



# Journal *of the* American College *of* Dentists

MANAGEMENT  
PERSPECTIVE ON  
PRACTICE

WINTER 2015  
Volume 82  
NUMBER 1



## WE HAVE YOUR BACK

Jim Baker, DDS

### ABSTRACT

Healthcare delivery in the United States, including dental services, has changed rapidly in the last few years, and will continue to change in the years to come. Oral and Maxillofacial Surgery Partners (OMSP) was initially formed to specialize in the unique issues of running the business aspects of an oral surgery practice. Over the past 17 years we have grown to the point of including 25 practices, in most specialty fields, primarily solo practitioners and small partnerships. The need for this service is a direct function of the increasing requirements for and complexity of the business aspects of small businesses and the need to ensure quality standards in health care.

### HOW DOES OUR MODEL WORK?

We divide our service model into two components: service center operations and back office services.

Service centers were originally called billing and collections, but have evolved to include much more. Billing and collections means oversight to produce a “clean claim,” and, once that is done, the office staff should not have any further involvement with that encounter. Service center work also includes aged accounts receivables, patient and insurance refunds, and backup coding expertise for practice-based personnel.

Credentialing is a related service that has evolved in our service centers and includes contracts with insurance companies, staff privileges at hospital and surgery centers, and licenses at the state and federal level for controlled substances. Organizations that interact with healthcare professionals are increasingly requiring that documentation be provided attesting to the qualifications of providers.

The service centers also perform a yearly fee analysis using a zip-code-specific fee analyzer for each practice. We then make recommendations as to fee changes suggested for the practice. The practice ultimately makes the decision to change any or all of their fees.

Back office services include human resources, regulatory compliance, cash flow management, accounts payable processing, information technology,

consulting, and accounting. There are many components to all of these services. A few are highlighted below.

Human resources now includes assistance with employee acquisition and termination of employees, payroll, and employee/employer benefits—to include development and maintenance of 401(k) plans or other more sophisticated benefit plans, when appropriate. Other services include helping to regulate workplace standards to minimize potential legal issues, OSHA matters, and consulting for appropriate staff levels to optimize personnel (overhead).

A good deal of effort is now required to be sure all practices are properly insured against the risks inherent in running a small business. We oversee and maintain this variety of policies.

Management accounting and reporting services provided can be comprehensive to include everything from monthly profit and loss statements to the business and personal tax returns. Other clients may choose to have outside accounting support and we provide the information necessary to the practice’s certified public accountant.

We maintain our own proprietary information technology (IT) system which is Web-based and includes a robust electronic medical record



Dr. Baker is Chairman of Oral and Maxillofacial Partners, a management services organization for dentists, and practices in Oklahoma City, Oklahoma; james.baker@omsp.com.

(EMR). This system brings together the revenue cycle and the expense cycle under one roof to allow more coherent practice management.

We have 17 years of experience building an infrastructure to provide these services with coherency and an economy of scale. Our model is conservatively structured to economically provide all necessary services for an office to turn the business practices over and spend time producing high quality care. Clients can choose the service model that fits their needs, and the cost of delivery is divided between these two functions. The service center service fees are 7% of collected revenue and the back office service fees are 2.5% of collected revenue. This division is designed to yield approximately 1% profit to OMSP on each of these service areas or a 2% profit on the collective 9.5% fee.

### Our Model

Oral and Maxillofacial Surgery Partners (OMSP) does not own practices or employ dentists as associates; we provide a management service on a contract basis. Dentist owners of group practices have authority to retain or terminate our services and which ones to use. Because our fees are based on a percentage of collections, the service is conveniently scalable to groups of various sizes. We have built an infrastructure that is ideal for solo practitioners or small partnerships with two or three dentists. This allows them to practice independently, but with the safety net of a large, well-managed back office to support them.

### Advantage of the Model

For patients, we are invisible and they never know we are in the back office doing much of the heavy lifting. This lack of noticeable presence is our goal; this relieves the office to be attentive to the patients' needs for the time they are in the office. The disadvantage is that, if there is a problem, the practitioner's office staff may seem to have a lack of knowledge of the problem. It takes open communication between office personnel and corporate personnel to minimize potential problems. The main area this impacts is the billing and collections function. This requires the office staff to "buy in" to our model, which simply means turn the billing over to us and take it out of the office. This is different from the model they may have been used to, and occasionally it creates resistance. This communication breakdown usually results in a patient hearing inconsistent answers to the same question, and this is an undesirable outcome. The office staff that accepts our model and uses our billing service as designed leads to satisfied patients. Our model is designed to provide consistent high quality billing and third-party payor management. This in turn leads to more consistently satisfied patients.

Our managers are at the corporate level, so the advantages and disadvantages are not always immediately apparent. Good managers can handle

A good deal of effort is now required to be sure all practices are properly insured against the risks inherent in running a small business.

We are best suited for start-ups that want to grow and for practices that are too busy as a result of their own success.

several practices. But if they are given inaccurate information from a practice they cannot produce an accurate result. We give advice, not orders. Our client practices are truly independent and can take our advice or choose not to follow it. It does occasionally happen that our advice is not taken and we spend more time solving the problem that has been created. We do not get paid "extra" for this "extra" work. It is important to us for the success of the practice and our client relationship.

For the dentist, the advantages revolve around having high quality consistent business practices in place. There is no crisis when billing and collections staff leaves a practice. We provide a depth of personnel with expertise that a solo or small partnership cannot afford. This increases the constancy of satisfied patients and referrals.

This benefit is experienced differently for a startup practice and an established practice. For start-up new graduates, we can fill in the substantial business and management gaps in their education. We have a track record of start-ups that have been able to grow their practices more quickly than their peers due to their hard work and our back up. Established practices require a leap of faith that our model will produce superior results compared to what they have been doing. If a practice does not have a certain scale this is not a model the dentist is likely to accept because of the cost. We are able to demonstrate the value of spending the 9.5% of collections, but for a practice with less than a low seven-figure gross collections, the value proposition is more difficult. We are best suited for start-ups that want to grow and for practices that are too busy as a result of their own success.

The advantage for the profession is that we have a model that is designed to

perpetuate private practice, not corporate ownership. We do this with sharing of high quality business practices. If there is a disadvantage, it is that continuing the classic "cottage industry" model with no shared services is ill-suited to our model. We would argue that the rules of health care have changed and will continue to change making the truly stand-alone practice more difficult.

### WHY ARE MANAGEMENT SERVICES OF INTEREST NOW?

Seventeen years ago we did not foresee the current complex regulatory environment and pace of change in healthcare delivery. But we did suspect that things were changing in ways that made it difficult for a single practitioner to adapt.

The current requirements related to HIPAA are an example. A commercial engagement to have some assurance a practice is HIPAA-compliant involves an audit component and an implementation component. They are typically priced at \$2,000-\$2,500 per office. In addition, each of our practices undergoes an annual workers' compensation audit. Regulatory requirements go on and on and will continue to get more time-consuming and laborious within healthcare delivery environments. We have experience and are equipped to handle OSHA inspections, state use and sales tax audits, Medicaid audits, third-party payor audits, as well as Internal Revenue Service examinations.

In today's dynamic information technology environment, especially with Web accessibility to the general dentists, referral sources, insurance companies as well as governmental agencies, we are involved with HIPAA compliance reviews, identity theft protection (regulation S-ID), cybersecurity protection and reviews, as well as protection of confidential and protected patient health and financial information. As a long-time oral and maxillofacial surgeon

myself, I really want to spend my time at what I am best qualified to do and what gives me the greatest personal satisfaction: treating patients. This is becoming exceedingly difficult with the additional demands of today's highly complex business and regulatory environment.

The evidence is accumulating that the non-patient care portion of running a practice as an individual without outside expertise is no longer realistic.

### DOES THE DELEGATION OF MANAGEMENT SERVICES AFFECT TREATMENT?

The case is very simple: patient care and business functions must be done to a high standard. Dentists are trained and usually most interested in providing top quality patient care. That really cannot be delegated. But management services often can be delegated, if done right.

Social and economic forces that control the growth of our model are complex. Health insurance is now considered a right. The Affordable Care Act has now become part of our lives. Its partial implementation in dentistry seems to have increased regulatory issues without an improvement in the access to dental care, although there is some evidence that it has had an effect on slowing the rate of medical costs. The overlap between medicine and dentistry is more conspicuous in the case of oral and maxillofacial surgery. The new requirement that all dentists must "opt in" or "opt out" of Medicare means more changes are coming that will require regulatory and management adaptation. This means all fields of dentistry will now be involved at a higher level than in the past with the federal healthcare system.

Another big economic issue is the level of debt faced by dentists beginning their practices. Finishing four years of dental school and four to six years of

residency is not inexpensive. Student loans of \$200,000-\$400,000 are common. Now the new graduate needs to borrow \$500,000 to open an office and still has a family with no house. There is no room for error. Nor is it feasible to "ease into" a low volume start-up practice with such large debt service obligations.

My prediction is that, in 20 years, 50% of practicing oral and maxillofacial surgeons will have at least some shared services. Most of the rest will be in large group practices. Perhaps 10-20% are likely to remain in the "cottage industry" model.

### HOW DOES OMSP FUNCTION?

In addition to my OMSP role, I am a full-time practicing oral and maxillofacial surgeon in private practice for 35 years. I have also been fortunate to include teaching positions throughout my career.

My management responsibilities involve oversight of a staff of approximately 35 people, and I deal primarily with the senior managers of our areas of service. As chairman, I have a board that supports me including oral and maxillofacial surgeons with a range of subject matter expertise. I coordinate the triage of practice level issues with the appropriate manager or board member. This may include day-to-day issues or long-range planning. I oversee practice transitions and growth opportunities for our client practices as well as our new graduate startups.

My initial attraction to this work came from interacting with many practitioners around the country to find those "best practices" that would help us all. The changes in health care that occurred in the mid-1990s piqued my interest in the business delivery of oral and maxillofacial surgery. We strive to integrate these best practices in the continuing evolution of the way we do business in our practices. This helps to

mitigate the damaging effects and increases the practitioner's adaptive capacity as the landscape of healthcare delivery changes.

What we did not do is also important. At one point, the thought of becoming a public company was very attractive. We did not go that route as our collective opinion remains that healthcare delivery at the practitioner level is not suited to a stock exchange. We determined that our best energies were directed at facilitating the traditional private practice boutique model with shared services.

We have had some surprises. I continue to be amazed at the ability of dentists to literally forget how they receives a paycheck in private practice: Revenue - Overhead = Compensation. Seems simple, but the separation of management and treatment may make this easy to forget. Our experience shows us that fuzzy thinking increases with the number of practitioners in a large group. It also increases if we allow our client dentists to disengage from the business of their practice. Our communication to our clients has to be continuous and accurate.

### CONCLUSION

We continue to position our company to be the shock absorber of adaptive change in health care. I cannot predict the changes that are coming, but I am certain our practices are better equipped to handle them than they would be as stand-alone practices. We are striving to create an environment to allow these dentist-managed practices to collectively adapt to change while maintaining a focus of high quality oral health care. ■