

# Why Anesthesiologists Need Administrators



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*Anesthesiologists, like all physicians, can benefit from services provided by non-physician managers, administrators or consultants.*

From solo practitioners to mega-groups, all anesthesiologists are confronted with issues and decisions for which they have little or no training or experience. Professional management services may be obtained from employed practice managers or administrators or purchased from practice management consultants. The benefits of professional management include: More time for physicians to provide billable services, more time for physicians to build and maintain critical relationships with referring physicians and other third parties, greater attention to regulatory compliance, greater operating efficiency and improved economic performance. The success of business interactions on behalf of the practice is often as depend on the skills and demeanor of the manager as it is on the value of an objective analysis.

Unlike other physicians, anesthesiologists usually work in multiple, remote locations. Their schedules make it difficult for them to have quality discussions concerning business issues of the practice. This and other unique characteristics of anesthesia practices emphasize the need for consistent and comprehensive management support for the anesthesia practice.

Anesthesiologists need administrators. Not because they are incapable of taking care of the business of their practices, but because it usually does not make sense for them to do so. Practice success results from a team effort between physician and administrator. Ideally, practices function like their corporate counterparts in business with a board of directors responsible for the “big picture,” including strategic planning and general oversight. The board determines the goals and objectives for the group, provides the resources and delegates the supervision of the necessary processes to achieve those goals to a qualified executive.

Not all “administrators” are created equal. The size and income potential of the group are primary determinants of the level of management support needed. There is no formal differentiation between a “large” or “small” practice, but sixty-five percent of all physicians work in a group setting and 38% of those groups consist of 3-5 physicians. That may be a large group of dermatologists, but is small for anesthesiologists. However, all anesthesia practices can benefit from professional management services and the larger the group, the greater return on its investment in that management. A group of three to

five anesthesiologists is has the revenue potential to justify professional management services. Such services can be either with a full or part-time, employed administrator or purchased, management services.

Even some practices that seem most successful fail to fully appreciate the value of professional management. A critical management problem for anesthesia groups is the lack an effective process for making decisions. Most physicians do not like being told what to do, so they avoid even the appearance of telling other physicians what to do. They strive for consensus, which seems like a good thing, but problems arise when individual members “go along to get along.” Consensus without “buy-in” or ownership of the decision will doom it to failure. On the other hand, with a majority decision, dissenting physicians may leave the board room, go to the coffee room and complain to the nearest employee about the stupid thing “they” just did. Neither is a good of efforts to direct and manage their groups.

If the lack of a quality decision making process compromises a group’s success, than any action or effort to establish or improve that process should be welcomed. Professional practice management can help in a number of ways, but the two most important benefits to anesthesia groups are:

Decision support A professional administrator supports the group with research, presentation and interpretation of important and relevant information Also, they help with the process through direction, guidance and control, factors critical to an effective process and ultimately to good decisions. Without good decisions, any practice will come up short of its potential as a viable and profitable business entity.

Physicians are the “product.” It makes no sense for an anesthesiologist to spend time and energy learning the intricacies of business such as how to hire and keep good employees, administrative processes, policies, accounting, reimbursement regulations, etc. Physician time and energy should be spent on improving the “product” by staying current on new medical research, medications, technical procedures and techniques. Nurturing critical relationships with referring physicians, regulators, legislators and facility administrators also contributes to “product improvement” and to the group’s long term success.

It seems simple. Doctors need help with decision support and they should focus their efforts on their clinical practice. Any level of managerial support will offer benefits to physicians related to these major issues. Solo physicians and smaller groups may do well with a quality office manager and good, accessible consultants such as accountants, attorneys and physician practice managers. However, when one factors the hidden cost of the physician time necessary to manage the business details, such a path may be more costly than expected. Time lost for income generation can quickly exceed the cost of professional management, even for smaller groups.

What do we mean by “professional management?” Beyond the critically important office manager, there are generally two levels of professional management for physician groups. According to the Management Compensation Survey published by the Medical

Group Management Association (MGMA), typical executive management positions and their relative descriptions are:

Chief Executive Officer(CEO) / Executive Director (ED):

- Highest non-physician executive position in the organization;
- Typically found in larger practices, or in some form of an integrated system such as PHO and MSO;
- Develops and monitors organizational policy in conjunction with other management personnel and board of directors;
- Responsible for the overall operation of the organization, including patient care, contract relations and activities that relate to the future growth of the organization such as strategic planning and marketing;
- Oversees a team of senior management personnel who have direct responsibility for specific functional areas of the organization;
- Typically serves as a liaison between the organization and staff members, businesses, individuals in the community and board of directors; and
- Reports to the governing body of the organization.

Administrator:

- The top non-physician professional administrative position with less authority than a CEO;
- Maintains broad responsibilities for all administrative functions of the medical group, including operations, marketing, finance, managed care/third party contracting, physician compensation and reimbursement, human resources, medical and business information systems and planning and development;
- Typically oversees management personnel with direct responsibilities for the specific functional areas of the organization; and
- Reports to the governing body of the organization.

A review of these position descriptions indicates more operational responsibility for the administrator with the CEO/ED having a greater presence in higher level activities and interactions with external constituents. In practice, the difference between the two is not so clear. Depending on the group's size and income potential, the relative contribution to effective and efficient management oversight is negligible. And of course, the office manager in the even smaller practices play a role that is just a crucial.

What are the characteristics of physician groups and their management staffs? According to MGMA's Management Compensation Survey, 2007 Report Based on 2006 Data, the following are some of the key physician practice demographics. Anesthesiology practices are included.

Group Legal Organization

43% Professional corporation/association

19% Business corporation

20% Non-profit foundation  
10% Limited liability corporation

Group Ownership  
72% Physicians  
24% Hospital/integrated delivery system

Single Specialty Group Size  
41% 5-10 physicians  
34% 4 or less physicians  
19% 11-25 physicians

Administrative Position Titles  
3.67% CEO/ED  
11.38% Administrator

Formal Education of Executive Manager  
45% High school or equivalent  
37% Bachelor's degree  
16% Master's degree  
.72% PhD, JD, EdD

Years of Management Experience  
23% 5 years or less  
25% 6-10 years  
18% 11-15 years  
20% 21 years or more  
15% 16-20 years

Sex  
23% Male  
77% Female

Compensation Method  
51% Salary + discretionary bonus  
27% Salary, no bonus  
11% Hourly  
3% Salary + % of productivity  
5% Salary + other bonus formulae  
2% Salary + % of profits

Mean Compensation Levels (Administrator 7-25 Physicians)

Total Compensation \$113,380  
Single Specialty \$114,055

Less than physicians \$ 87,620  
Master's Degree \$122,302  
Bachelor's Degree \$108,304

Economic justification for utilizing professional management can be assessed with some simple analysis. For example: According to MGMA's Cost Survey for Anesthesia and Pain Management Practices for 2007, the average anesthesiologist bills about \$1,358,301 per year and collects about \$620,793. Associated expenses, or practice overhead, average 13.6% of total revenue. Therefore, a group of ten anesthesiologists will generate net income of about \$5,363,652. According to the United States Census Bureau, 98% of all businesses in the United States have receipts of \$5 million or less. In fact, this cash flow would be the envy of most businesses.

At this level of income, quality management services are critical. Small errors can mean large losses. Based on the above data, a loss of 1% in annual charges will extrapolate to a loss of over \$62,000 or consider a possible missed opportunity that could have increased charges by 3%. That oversight could cost the practice \$188,000. Both of these situations do happen and conceivably could cost much more. When one considers the many opportunities that practice managers have to enhance revenues, such as managed care contracting and expense reduction through greater oversight, realization of even more positive and quantifiable net economic effects is quite possible.

Professional management will not guarantee cost savings, additional income or success in general. The cost of professional management should be viewed as a hedge against costly mistakes and missed opportunities. When a group initially obtains professional management, either in-house or on a contractual basis, members can expect their cost will be recovered by greater efficiency, better contracting or business development. The challenge is to remain faithful to the concept of access to professional management in the third, fourth, fifth years and beyond. The long term, economic advantage of having established, professional practice management may not be as obvious, so the physician-administrator team should be a long-term commitment.

Finally, it may be informative to hear first hand from individuals "in the trenches" about their thoughts on this issue. When asked, "Why do doctors need administrators?" Several well established anesthesia practice administrators responded with insight and wisdom. Their unedited comments are listed here:

- Business management is a learned skill with hundreds of details that physicians could master; Even so, the physician would not do as well because of his different mindset, preconceptions and problem solving habits.
- Anesthesiologists are the highest hourly paid employees of the practice earning money only when seeing patients; it is more economical for the physician to see patients and pay a professional to manage the practice.

- Physicians do not want to be bothered with details of corporate insurance, compliance, employment laws, partnership agreements, operating agreements, managed care contracts, facility contracts, banking, JCAHO, OSHA, other regulatory agencies.
- Physicians do not want to deal with staff issues such as recruiting, scheduling, wages and bonuses, evaluations, grievances, and policies and procedures.
- The professional administrator can run interference and fill an ambassadorial role with hospital administrators, attorneys, accountants, patients, surgeons, vendors, competitors; physicians can avoid the hassle from the facility concerning credentialing, medical records completion, fund raising, medical staff issues, regulations, scheduling and OR efficiency.
- Administrators are prepared to slog through details while most physicians are not; administrators are used to, accept and maybe even thrive on nuance, subtlety and ambiguity.
- Diversity contributes to higher performance; diversity of training, of perspective, of objectives as well as diversity of culture and values non-physicians brings a different perspective.
- Administrators think longer term while physicians are more focused on solving acute issues.
- Administrators are team oriented and network in a different professional circle that can bring a fresh approach or new ideas to the practice.
- Separating physicians from the heat that an administrator might take from third parties insulates them from some of the politics and passion of business deals.

Anesthesiologists face a multitude of challenges in the clinical arena. They are also confronted with issues related to the business of their practices, and today's competitive environment demands quality management oversight of those issues and operational details. Such oversight is available from the qualified, professional administrator. Whether physicians hire their own management professionals or contract for services, their practices will benefit from the dedicated attention to the business of the practice. Many anesthesiologists have developed productive teams with their administrators. The give and take and relative contribution of these professionals help ensure that the efficiency and effectiveness of the business of the practice which in turn allows the practice to thrive.