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INSIGHTS AND INNOVATION FOR RURAL HOSPITALS AND PROVIDERS

Financial Horsepower

by Jim Burnette, President/CEO, HospitalMD

I am a visual person. I relate to, and remember new ideas best when I relate the new idea to something familiar. So, I propose we look at generating hospital revenue in a manner similar to how an engine produces horsepower. I use the term "financial horsepower" here to describe the amount of revenue you achieve from providing patient care services. Your **fuel** is your population. Your **engine** is the medical staff (physicians generate 95%+ of all your revenue). And **horsepower** is revenue that results from the engine. We will consider the hospital as the structure that houses and supports the revenue engine and can be enlarged as the medical staff grows and generates more revenue. This idea is illustrated on the next page.

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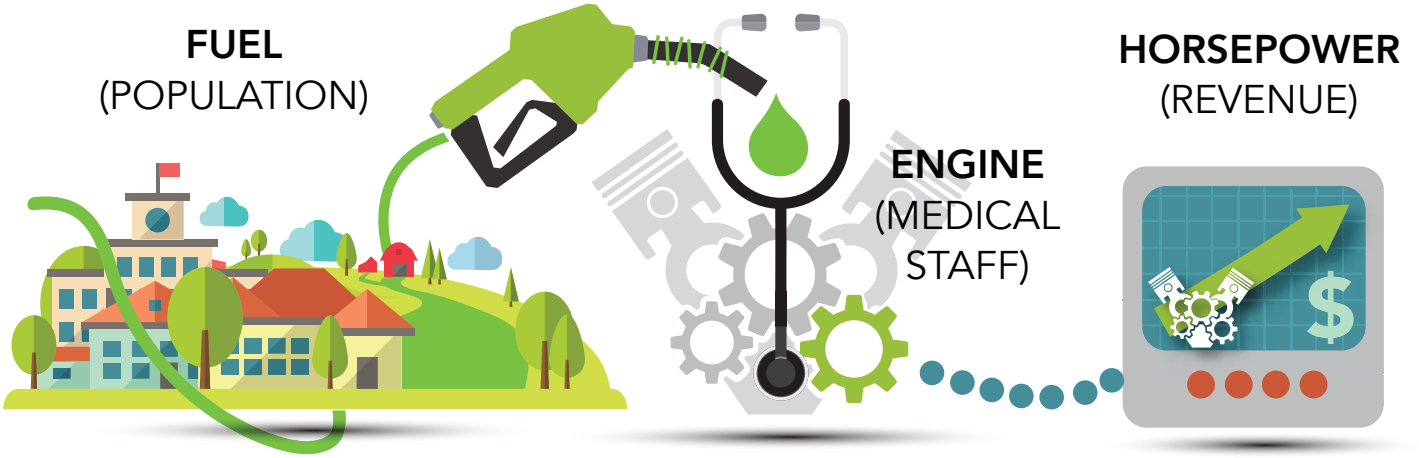

You can achieve low levels of horsepower with either a large or small engine, and you can achieve high levels of horsepower with either a large or small engine. It's all in the design.

In designing any engine, there are some constraints. However, with this revenue engine, the upper limit on horsepower is the fuel source (population). But this limitation should not prevent you from achieving high horsepower since a small community hospital (SCH) can be viable with a market share of less than 50% of current population, and most SCHs get an actual market share of less than 30%. The fundamental limitation is an undersized engine (medical staff) that doesn't intercept enough patient volume from your service area. Therefore, it is actually the medical staff engine that needs to be redesigned.

EXPAND YOUR MEDICAL STAFF

The daunting task of recruiting may make expanding the medical staff difficult to even consider. I propose two ideas to make this worth considering. First, don't believe the myth that you can't recruit to small communities because physicians don't want to work there. Some physicians prefer the small community as a place to live and raise a family. There are just not as many in the overall prospect pool as those who prefer an urban practice option. This can make finding them more difficult; but they are out there. Also, physicians interested in a small community practice may not be entrepreneurial and are not inclined to take on the risk of starting a new office practice. So, there are prospects, but you take the risk.

Second, the traditional method of recruiting physicians to the medical staff comes with several elements of risk.

- Significant cash is required.
- It takes time to recruit.
- It takes time to know if the physician can build a practice (can take two years or longer).
- You may not recover your investment.
- The physician you recruit may not admit his/her patients to your local hospital.
- It consumes significant organizational effort.

With limited financial resources, a recruiting mistake can put you in further financial trouble and possibly out of business. How do we design the medical staff engine to be successful without financial risk?

SOLUTION

Our unique Emergency Medicine (EM) and Hospital Medicine (HM) practice models are very efficient and effective ways to generate revenue growth. These models are described at our website at **HospitalMD.com** and in previous issues of **in•sight**. They eliminate the need for office-based physicians to take unattached "call," which makes recruiting easier, but do not directly add to your office-based medical staff. These models do provide an alternative way to achieve growth as a natural by-product without the cost and risk.

LOW COST, LOW RISK

We don't normally advertise for office-based physicians when we recruit for these EM and HM practices. However, as we solicit physicians to work in our EM and HM hospital practices, we find some physicians that would like a rural practice but don't know how to locate opportunities, and we don't have a place to put them. For our client who is willing to

allow an EM/HM physician to work in an office practice, we will assist our client by allowing physicians to split their time between working in an office practice and working shifts in the EM and HM practice.

Typically, a physician begins working in an office practice established by the hospital one day a week in addition to working EM/HM shifts. As the office practice begins to grow, the physician works more office shifts and fewer EM/HM shifts. The goal is to let the physician begin to develop a full time office practice over time with little financial risk. The hospital supports the office and administrative costs, and avoids the investment to fund the office start up, even if the office practice is not successful. If the physician does not (or cannot) build an office practice, we can continue to use the physician in the EM/HM practice. This approach has worked for primary care as well as specialty physicians.

If you would like to discuss these ideas further or explore medical staff growth opportunities, please contact me.

–Jim Burnette

Jim Burnette is the Founder and CEO of **HospitalMD**. Jim has worked in healthcare for more than 20 years. His mission is to strengthen small community hospitals across the nation and help them thrive in a rapidly changing healthcare climate. Jim is a graduate of Georgia Tech and resides in Peachtree City, a small community right outside Atlanta.

Thinking Big By Thinking Small

We are often encouraged to "think big" and "dream big". However, "big dreams" can be frightening because they involve substantial risk. If "thinking big" and "dreaming big" are associated with high risk, could we reduce risk by "thinking small?" Let's redefine thinking small as **thinking in small steps.** The detail of all solutions is a collection of small steps. Let's repackage, or rearrange, our thoughts to eliminate risk. This process for thinking may require replacing "cash" with taking more "time" (longer time frame) to get to success. But if we achieve our goals and eliminate risk, we are successful. How do we think small to think big?

The only way to know if a thought is big or small is to know all thoughts. So let's generate ideas. Techniques such as "brain storming" and "mind mapping" are useful ways to generate thoughts. These techniques stimulate the mind to think prolifically and creatively. Some ideas may be fruitful; some may not. The initial focus is to simply think of all possible ideas without regard to usefulness.

The best source of ideas is subject-matter experts. You already have access to the most important experts–the physicians on your medical staff and your hospital staff. Physician participation is critical because physicians are the only people authorized to write orders and generate revenue. The next step is to group all ideas that are similar and eliminate duplicate, impractical, and unsafe ideas.

The last step is to think about how to begin to implement these ideas incrementally and rank the ideas in terms of the easiest and least costly to implement. You will find that small services that result from "brain storming" tend to spawn other service ideas and options. The more discussion you have, the more you find that small service ideas lead to more and larger services, much like onion layers or a rolling snowball. Don't be discouraged. This process moves very slowly at first. You will come to a point at which you may think nothing productive is happening and it's not worth the time and effort. But, when members of your medical staff think you are serious, that they are free to contribute, and that you are listening to them, they will become more and more supportive. They are the only people who know how small service ideas can transition into bigger and bigger units of revenue. Also, remember that no idea is worth implementing unless *both* the medical staff and hospital benefit. When this process begins to take root, it will continue on its own, even if informally.

The article, ***Financial Horsepower,*** illustrates a revenue and HM solution that came from non-traditional thinking, and how a second generation office-based recruiting solution came out of this thinking process. If you would like to discuss your specific needs, contact me.

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