HEALTH LAW

Managing Through Change

JOHN SHUFELDT, MD, JD, MBA, FACEP

The urgent care sector in particular, and healthcare in general, is undergoing a sea change—a phrase that has its origins in Shakespeare's *The Tempest*:

Full fathom five thy father lies
Of his bones are coral made
Those are pearls that were his eyes
Nothing of him that doth fade
But doth suffer a sea-change
Into something rich and strange.

Shakespeare was referring to the corpse of Ferdinand's father being changed by the sea. Over the years, *sea change* has come to denote a profound transformation. During the last few weeks, I have received calls and e-mails about centers closing and going out of business because of the profound transformation of our capital markets and the resultant tightening of the debt market.

Fortunately, however, most urgent care physicians and owners thrive on change. As our place in the healthcare milieu becomes more clearly defined, we react by changing our practice to meet the demands of our customers. The following suggestions might help your practice sail through this perfect storm of market forces:

Review your lending covenants. Ensure that your practice is in compliance with your banking covenants. Banks use these covenants to protect against the risk of the debtor's inability to pay down the debt. Typically, these covenants are very black-and-white ratios or clear terms defining the amount of cash needed in the account. If you are within your covenants, now would be a good time to negotiate some better terms as a hedge against future market changes. If you are not within the lending covenants, work to quickly get in compliance.

Review staffing metrics. Right-staffing is the "holy grail" of on-demand healthcare. Having too many people on staff ruins your bottom line; have too few and your customer service goes out the window. In our current market condition, I would err on being slightly *under*staffed. If able, hire individuals on a contract basis, with a specific job description to complete prior to bringing them on full time.

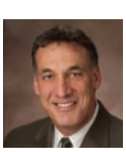
Review your exit strategy. This may be as easy as letting your lease run out, or subleasing to an alternative practice or business. Conversely, your exit strategy may be to round up your competitors and attempt to sell the entire area, en masse. Whatever it is, now is the time to reassess.

Improve efficiencies. Improving patient throughput will enable you to staff more effectively. Saving even a few minutes per patient will reduce the amount of full-time equivalents needed. The easiest way to accomplish this task is to use the "fresh set of eyes" perspective. Pretend you are a newcomer to the industry and study your patient care process. You will amaze yourself at the amount of wasted time inherent in your system. Now is the perfect opportunity to fix it!

Review your collection practices. As our economy declines, so too will people's ability to pay in a timely manner. Unless you are diligent, your days in accounts receivable (AR) will begin a slow march in the wrong direction. These fractional changes may not seem like much, but in the aggregate, may be enough to throw you out of your covenants.

If your billing is outsourced, review the contract to ensure your incentives are aligned regarding days in AR and cash collection goals. Simply paying on a percentage of collections sounds like it should align incentives, however, it simply encourages the billing company to go after the low-hanging fruit.

Change is inevitable. As such, it should be welcomed. If it were not for changes in the healthcare arena, urgent care would not have a place. As Darwin said, "It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change." ■



John Shufeldt is the founder of the Shufeldt Law Firm, as well as the chief executive officer of NextCare, Inc., and sits on the Editorial Board of *JUCM*. He may be contacted at *JJS@shufeldtlaw.com*.