

# ANCILLARY SERVICE DEVELOPMENT : KEYS TO SUCCESS

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Peter L. Althausen, MD/MBA

Reno Orthopedic Clinic

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# WHY ANCILLARY SERVICES?

- As physician salaries continue to shrink most doctors are looking for alternative ways to supplement their income
- Ancillary services are a well proven method of doing so
- Due to robust ancillary service development, our physician salaries have continued to increase over the past 10 years despite a declining national average
- They now constitute about 1/2 of our average physician salary
  - 5 years ago was 1/3

# WHY ANCILLARY SERVICES?

- Important information for physicians in hospital employed positions and private practice
  - Shows private orthopedists where additional revenue can be made
  - Shows academic or employed physicians the value they bring to institution
    - Helpful for salary negotiation
    - Department resource allocation
    - Call stipend negotiation
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# ANCILLARY OPPORTUNITIES

- Physical Therapy
  - MRI
  - Durable Medical Equipment(DME)
  - Ambulatory Surgery Centers(ASC)
  - Orthopedic Urgent Care
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# PHYSICAL THERAPY

- Many orthopedic patients require therapy
- Physician owned physical therapy is legal in most states
- By law you must give your patients options
- Easy to convince patients to see your therapists
- PT space is cheap space
- Generate \$134k – 267k per FTE(Mean \$148k)



# KEYS TO SUCCESS

- Incentivize therapists appropriately
    - RVU based
    - Good Bonus Structure
      - Patient satisfaction
      - Up to date billing
  - Have multiple sites only if volume supports
  - Use therapy aides
  - Share ATCs with local high schools
  - Don't use a management company
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# MRI

- Although reimbursement is declining, physician owned MRI is still successful
- Multiple options exist from leasing to owning
- Options for extremity MRIs are now available
- Generates \$57k - \$95k per FTE (Mean 73k)



# KEYS TO SUCCESS

- Can only bill technical fee, billing professional is illegal unless you are a radiologist
  - Contract for reads with a private group
  - Have flexible schedule with a few same day slots
  - Have a cash pay option
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# DURABLE MEDICAL EQUIPMENT

- Many forms of DME are used by orthopedic surgeons
- DME has a high profit margin(60%)
- No excuse for an orthopedic office not to utilize this ancillary
- Generates \$37k – \$146k per FTE (Mean \$58k)



# KEYS TO SUCCESS

- Constantly negotiate with vendors for better prices
  - Pre Op packets
  - Custom Bracing Options
  - DME shop
  - Pedorthotist/orthotics/prosthetics
  - Consider supplying your patients in hospital
  - Don't use hospital DME(Splint/cast instead of boot/brace)
  - Doctors must support it
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# AMBULATORY SURGERY CENTERS

- Have been around for many years
- Can be very successful
- With better regional anesthesia many cases that used to be done in hospital now are outpatient
- 85% orthopedic surgery currently can be done outpatient and is likely to increase
- Can generate \$30k – \$600k per FTE



# KEYS TO SUCCESS

- Must do 30% eligible cases to meet Medicare guidelines
  - Employ your own Anesthesia
  - Get approved for 23 hr stay
  - Consider building care suites
  - Use high value implants
  - Use regional anesthesia when able
  - Manage it yourself, do not use a management company
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# ORTHOPEDIC URGENT CARE

- Many offices have formed dedicated bone and joint urgent cares
- If well run, these can see up to 70 people a day per site
- Can generate up to \$2.5 million/ year in direct revenue, \$7.5 million in follow up.
- Also saves healthcare system massive amounts (\$ >97 million/yr in Reno)



# KEYS TO SUCCESS

- Extended hours and Saturday openings
  - Staffed by PAs or Non-operative Orthopedists
  - Strict clinical oversight
  - Efficient visits
  - Reproducible product
  - Manage it yourself, do not use a design or management company
  - Market it appropriately
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# CONCLUSIONS

- Multiple options exist
  - All depend on fact that surgeons behave ethically
  - Valuable source of income for the private MD
  - Vital part of any negotiation for the employed MD
  - Don't let it get away from you
  - Capture and control as much of the episode of care as you can
  - Always be on lookout for new opportunities
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THANK YOU

