

Financial Rx for Physicians

Powered by
Biz2Credit[®]



For more information about Biz2Credit, call toll-free (877) 861-2210 or mail us at info@biz2credit.com

TABLE OF CONTENTS

Doctors Need an Rx for Money Woes **1**
By Rohit Arora

Are Private Healthcare Exchanges The Future of Healthcare ? **2**
By Tom Dwyer

Tips for Streamlining Medical Practice Finances **3**
By Tom Dwyer

CASE STUDIES

Dr. Eduardo Pignanelli **5**

Dr. Michael Jackson **6**

Dr. Vishal Patel **7**

Doctors Need an Rx for Money Woes

By *Rohit Arora* | Co-founder and CEO, Biz2Credit

According to recent reports by CNNMoney, doctors are going broke, and the epidemic *“is spreading nationwide, claiming a wide range of casualties, including family physicians, cardiologists and oncologists.”*

How can this be?

As many physicians tell us, operating costs - including ever-rising malpractice insurances rates - keep increasing. Additionally, those who are still paying off medical school loans have an added financial burden. Meanwhile, some insurance companies no longer pay in 30, 60 or 90 days, they take 120 or even 150 days to pay -- almost half a year. Medicare pays sooner, but the reimbursement rates are capped. If, for example, a visit or a procedure is capped at \$80, it is not fair to doctors in places like Boston, Philadelphia, New York or LA, where overall operating costs are so much higher than in less densely populated areas. What's worse is that private insurers tend to mirror Medicare rates.

CNNMoney reports that changes in drug reimbursements have badly hurt oncologists who were able to sell cancer drugs. Until the mid-2000's, drugs sales were a big generator of revenue for oncologists. When Medicare reduced the payment rates for cancer drugs in 2005, it brought the reimbursements for many expensive medicines to less than the actual cost. This is not right.

Further, the government has mandated that health care providers transition from paper patient records to electronic medical records by 2014. While there are many benefits to having digital records, it is an expensive proposition. Switching from paper record-keeping is time-consuming and costly. The costs of conversion can run in the tens of thousands of dollars, depending on the size of the practice.

The cash crunch that doctors are facing is embarrassing -- not for them, but for the country as a whole. In most cultures, physicians hold a place of honor and respect in society. The United States cannot allow the very people who are responsible for keeping the country healthy to fall victim to financial ailments that result from a broken payment system.

Doctors are not always business savvy. After all, they spent years of training to become good at practicing medicine, not accounting. Any doctor will tell you that they are much more interested in curing people than numbers crunching. But the reality is that they have to become better at running their practices -- at running their small businesses -- than before if they plan to survive.

While we don't claim to have all the answers, this eBook is designed to provide insights and practical advice to doctors looking to overcome cash woes. It suggests ways to streamline the billing process and improve cash flows. Additionally, it presents case studies of doctors, such as Dr. Eduardo Pignanelli, a New York-based physician who improved his financial situation and secured more than \$2 million to digitize his medical record-keeping and expand his practice to a new, state-of-the-art facility in upper Manhattan.

We hope you find this eBook valuable.

Are Private Healthcare Exchanges The Future of Healthcare?

By Tom Dwyer

The healthcare industry loves talking about “exchanges” these days. Ideally, these new marketplaces would be part of the holy grail solution of quality care at an affordable price. Initially, there will be no direct impact on physicians, but over time the “retail-ization” will have an effect.

Many people are skeptical about the ability of exchanges to influence either quality or price. In fact, we have many reasons to believe that the first few iterations of “public” state-based exchanges will actually increase price due to startup costs involved with establishing the very complex systems.

However, there is growing evidence that “private” healthcare exchanges will play a major role in the coming years. For simplicity, I am defining a “private” exchange as anything that is not a “public” exchange. Examples of a private exchange include Medicare online exchanges, such as ExtendHealth; small group purchasing exchanges, such as HealthPass New York; large group exchanges, such as AonHewitt; or even individual exchanges, such as eHealth.

The role of these exchanges will be to facilitate the ultimate “retail-ization” of healthcare. The retail customer will be the actual individual -- not an employer -- buying health insurance directly from the insurer via an exchange. The purchaser/patient will have a much more ‘retail’ experience, shop and compare; he will seek value as he defines it.

This ‘retail-ization’ of healthcare will find its way into the physician’s office, as well. When the end user of the service is paying for the service, he will demand more value from all vendors of that service, including doctors. Physician offices will become more aware of patient retention rates customer satisfaction programs that the retail world is accustomed to.

My company, Dwyer Healthcare Group, has been talking to the people who are opening up this new private exchange world and leading the retailization of healthcare. They are new technology com-



Tom Dwyer is the founder of *The Dwyer Healthcare Group*, comprised of leaders in healthcare and health reform.

He has 20 years experience in healthcare and insurance including C-level roles and has been at the forefront of health reform and loves working with entrepreneurial companies.

Contact Tom at tdwyer@dwyerhealthcare.com.

panies with robust “shop and compare” tools and benefits consultants that really understand healthcare products. And there are the more traditional third party administrator (TPA) companies that do transactions really well. Each type of company will launch their own flavor of private exchange solution.

Everyone in the healthcare industry will soon be interfacing with private exchanges and feeling the effects of the retailization of healthcare. Recognizing the trends will be important to your strategy of working in this new marketplace.

i **Tips for Streamlining Medical Practice Finances**

By Tom Dwyer

Doctors didn't go to medical school because they wanted to get into the financials of running a business. But as healthcare has evolved in the past decade, physicians have had to become more adept in handling the running of their operations. Some have even gone back to school to get their MBAs.

You don't have to be a financial whiz to run an efficient medical practice. However, you do have to make sure you have the right systems in place and a person whose responsibility is to make sure that insurance company and Medicare and Medicaid claims are processed in a swift, efficient manner. The old adage "time is money" is especially applicable to doctors who run their own private practices.

Below are five keys to getting your financial house in order.

- **Get your billing department in order.**

Many doctors have issues with their billing department. Not billing patients, insurance carriers and Medicaid in a timely manner puts an unnecessary burden on your monthly cash flow. In the most inefficient cases, claims may not be processed at all. In the long-term, this hurts your practice and diverts more attention away from practicing medicine. At a time when insurers may take 90-120 days to pay claims, it is important for the financial health of your practice that you invest the time to set up an efficient billing process.

- **Manage your receivables.**

Make sure that you are collecting or following up on your outstanding invoices. It's important to separate your receivables for insurance carriers, Medicare and Medicaid. There are different probability rates of collecting on each type of receivable -- typically 50% for insurance carriers and 70% for Medicare and Medicaid.

- **Hire a good accountant.**

This costs money, but pays for itself in the long run. An accountant who specializes in health-care will help ensure that your financial statements are well prepared. If you ever need a business line of credit, equipment loan or expansion loan, the bank will expect you to have accurate, professionally prepared financial statements. If you respond slowly to their requests for financial information -- or if the documents are poorly prepared -- it will be much more difficult for you to secure capital. Lenders could draw the conclusion that your finances are not in order.

- **Separate business and personal expenses.**

Be sure to separate business and pleasure. Putting business expenses on your personal credit card can lower your credit score. Keeping your business expenses on a separate card will make it easier for your accountant to prepare your business taxes and financial reporting. This will save you money.

- **Don't rely just on your local bank if you need a business loan.**

There is no shortage of options for securing capital. Lenders who are actively making loans at favorable rates simply might not be "brand names." Big banks have been notoriously stingy in the past few years. You might be able to get money from smaller, regional banks, credit unions, and even a community development bank, if your practice is located in an urban redevelopment zone.

There is no shortage of stories about doctors and other small business owners who have been rejected for loans by their own banks. Utilize the power of the Internet to comparison shop for capital. Online resources, such as Biz2Credit, can save you both time and money. A single online application, which takes less than four minutes to complete, provides instant access to a vast network of lenders and broad range of financing options to meet your needs. If need be, a healthcare loan specialist can work with you to find the right lender for your request and get the best deal for your business.

As a healthcare practitioner, time is money -- don't waste either resource! Bill on time, follow up and collect your outstanding receivables, and use technology to secure capital if and when you need a business loan.

Tom Dwyer is the founder of The Dwyer Healthcare Group, comprised of leaders in healthcare and health reform. He has 20 years experience in healthcare and insurance including C-level roles and has been at the forefront of health reform and loves working with entrepreneurial companies.

Contact Tom at
tdwyer@dwyerhealthcare.com.

Case Studies



Dr. Eduardo Pignanelli

“It used to be if you were a doctor, you would have no problem getting a loan,” says Dr. Eduardo Pignanelli, founder of *Clinica Modelo de Especialistas* in Manhattan’s primarily Hispanic Washington Heights section.

Despite the passage of the Small Business Jobs Act earlier this fall, challenges for small businesses – even doctors running successful medical practices – remain in securing capital for growth and expansion.

A native of Argentina, Dr. Pignanelli sought to expand his practice, which he has successfully operated for close to two decades. In order to remodel his original office and set up two new state-of-the-art facilities, he needed significant funding.

Yet, despite revenues of close to \$7 million annually, Dr. Pignanelli had difficulty finding funding at a reasonable rate. He then approached Biz2Credit for funding to construct his expanded facilities.

Not only was the doctor able to secure funding, he also replaced his high cost of working capital with Biz2Credit’s help.

The results:

- Dr. Pignanelli was able to raise over \$4 million in funding at 6%.
- He received a line of credit at U.S. prime +1 (4.25%), replacing an existing line of 8.25%
- *Clinica Modelo de Especialistas* has created 15 new jobs in upper Manhattan.

Dr. Pignanelli has also done a video testimonial about his experience. See him describe his experiences in his own words: <http://www.youtube.com/watch?v=cxbiQxhf5mE>



Dr. Michael Jackson

Dr. Michael E. Jackson, MD, has served the Brooklyn community for the past 16 years. The first African-American dermatologist trained at SUNY Downstate Medical Center, his practice flourished until recently. But the economic downturn and some personal setbacks hurt him. When times got tougher, new patient visits and cosmetic procedures slowed, and 10.25% financing of his initial funding proved steep.

Dr. Jackson paid unscrupulous loan brokers who took money but did not secure any financing. He engaged Biz2Credit.com and secured commitments at lower interest rates from two different lenders. Funding has been approved by NY-based Seedco Financial (\$150,000), whose mission is to help minority-owned business owners, and Borrego Springs Bank, a California-based community bank that is making \$1.75 million available. These are lenders that the doctor would have never thought to approach were it not for Biz2Credit's platform connecting small business borrowers with financial institutions whose lending criteria they meet.

Refinancing at a lower interest rate will provide for operating capital, allow for growth of his practice,

and enable him to hire a physician's assistant. Dr. Jackson estimates that this will increase patient volume and revenue by 15- 20%.

Having learned the challenges of "the business of medicine," he plays a mentoring role to minority medical students at SUNY Downstate, where he is a clinical assistant professor of dermatology. Dr. Jackson is director of the Ethnic Skin Institute, a member of the AMA, the American Academy of Dermatology, the Dermatologic Society of Greater NY, National Medical Association, National Psoriasis Foundation, and the National Vitiligo Foundation.

To learn more about Dr. Michael Jackson, visit: <http://www.jacksondermatology.com/jdservices.html>



3



Dr. Vishal Patel

Dr. Vishal Patel is a board certified family physician practicing in New Jersey for 11 years. He bought a practice in Northvale, NJ, six years ago and was looking to expand into an area closer to his home that was in need of general practitioners.

“Sometimes it is difficult for us (physicians) to find funding on our own,” says Dr. Patel. “The local banks weren’t helpful; I had to constantly make phone calls to the bankers. It took time away from my practice. It was more stress on me. Bankers weren’t trying to help make it easier for physicians.”

Biz2Credit helped Dr. Patel find the best rates through an SBA loan. Eventually he applied for and received a \$1.5M SBA loan through Capital Source Bank to purchase a building and open a bigger office. The seller nearly walked away from the deal because it was taking a long time for funding approval and thought that Dr. Patel might not be a serious buyer. Because of this, he almost lost the opportunity.

Biz2Credit guided the doctor through the process and helped him secure the financing in.

“In the medical field, we try to reduce costs every day. It is important to find someone who can help get the best package to minimize long-term costs,” said Dr. Patel, who praised Biz2Credit for taking “a major burden off my shoulders.”

“I found an advocate to help get the best rates and the lowest closing costs and communicate with the bank. The requirements of the SBA are not like the requirements of a local bank,” said Dr. Patel, who found out that the paperwork involved in a government-backed SBA loan is more extensive than other lenders might require.

“Biz2Credit made sure we got the best deal and closed the loan quickly so that we could move forward. I would absolutely recommend Biz2Credit.”