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Ancillary Service Development : Keys to Success

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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, physician salaries in some practices have continued to increase over the past 10 years despite a declining national average
- They now constitute about 1/3 or more of many physician's income

Ancillary Opportunities

- Physical Therapy
- MRI
- Durable Medical Equipment(DME)
- Ambulatory Surgery Centers(ASC)
- Orthopaedic Urgent Care
- Skilled Nursing Facilities (SNF)

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

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

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
- Consider supplying your patients in hospital
- Don't use hospital DME(Splint/cast instead of boot/brace)
- Doctors must support it

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
- Estimated that within 2 years 80% orthopedics will be outpatient
- Outpatient total joints and spine at ASC can be lucrative
- Can generate \$30k – \$330k per FTE



Keys to Success

- Must do 30% eligible cases to meet Medicare guidelines
- Employ your own Anesthesia
- Consider building care suites
- Use generic implants
- Use regional anesthesia when able
- Ideally manage it yourself, do not use a management company

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.



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

Skilled Nursing Facilities

- Newest emerging ancillary opportunity
- Driven by BPCI
- Most difficult cost to control is extended care
- Once in hands of physicians incentives will be aligned
- Economic opportunity has not been determined but will enable 100% gainshare ability
- This could equate to \$2-4 million/year for a large group

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

Thank you !



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