

# PHYSICIANS FACE CHALLENGES IN TODAY'S FINANCIAL LANDSCAPE

Photo by Wes Battoclette

Venue Magazine teamed with John Dovich, president, of John D. Dovich & Associates, LLC to understand some of the financial challenges doctors are facing in the new healthcare landscape. Dr. Paul Korn, part owner of Landen Lake Pediatrics; Dr. Mark Deutsch, an ear, nose and throat doctor with a practice owned by TriHealth; and Dr. Phil Diller, Chair and Fred Lazarus, Jr. Endowed Professor of Family and Community Medicine at the University of Cincinnati, participated in a discussion to shed light on those challenges.

**John Dovich:** What are the challenges healthcare professionals face while trying to earn an income? How does the Affordable Care Act (ACA) impact physician reimbursement?

**Dr. Paul Korn:** I'm in a private independent practice so I make money by seeing patients, billing insurance companies and managing my expenses so that my income revenue is greater than my expense. It's a basic premise of business. I'm bringing in more money than I spend.

As a primary care provider, changes in the insurance environment has affected when patients come to the doctor. People are more aware of what they spend, and a lot of times with a high deductible, their overall costs aren't greater, but they see it differently because they are spending more directly out of pocket to the physician.

I'm a pediatrician so I see a lot of well kids, but I also see a lot of sick kids. Decades ago parents would bring them in when they had a \$5 co-pay. They had no problem bringing Johnny in with a cold – "I just want to make sure Johnny has a cold," and I would say, "Yes Johnny has a cold, he'll get better in four to five days." Now, because they are paying for the visit out of pocket until they hit their deductible, they are now saying I think I might wait a few days before bringing Johnny to the doctor.

**Dr. Mark Deutsch:** I recently transitioned from a private practice method of reimbursement to a systemized method of reimbursement. My mechanism of pay has dramatically changed because I get reimbursed based on a scale of relative value units so each procedure and patient visit can be broken down into a certain value. It doesn't matter if the patient does or doesn't have insurance; I see the patient, do what the patient needs medically and I get compensated.

I think what is interesting regarding the ACA, and one thing that led us down the road to becoming employed rather than staying independent, is that as a specialist we didn't really understand what the future held for us. We were seeing patients who were increasingly getting referred to us, but as the hospitals became more systemized there were barriers to care and you were either in the system or you weren't. I would have colleagues call me saying that they sent a patient to me but they had to see a different physician – why? Because there is a tracking of patients, referrals and a diminished ability for the patient to come visit me. As we saw that increasing, it became apparent that there was going to be a lesser likelihood of us being able to thrive in a private practice model and really push us into the system model.

I think what's going to happen moving forward – and what is really untapped and unknown – is the alphabet soup of reimbursements. As far as Accountable Care Organizations (ACO) and the push for reimbursements for quality rather than fee for service, it's not understood how the socialist will be compensated, how the hospital physician will be compensated. A lot of the metrics haven't been established.

**Dr. Phil Diller:** There are levels of complexity in our system because there are multiple missions. There is both clinical and the academic side around education research. In our system, you have an academic salary and a clinical salary, so there are pressures on both sides. Like Paul's situation, our system is based on a net revenue type model: you have to see patients to get paid. You have to manage your overhead expenses if you're going to make a profit.

**JD:** It seems like the one thing that makes the future of healthcare delivery (unpredictable) is the additional regulatory procedures that have been imposed on physicians. If you're an independent practitioner, do you want to take the liability? Do you think there will be any independent practices in 50 years?

**PK:** It's an interesting challenge. I can speak for this town a little bit – there are very few independent adult primary care practices. Many are now driven by healthcare networks that have taken over for their needs and making it attractive for the adult primary care physicians to sell. My own physician said it was the best decision he has ever made – he makes more money and works less. In this town there is just Cincinnati Children's Hospital Medical Center; there is no competition within the pediatric world. I think there are benefits to being part of a hospital network.

**JD:** Do you see a lot of benefit in belonging to a network? Does belonging to a network allow you to focus more on patient care?

**MD:** That was actually a major force to joining a system. We were without an electronic health record. We actually had to go buy data for a system years ago and we pulled the plug because the motivation was both a carrot and a stick. Initially you would get added reimbursement if you had a meaningful use information system. Then as the years went on that carrot turned into a stick – if you didn't have one you were going to have a penalty for not having a system. We looked at what the expected cost would be, revenue would be and diminished productivity would be and we said there is no way we're not going to do this until we absolutely have to.

One of the frustrations of being in a system has been the diminished ability to try to sculpt how your patients are cared for. The biggest challenge we've had for our patients is going from talking to my medical assistant to talking to a generic call center. I absolutely enjoy not having to worry about the infrastructure and the IT charts. We had 30 years worth of paper in a warehouse. When we joined the system it was no longer my problem.



Left to right: Dr. Paul Korn, John D. Dovich, Dr. Mark Deutsh and Dr. Phill Diller

**JD:** I think there is this perception out there that in general all physicians make a significant income. We all know from lots of data and experiences that this really isn't the case especially in primary care. So for someone to take the burden of a \$200,000 educational expense to complete that training program where they are making \$50,000 and then graduating making \$120,000 a year it doesn't seem like the math can support the costs.

**PK:** Primary care physicians are going to be comfortable. I don't know that physicians will be able to accumulate wealth the way generations before us did. There are certain niches make more money, but in primary care that money is never going to be there.

**PD:** I agree with Paul, physicians will make a good wage. I think the issue becomes how do you manage what you have better and I think that's always an important part of this as you go forward. As you said we may not generate as much wealth as we have in the past, but we should be able to be comfortable and provide for your family. Issues around debt clearly remain a huge issue I think for students when they choose their specialty. The average medical schools debt is around \$200,000, but I know a few students that have come out with closer to \$500,000 in debt as they are starting their career.

**JD:** How do physicians manage their money once they start their career? Did you receive any guidance on money management or finances while you were in training? If so, what was it?

**PD:** In family medicine they had 60 hours of practice management that you had to have. That was the closest thing we had to money management. I would like our current medical students exposed to some financial planning and management training to help them as they begin their careers as medical professionals. They could learn how to manage any debt they have remaining from their schooling, as well as how to develop a financial plan for their future, for both their personal financial planning as well as their business finances and milestone goals.

**PK:** I didn't receive any training. If you have some common sense, I don't think the money management is too difficult especially if they have help from someone like you (Dovich). I think personality plays a role in how one manages their personal finances, but you have to look at yourself and figure out how you're going to handle what income you have. I think for some who is finishing residency they need to sit down and have a long-term plan.

**JD:** It's no secret that managing finances, running a business and planning for retirement is a daunting task that can worry the most stalwart of souls. The truly successful professionals are those who develop a long-term plan, and follow it. Partnering with others, such as attorneys, financial planners, and CPAs is definitely a step in the right direction. Finding the right partner will help you manage your investments wisely, working with an attorney will help you protect the assets you've worked so hard to acquire and following your plan will help you stay focused when it's time for you to make major life-changing decisions. A constant theme throughout this conversation is having a well-developed plan, following it and seeking guidance from professional advisors along the way. ❖

John D. Dovich & Associates is located at 625 Eden Park Drive, Suite 310, Cincinnati, OH 45202. You can reach them at 513.579.9400 or visit their website at [www.jdovich.com](http://www.jdovich.com).

John D. Dovich is a Registered Representative of Lion Street Financial, LLC (LSF). Securities offered through Lion Street Financial, LLC (LSF). Member FINRA & SIPC. Investment Advisory Services offered through John D. Dovich & Associates, LLC. LSF is not affiliated with John D. Dovich & Associates, LLC.