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Tales from the Front Lines: *Strategies for Starting an O&P Practice in Uncertain Times*

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"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity..."

- from *A Tale of Two Cities*, by Charles Dickens

According to some sources, the failure rate of small businesses within the first 18 months is as high as 80 percent. Given this statistic, starting a new business is never something to be taken lightly. But amidst an O&P landscape that includes shrinking reimbursements, the ever-present threat of Medicare audits, changing regulatory requirements, and overall changes in healthcare policy, launching a new O&P practice may seem more daunting than ever before. *The O&P EDGE* asked practitioners who have taken this leap in the past few years to share their tales from the front lines and what they've learned in this era of both opportunity and uncertainty.

SET UP YOUR FORMATION

Before you find yourself in the trenches, writing a business plan is essential, entrepreneurs agree. It outlines the ownership and organizational structure of your proposed company; provides a funding request (if you are seeking financing) and financial projections; details the nature of your business and the market demand for your product or service; and includes a market analysis and your marketing strategy. The new business owners we spoke to shared stories of the variety of strategies and resources they used to approach this beginning stage of their endeavors.

Jeff Hagman, CP, president of Bright Prosthetics, Warrensville Heights, Ohio, drew from his own background as a starting point for opening his practice. He has an undergraduate degree in business and worked in a variety of sales roles prior to switching to O&P as a second career. "I looked at starting my own practice as an opportunity, so I wanted to think it out on paper as well," he says of writing his business plan. Hagman underscores the importance of having a business plan in place to show viability to a lender, yet concedes that the plan is "somewhat of an educated guess. He says he turned to Ohio's Small Business Development Center (SBDC) and attended courses it offered to glean additional knowledge. "There were a few things I learned from that process," he says. For instance, the SBDC provided helpful information that allowed Hagman to file the appropriate incorporation documents with the state without hiring an attorney. He incorporated his practice in June 2013, secured his office space in December, and received his Medicare National Provider Identifier (NPI) in January of this year.

The co-owners of Seacoast Orthotics and Prosthetics, Portsmouth, New Hampshire, **Chris Phillips, CPO**, and Chris Croasdale, CP, looked to the SCORE Association, a Small Business Administration resource partner, before they opened their doors for business in May 2013. Previously known as the Service Corps of Retired Executives, SCORE is a nonprofit organization with chapters across the United States that provides free business mentoring, including help with writing business plans. Because Phillips owns another business for which he had written a business plan, he and Croasdale were able to draw on that experience to write one for their joint venture. "[SCORE] pairs mentors that are retired from business with new business owners or potential owners," he explains. "We brought them our business plan and they gave us advice." Phillips says it was a phenomenal resource, and one that they continued to use after they opened for business, when they returned to take classes on finance and cash flow.

(Author's note: For more information on these organizations, visit www.sba.gov/tools/local-assistance/sbdc, www.sba.gov, and www.score.org)

GET STRATEGIC GUIDANCE

Aside from associations and government resources, some of the best guidance comes from those who have already opened an O&P practice or small business. The practitioners we interviewed turned to trusted family, friends, and colleagues during their planning stages. For example, Hagman's brother is an O&P practitioner in Florida who has owned his own practice for 14 years. "My brother, his office manager, and his accountant provided me with a lot of information initially because I didn't have in-depth knowledge of the administrative side of a practice," he says. Phillips says he's lucky to have had the mentorship of an uncle and other family members who own small businesses, as well as colleagues with small practices who were willing to offer advice and support and provide sample paperwork, such as clinical patient intake forms.

The keys are asking questions that are as specific as possible, they say, and doing your legwork so your sources can be of the most help to you; questions may start broad but should become more refined as time passes.

"When we come up against something we are not sure of, we just try to research on the Internet and ask different contacts and just do the best we can," says **Mark Miller, CPO**, who, along with his wife, Nancy Miller, MBA, owns Miller Prosthetics & Orthotics, Parkersburg, West Virginia. Before deciding on small business ownership, the Millers had attended an Orthotic and Prosthetic Group of America (OPGA), Waterloo, Iowa, meeting where they had opportunities to gauge the viability of opening a new practice and to network. "We asked a lot of questions and picked the brains of everybody we knew, including people outside the profession." For instance, a friend who owns a convenience store offered general business advice such as "make sure you are getting all of the supplies you are paying for and invoices are accurate," while a physician friend helped them find a good location and navigate local regulations, he says. And now that they've made these advances, several of the business owners we interviewed find themselves serving as a resource for other O&P practitioners who are contemplating or in the process of setting out on their own.

ASSEMBLE YOUR COMPANY

Paul Geiger, COA, Geiger Prosthetics and Orthotics, Visalia, California, employed a different strategy when he opened his patient care facility around March 2014; six months earlier he had been laid off from his prior employer because the business was failing. He asked two former coworkers from that practice, an O&P practitioner and an administrative person, to join him in his new venture. Because Geiger is not a certified O&P practitioner yet, he needs to have a certified practitioner on staff to provide patient care. He turned to **Donnie Priest, BOCPO**. While Priest says he doesn't have a financial stake in the start-up, he does have a "business owner mentality. I'll treat it like my own business. I'll take pride in it. I'll volunteer to work for dirt cheap or nothing until the business cash flow is enough..." he says. In addition to his commitment to Geiger P&O's success and his certified status, what Priest brings to the table are his insights and experience—including what not to do—from having previously launched his own, admittedly failed, O&P practice. As best-selling author and marketing consultant Roy H. Williams writes, "A smart man makes a mistake, learns from it, and never makes that mistake again. But a wise man finds a smart man and learns from him how to avoid the mistake altogether." (*The Monday Morning Memo*, "On Being a Consultant.")

The second person Geiger brought on staff, who is also volunteering her time until the practice gets off the ground, is the office administrator. "Lupe is our billing person, our front office person," Priest says. She is experienced with all aspects of billing and claim filing, and knows the insurance company and contracting jargon. "We couldn't survive without her."

Miller also gives kudos to the billing/administrative person he hired. He says he tried doing the billing on his own but eventually realized that "these [billing] folks have a language that I unfortunately could not grasp..." He says he is fortunate to have hired someone who is familiar not only with billing, but with O&P as well. As often is the case in small businesses, she wears many different hats. "Susie's main responsibility is billing, collections, physician progress notes, diabetic statements, etc. I am also starting to get her up to speed on shipping and receiving. She answers the phone, schedules, is the gatekeeper; she also cleans if she has to."

Help can also come from unexpected sources. Priest credits the Medicare application forms and process and, even more so, the facility accreditation process—whether through the American Board for Certification in Orthotics, Prosthetics and Pedorthics (ABC) or Board of Certification/Accreditation (BOC)—as helpful in getting the business up and running. "You are paralleling what Medicare wants and what ABC or BOC wants for accreditation," he says, calling the process streamlined.

During this go-around, in contrast to his previous experience with facility accreditation, he says the Medicare facility accreditor was pleasant to work with and provided executable suggestions. "His mindset was 'let me help you pass' rather than 'let me make you fail.' They can look and say 'here is what you need to do,...this is where you are lacking.'"

CHALLENGES

Third-party Payers



The most common challenges that the practitioners we interviewed say they faced were entering into participation agreements with the Centers for Medicare & Medicaid Services (CMS) and contracting with insurers. There is documentation to complete, supporting documentation to provide, and accreditation to acquire, and many times a check must accompany the paperwork you are filing. "The Medicare application used to be free, now it's \$500," Priest says. "Every time you turn around, when you are starting, it is \$500 or \$1,000 that you have to pay this company or pay this accreditation."

Prolonging the cash outflux, the practice must be open for business to get an NPI, which can take several months, and third-party insurers want your NPI prior to considering your application to contract with them. Therefore, our interviewees say they essentially had to be in business without really doing business. To this end, Priest cautions that new business owners should expect three to six months of carrying costs once the business is functional before they are able to have billing contracts in place.

"Requirements for new [Medicare] applicants dictated that we be open for business when we applied for our Medicare number," Miller explains. "We applied in April and finally received it in July. We also couldn't really apply for other insurances because one of their first questions on applications is your Medicare provider number."

Yet even with the NPI in hand, Phillips said it was "surprisingly difficult" to obtain insurance contracts, sometimes taking up to three to four months to receive approval, if at all. The toughest contract to secure was with the largest insurer in the state, Anthem. "We started that application process in April 2013 and we got our contract in March 2014," he says. "That was brutal." To keep the process going, Phillips says he e-mailed the contracting representative and "basically killed him with kindness" during that months-long waiting game. "And you know, he responded," Phillips says. "I think he went to bat for us in the slowest possible way he could, but it kept going." To further make the case for Seacoast O&P becoming an Anthem preferred provider, Phillips and Croasdale rallied their patients who had Anthem as their insurance provider "to write letters and call, and inquire, and try to go through hoops to get...seen [by us]. And I think between that and the fact that we showed a geographical void from [our former employer] closing, we were able to get that contract, but it was difficult."

Hagman, too, found that some of the popular contracts in his area were closed, while others offered what he calls "ridiculous" reimbursement rates.

Physical Locations

Several of the practitioners we interviewed also said just opening their physical locations was demanding work. For example, after negotiating their leases, they had to purchase supplies, furniture, and equipment, and oversee tenant-finish build-outs. Knowing how to be compliant at the local, state, and federal levels, and with industry facility accreditation and payer sources was also time consuming and confusing, Hagman says. "You have to think about the EPA [U.S. Environmental Protection Agency] rules that may apply, worker's compensation, and all the different rules and regulations that are required to run a small medical practice and how that fits into what I'm getting started," he says. To try and avoid making costly mistakes or wasting time, he conducted a lot of research on how to proceed.

Miller, too, faced some compliance issues when a city-required electrical inspection revealed that "I had to get the office up to spec and [so I] spent some time replacing exit signs, labeling doors, adding fire extinguishers..."

Outsourcing Versus In-house Fabrication

Given the small size of these start-up practices, all the interviewees say they outsource the majority of their fabrication and, for the most part, have had



good results. "We are able to use different fabrication facilities and are able to go after the products that we want and are able to use the people that really specialize in different areas," Phillips says.

Miller, too, outsources the majority of his fabrication work but offers a different perspective. He says it was "surprisingly trying" to find a central fabrication facility that was good and offered quick turnaround times. Further, he fabricates his own foot orthotics because on one end of the spectrum the products he was getting back were not up to par or took too long to deliver, while the good ones became too expensive to justify the cost, he adds.

MEDICARE AUDITS: OPPORTUNITY OR UNCERTAINTY

For the practitioners we interviewed, opening a new O&P practice amidst the onslaught of Medicare audits they have seen some of their colleagues battle does not necessarily cause trepidation. Instead, the audits present opportunities to make certain that they put procedures in place from the beginning to ensure documentation compliance with CMS and other third-party payers.

"We actually felt it may be better to open in the middle of the RAC [Recovery Audit Contractor] audits," says Priest. "There is an understanding now of what is required." Moreover, a new business does not have issues to deal with from past years, he says. But preparation, by maintaining adequate cash reserves, is essential in case the practice is faced with audits in the future. (*Author's note: For more information on building and maintaining cash reserves, read "[RAC Audits and Delayed Reimbursements: Preparing Your Company for a Cash Flow Crisis](#)," in the September 2013 issue of The O&P EDGE.*)

Hagman and Phillips agree.

"I'm not overly concerned for myself because I have no history for [Medicare] to go back and recoup..." Hagman says. "You just have to provide the information they are asking for. . . We have to be more professional in how we are evaluating and treating our patients versus just putting down simply 'supplied an above-knee prosthesis.'"

Phillips says that he and Croasdale know that to try and avoid audits, "we need to have every t crossed and every i dotted for our documentation." For example, they have a protocol whereby all of their prosthetic patients go to an outside physiatry group for a "head-to-toe evaluation," which includes the Amputee Mobility Predictor with a Prosthesis (AMPPRO). "They do all that..." he says, "so that the patient has a functional K-level and it is all physician documented."

Yet even having what you might think is the correct documentation in place, audits and claim denials happen.

While Miller developed practices to try and shield his business from Medicare audits, he still received denials on diabetic shoe claims—because it was the prescribing physician and not the certifying physician whose signature and progress notes he submitted with the claim. He tried to clarify with CMS which physician's progress notes he needed, he says, and was told he was being too detail oriented and not to worry so much. He's still trying to get the certifying physician's notes so he can get paid, he says, and is considering exiting this part of the business. He points out that while the cash flow for his business is "good," it is not at the level he would like at this point because it takes an overwhelming amount of attention and time to address the minute details involved with Medicare claim documentation. And until he feels he has the staff trained and in place to handle more business, he will hold off on marketing the practice.

Brooke Artesi, CP, LPO, Sunshine Prosthetics and Orthotics, Wayne, New Jersey, on the other hand, views audits as a part of business that she knows to prepare for. Sunshine P&O technically opened its doors in November 2012 and fully opened for business in February 2013 with receipt of its Medicare NPI.

"I get prepayment audits, and it is just part of our paperwork. We just prepare for it," she says, adding that "[b]efore we even start a K3 anything, [the patient] gets all of their documentation from the doctor for me... You need a clinical note that says the patient is a K3 ambulator that goes up and down steps, goes out in the street, goes out in the world. We get prepayment audits and we just go with the flow."

KNOWLEDGE REINFORCEMENTS

Admittedly, opening your own O&P practice can be fraught with peril. When asked what advice they would impart to other new O&P business owners, those we interviewed offered the following:

- Doing thorough market research is important for anybody considering starting up a business, Hagman says. "Know the other facilities in the market, and highlight your strengths in relation to them."
- "Location matters," Phillips says, adding that he and Croasdale spent a lot of time researching populations and which hospitals were doing well. "[T]here is a lot of data from Medicare reports...and Healthgrades.com, so you can see what people are saying and you can actually find out how many amputations hospitals do and things like that." They secured a location that is within one mile of a hospital and a large acute rehabilitation facility—and have contracts with both—and the nearest competitor is more than 20 miles away.
- Go in lean and mean where you can, Priest says, providing these examples: "We purchased used equipment on Craigslist. We bought a grinder, similar to a shoe grinding machine, for \$300 on Amazon. We made a Trautman by purchasing a long arm buffer/ grinder at Harbor Freight and a Trautman thread convertor from Cascade; this cost under \$200. Cast saws were purchased on eBay."
- Conversely, spend money where you need it most. "Don't ever cut corners on computers and software," Phillips says. "Buy the best electronic medical record system you can. We really made it a large part of our business plan to buy the OPIE software and WillowWood scanner and we use that to its full potential." Expect a learning curve with the technology if you are unfamiliar with it, he adds.
- Expect your start-up costs to be higher than anticipated. "If you are starting a business plan, I would suggest increasing your expected outgoing expenses by about 35 to 50 percent," Miller says.
- Market yourself to key referral sources, network with other health service providers, and try to get personal introductions where possible.
- Claim a niche. Do you provide higher quality care than your competitors? Do you offer better service—such as going to the physician's office with your patients to introduce yourself and setting the groundwork for collecting the proper documentation as Priest does, or offering hospitals 24-hour turnaround times like Phillips and Croasdale do?
- Become known in the community. For example, Artesi, who has a right transtibial amputation herself, sponsored a triathlon team made up of her patients and they competed in a local event. The media attention they received has brought her some recognition from referral sources. "The patients know me, the therapists know me, the doctors know me," she says.
- "I have a boat that I let all my patients and referral sources use," Miller jokes. His kidding aside, the advice here is to keep a sense of humor.
- Miller also suggests having avenues to relieve stress. "Sweat. Literally... Have something you do that is physically active that allows you to sweat off stress. Or you can go the other route and meditate or do yoga."
- "Run your business like a business," Priest says. He cautions new business owners to scrutinize their costs and expenses and create a marketing strategy from the start. "[Y]ou have to provide quality care...and make sure your business is profitable," he says.
- "Cash is king [and] you have to really be careful of your cash flow," Phillips says.
- Learn time-management skills.
- Take the lessons you learned from prior employers and apply them to your own practice. Artesi says she started in O&P sweeping the floor. "I was a technician. I did the fittings, the P&O, the schooling. Through the years you just watch and you learn."
- Be flexible and open to change.

From what everyone we interviewed professes, opening an O&P practice is not a get-rich-quick scheme. Rather, it is a way to take control of their professional and personal lives—providing the best possible care they can for their patients, running their practices in ways that make sense to them, making a comfortable living, and carving out time for family and loved ones.

"I'm building my practice steadily," Hagman says. "It takes a lot of up-front effort to get it going...It's not an overnight process."

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