-for-profit organizations and hospitals.

Certificate of Need (CON) laws:

In 1974, the federal government enacted Certificate of Need Laws as part of the Health Planning Resources Development Act. The intention was to prevent the excessive use of healthcare services by limiting the number of healthcare provider facilities. There are still 36 states in which CON programs restrict and govern the development and licensure of medical services, despite the repeal of this law in 1987.

Healthcare licensing laws:

Licensing laws and standards for healthcare services, facilities and professionals vary across each state. Every state has its departments of health with a licensing division responsible for processing new applications and renewals, performing site survey inspections, and revoking licenses if deemed necessary.

Although accreditation, Medicare certification and state licensure are separate, in some cases they are related by state law. Additionally, state licenses may differ based on the healthcare building life safety codes, also differing from those required by accreditation organizations.

Perhaps just as important to your firm's legal standing is abiding by federal law. Failure to do so can result in serious charges for your practice. One particular form of pervasive fraud to be avoided is Medicare fraud which is defined as "an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person" by § 455.2 in the Code of Federal Regulations.

Some activities that could lead to fraud activities include:

- **"Up-coding" - Billing the patient for services that were not provided or billing for more expensive or complex services than the ones provided**
- **Falsifying records to include services received that were not received**
- **Inputting ghost claims for patients who do not exist**
- **Duplicate billing**
- **Providing excessive treatments or tests**

The penalties for fraud depend on the type of fraud committed. Some possible penalties include:

- False claim penalties are subject to jail time in addition to being required to pay back up to three times the fee charged from Medicare and \$11,000 for each false claim filed.
- Receiving kickbacks is subject to a penalty of \$50,000 per kickback and three times the amount of each kickback, as well as five years jail time for each violation.



4. START THE LICENSING PROCESS

Here's what you'll need: State Licenses, NPI (National Provider Identifier #) and credentialing at the partner hospital and credentialing with payers. Typically, when going through the payer credentialing process for an already established process, you should allow for a roughly 30 – 60-day process. Now, this doesn't mean you won't be able to start work, but you won't be paid for any of your work till after that time. For a new group, however, that time-line could be extended to 6 months depending on the complexity of the group. It's best to partner with a group who specializes in ED credentialing.

Get in touch with your state's Clinical Laboratory Improvement Amendments (CLIA) department to begin the process of obtaining a CLIA license. Time is of the essence as it can take up to 6 weeks for your application to be approved.

To be considered the Medical Director of an ED lab, ER physicians must take a 20 Continuing Medical Education (CME) hour online course. This is also a time-intensive process as it can take up to 2-3 months for your application to be reviewed.

In order to begin accepting patient health insurance, you will need to get your credentials.

During this time intensive process, you will need to provide information on your medical education, residency and licensure. Depending on which state your facility is in, you may also need to have malpractice insurance. Research the most popular private insurers to negotiate reimbursement structures.

5. FUNDING THE VENTURE

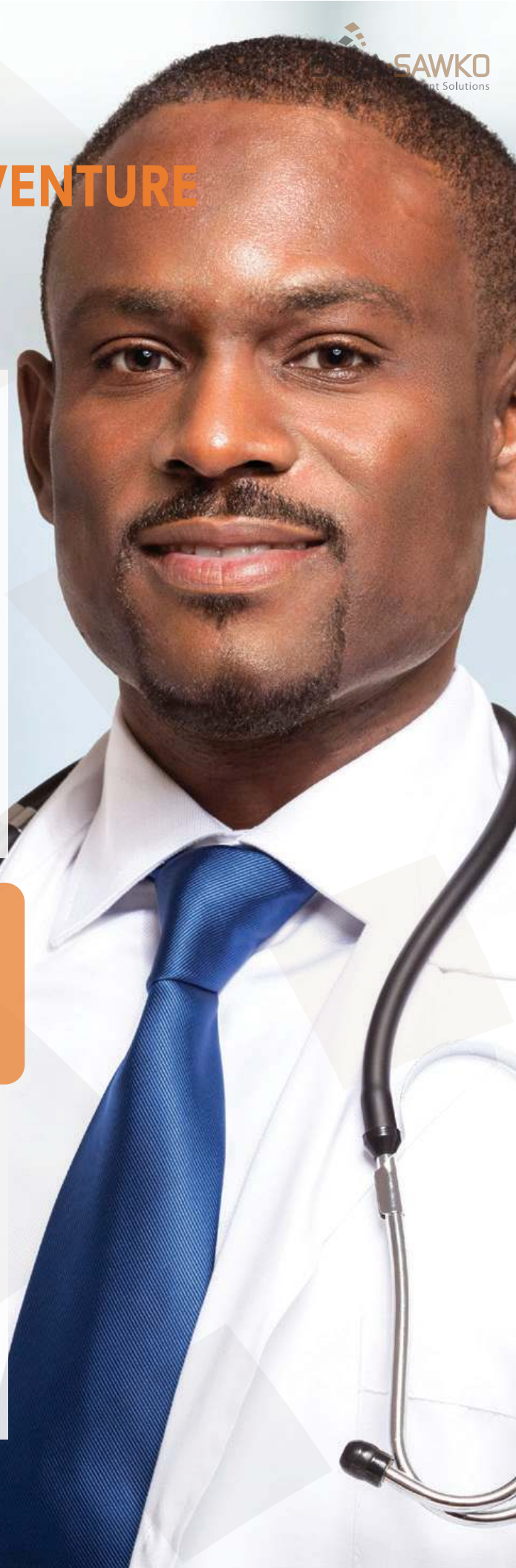
Per the Association of American Medical Colleges (AAMC), the average physician incurs a median debt of between \$170,000 and \$200,000 upon leaving medical school. It should then come as no surprise that fewer doctors are starting their own practices, due to the astronomical costs incurred in the startup phase.

Considering these factors, the importance of a well-thought operating budget cannot be overstated. This budget will be a crucial benchmark when assessing practice performance as well as measuring your sources of revenue, expenses and needs.

As a rule of thumb, you will need six to twelve months of cash to cover startup costs. Two general types of budgets will be required:

- **A start-up budget which details the fees related to consulting, legal, accounting, and real-estate, etc.**
- **An operating budget to forecast revenue and expenses once the practice is live.**

Like many small-business owners, you will have the option to take out a small-business loan to help cover startup costs. Per American Medical News, there has been a steady increase in the number of loans to medical practices from the Federal Small Business Administration over the past decade. In 2011, the SBA backed \$649.8 million in 1,516 approved loans to physicians, a 400% increase from 2001. Failing to shop for a banker can be a costly mistake. Evaluate and contact different banks with the intent of determining the ones with a history of giving loans to medical practices.



When approaching the banks for consideration of the SBA loan program, make sure to have your financial affairs in order.

Poor credit and a previous bankruptcy declaration may prevent you from accessing the program. Don't let that dissuade you from moving forward as there are a multitude of options to consider.

There are many competitive loans that will facilitate the funding of your facility. The SBA 504 or Certified Development Company program is setup to provide funds for the purchase of fixed assets at below market rates. In this case, that would mean real estate and medical equipment. The SBA 7A program provides financing for the facility's working capital. You can expect to use \$500,000 to \$1 million before breaking even.

An alternative is to seek partner investments to finance your venture. There is an increasing number of private-equity firms making investments in physician practices as investors begin to seize the opportunity to become early participants in value-based care.

Upon deciding to start a practice, procure the services of a qualified CPA to provide guidance on tax and financial procedures including the practice's fiscal chart of accounts.

6. IDENTIFY STRONG REPUTABLE EXTERNAL PARTNERS

A successful emergency medicine practice, like any other small business, must have a reliable billing and collection system to survive. Alleviate billing concerns and documentation requirements by working with an external partner.

Emergency Medicine Billing and Management Specialists like DuvaSawko can ensure that all aspects of your new business venture are sound and virtually guaranteed for success. Dr. Duva, a former ED physician and co-founder of DuvaSawko, is a trusted source in the industry who used his experience of almost going bankrupt after outsourcing to ineffective RCM vendors, to developing a successful organization and a proven system that is catered specifically for ED groups.

Understand that there is a significant variation in cost and quality amongst coding and billing companies. Do your research and choose your vendors wisely. Meet with your business manager to discuss logistics of how you will contract with payers and bill, discount, and treat the uninsured. Your decisions will substantially influence your bottom line.

To ensure good standing within your community, it is important to foster a positive relationship with the local emergency medical services. Develop a relationship with local hospital-based ERs; Discuss your capabilities as an emergency department and your ability to accept EMS traffic. Working with them to set up transfer agreements could be a valuable source of incoming business for your practice in the startup phase.

Find ways to become involved in local first responder meetings in order to stay abreast of the policies that may impact your business. Determine whether or not the EMS will deliver patients to your facility.

Finally, as part of your establishing a strong reputable partner, find a reputable management partner to manage the operational aspect of your business.

To be truly successful in starting your practice you must understand your limitations. The choices you have are for you to obtain a management degree - upwards of 18 months to complete or get a certification in Operational Management from a reputable institution that understands your industry. A certification is usually a 6-month process and covers HR, Finance, Operational Management, technology, and other topics that will assist you in managing your practice. Not all programs are equal so choose wisely.

The intricacies of starting your own practice are numerous, but not impossible to overcome. With the right partners and a solid foundation you could be successful in launching a fully operational ED Practice in no time. The team at DuvaSawko has helped numerous practices take this first step towards practice growth. Tapping into our 40+ years of Emergency Medicine leadership will prove to be extremely beneficial throughout this process.

Contact us today to learn more about how the team at DuvaSawko can take care of all your ED Billing and Coding needs.



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TO RECEIVE YOUR COMPLIMENTARY PRACTICE ANALYSIS
AND SEE HOW WE CAN HELP YOU!**