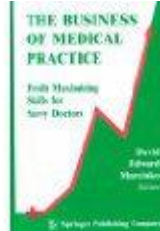


# Anthony Silva; MD, MBA

## Foreword:

*The Business of Medical Practice* [first edition]



## David Edward Marcinko

In the current healthcare insurance crisis, *THE BUSINESS OF MEDICAL PRACTICE (Profit Maximization for Savvy Doctors)* is a first edition textbook of specific value to all medical practitioners, since declining re-imburements, increasing expenses, federal regulations, and even Wall Street are all raising havoc with physician income and patient care.

Contrary to conventional wisdom, we do not believe that draconian free market competition will dramatically reduce healthcare costs, for three reasons.

- First, it is difficult to define medical quality.
- Second, a perfectly competitive marketplace does not exist.
- Thirdly, American society is not ready for the brutally rational efficiencies of the business world.
- “Above all else”, medicine is a uniquely personal experience.

On the other hand, we are pragmatic and realize that practicing healthcare providers of all independent degree designations (allopathic, osteopathic and podiatric physicians, dentists, optometrists, chiropractors, psychologists, physician assistants, physical therapists and nurse practitioners), must learn to better compete in the next decade. Ultimately, practitioners who seek to be clinically and economically responsible are the wave of future. It is the physician-executive with MBA or managerial training, who can best direct future systems of autonomous care, with improved outcomes for patient, payer and physician alike.

The information in this text will help achieve this goal and is most applicable to the solo or small group practice; or for those who aspire to be decision makers.

For the employed physician or resident, it will also serve as a blueprint for what can still be achieved. And, for the practice administrator, it will serve as a guide to the next generation of medical networks, IPAs or more complex large group management endeavors.

*THE BUSINESS OF MEDICAL PRACTICE (Profit Maximization for Savvy Doctors)* is written in prose form, using non-technical jargon, without the need to document every statement with a citation from the literature. This allows a large amount of information to be condensed into a single and practical volume. It also allows the reader to comprehend an important concept in a single reading session, with a deliberate effort to include germane examples with updated information. The interested reader is then able to research selected topics. Overlap of material has also been reduced, but important concepts are reviewed for increased understanding.

The textbook itself is divided into major three major sections, written by 20 contributing authors, and with the concepts developed in Section II (quantitative) and Section III (contemporary), building on those of Section I (qualitative). Each section is then divided into multiple parts, for a total of 25 logically progressive, yet stand-alone, chapters.

Chapter 1 briefly reviews the history of healthcare economics in the United States; from the days of private pay, to indemnity insurance and the “golden era of medicine”, to contemporary managed care. Chapter 2 discusses the uses and abuses of restrictive covenants in physician employment contracts, since more than 40% of the nations’ contemporary physicians are now employees rather than independent practitioners. Chapter 3 focuses on office labor cost reduction tactics through permanent outsourcing and employee leasing options, as human resource management is the major expense driver of any medical practice. Chapter 4 surveys the management information technology (hardware and software) required for the modern digital office, while Chapter 5 extols nuances of proper CPT coding and documentation in a skeptical payer climate. The basics of capitation contracting econometrics are examined in Chapter 6. Chapter 7 provides strategies for effective managed care relations by understanding, obtaining, negotiating and servicing managed care contracts, and Chapter 8 represents a legal discourse on non-clinical risk management issues, as Section I is concluded.

Section II begins the quantitative aspects of the book, as Chapter 9 investigates the perils of indiscriminate cash flow control in rising, declining and neutral growth environments. Chapter 10 presents basic concepts of fixed and variable office cost behavior, among others, while Chapter 11 reviews activity-based-costing as a watershed concept to most physicians that has become the costing method of choice in the hyper competitive environment. Chapter 12 explores advanced cost-volume accounting techniques, emphasizing the non-traditional contribution margin approach to the income statement, with numerous spreadsheet examples to enhance understanding. Chapter 13 introduces vital financial methods to calculate and augment return on office investment and its resulting residual income. Chapter 14 on financial ratio analysis represents the economic benchmarking equivalent of the clinical outcomes chapter; and surveys the typical office for lost sources of profit. Chapter 15 highlights the business philosophy required to create real practice equity value in an era of healthcare mergers and acquisitions, while Chapter 16, on practice valuation techniques, concludes the section and emphasizes the discounted cash flow method of appraisal since bricks and mortar are becoming increasingly worth less. It is an important chapter for the retiring practitioner in the quest for a proper payoff after years of hard work.

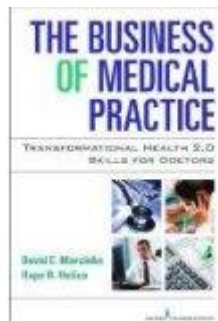
Section III of the book begins with Chapters 17 and 18 and provides utilization review, and clinical benchmarking information respectively. Chapter 19 discloses the contentious issue of medical anti-trust and the ERISA managed care exemption. Chapter 20 offers a sobering musing on change management and the new role of the physician as follower, rather than leader, of the healthcare revolution. Chapter 21 critiques Wall Street’s newest security machination, the PPMC as the initial euphoria, debacle and future of this business model is discussed using real-life examples. Chapter 22 redefines the standard of medical care to incorporate insurer financial restraints, while Chapter 23 similarly opines on the ethical and moral issues of managed medical care. Chapters 24

presents important asset protection strategies useful in an increasing litigious atmosphere, and Chapter 25 rightly concludes the third section, and book, with a discussion on choosing the business management advisor that represents the best fit for both the office milieu and individual practitioner.

In conclusion, as you read, study and reflect on this challenging textbook, remember the guiding philosophy of Eric Hoffer: *"In a time of drastic change; it is the learners who will inherit the future. The learned find themselves equipped to live in a world that no long exists"*.

Good medicine, Good business and Good day!

**Anthony Silva; MD, MBA**  
**Anesthesiology Department**  
**Emory-Northlake Regional Medical Center**  
**Emory University Goizueta School of Business**  
**Atlanta Georgia, USA**



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