Physician Financial Literacy: Budgets, Revenue, AI, and Practice Growth Transcript

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Introduction and Guest Background

We graduate them from medical school with no financial training, no business training. And then we put them at the head of these large entities, you know, millions and millions of dollars moving through businesses and they don't have internal controls.

They get embezzled at a rate of about 83%. More patients, more authority, and more freedom. I'm Brett Gregory, founder of Doctor Talks, where we're democratizing the creator economy for doctors.

Welcome to the show. Welcome to another edition of the Doctor Talks podcast. I'm your host, Brett Gregory, founder of DoctorTalks, where we are democratizing the creator economy for doctors.

And I've got a really great guest for you today. Thank you. Thank for having me. It's great to be here. Thanks so much for being on. So tell our audience who hasn't had the pleasure to meet you yet a little bit about yourself.

Absolutely. I have been in the healthcare space for about 33 years and it is my professional pleasure and very humbling to get to walk with physicians as they are moving through any kind of transition with their business.

And our group focuses really on the business side of outpatient medicine and how we can make those transitions easier and better. Nice. Okay. But how did you, you've been doing this for 33 years, how does you get there in the first place?

Yeah, it was a really sort of a silly, I like to think it's a strategic career move, but it really was silly thing. I worked in public accounting right out of my undergrad education.

Fun. Yeah. Not so much. I spent about a year and a half doing that. I woke up one morning and burst into tears and said, I really don't like what I do.

And it seemed at the time like a lot of work for nameless, faceless members of the SEC or bankers or whatever. Yeah. So I had to step back and, you know, after I got over the tears of, It was kind of an epiphany.

It wasn't anything strategic or well-planned. Healthcare sounds like fun. Why don't I go and play over there? That was 33 years ago. I think that was an okay career decision.

That one worked out great. Much as it was not terribly strategic, it's a good move. Yeah, I've been really humbled to work on the outpatient side of medicine for private practices, for groups inside of integrated networks, and also some time at federally qualified health centers too.

So I've kind of seen a little bit of everything. And in 2000, I had the opportunity to co-found a new startup medical group that wound up being, it was a redesign on primary care.

What Doctors Aren't Taught in Medical School

That was back in two thousand and we wound-up financing it in sort of an interesting way and that we became the first concierge practice in Oregon, one of the First on the West Coast.

Back in the day when conciers was the new idea. And ran that as the COO there for about 10 years. And then 16 years ago spun off parts of that business into the company that we have today, which is Healthy Practices.

We're humbled to get to work with doctors all over the country. So it's great fun. Amazing. Well, speaking of working with doctors, we're talking today about what we don't teach doctors in medical school.

And, you know, topic that's near and dear to my heart since, You know we are on a mission to democratize the creator economy for doctors. Helping doctors make money off of their content and information.

Tell us what don´t we teach Doctors in Medical School that they need to know? Oh, I love asking this question. And I get to ask this questions in rooms full of doctors all over the country.

One clear answer is we don't teach any kind of business or finance or really any leadership skills either. So those are big missings in our medical school curriculum, my humble opinion.

I've had lots of conversations with folks about how do we get that into the medical curriculum. They keep telling me there's lots to learn and the curriculum is already pretty jammed with all the clinical stuff and pharmaceuticals and treatment and all of that.

So it's a challenge for certain that we graduate a lot of physicians right out of medical school and residency and fellowship in many cases and they don't really have any background in finance.

It took me about 30 years to figure that out, Brett. It was, I was wandering around, you know, just assuming that all these smart, well-educated and intelligent people could understand exactly what I meant when I talking about budget variances or cash flow forecasts or whatever.

And as part of the faculty for the Physician Leadership Project, which I've been involved with for about six years, I'm learning that even mid and late career physicians really don't have a lot of basis of understanding of finance because they were never taught.

And so it's really, I mean, a think a lotta finance and business terms really occur as a foreign language. And you know, like any foreign language, you can learn it.

It's just not what you normally speak every day. So that's a big part of what I'm up to at this point in my career with a lot of the education and teaching is just, can we help bridge that gap?

And within the consulting business, we do a lots of bridging for the doctors, but I am also anxious to have them learn if they want to. You've got to create Duolingo for Doctors in Finance.

Exactly, Dualingo For Doctors. Yeah, we call it Physicians Edge. That's on the website. No, that's a recorded online mini MBA for physicians that we put out last year.

Physician's Edge? I'm excited about that. It's called Physicians Edge, yeah. Okay, and is that on your website? It is on our website, yep. And it actually, as a bonus, it carries, I think, 32 and a half hours of CME.

for physicians. Oh, wow. That's impressive. If they want to learn about business and also get some clinical credit for it, they can do both things at once.

Okay. And I'll ask again at the end, but what's your web URL since you brought it up? It is www.healtheps.com. healtheps.com. Okay, fabulous. All right, great.

So you've spent decades helping physicians and healthcare organizations improve performance. What's the biggest business challenge facing physicians today that most people outside of healthcare don't realize exist?

It's the money. I think a lot of patients, a lotta people running around just assume, oh, those doctors, they're all rich. They're making millions of dollars a year engulfing at the country club.

And I would say we've seen shrinking margins in healthcare, especially in outpatient medicine for years. And there

just continues to be very organized downward pressure on physician revenues.

And at the same time, but along with everybody else, all the costs are increasing, right? So it's harder to staff, you have to pay more. There are a lot of pretty sophisticated systems that are needed to run a multimillion dollar company.

Building Financial Literacy with Physicians Edge

I know that's not a shocker, that that is where we put physicians. We graduate them from medical school with no financial training, no business training.

And then we put them at the head of these large entities, you know, millions and millions of dollars moving through businesses and they don't have internal controls.

They get embezzled at a rate of about 83% of practices. So I'm just about to publish a book next month called The Embezzlement Epidemic in Medical Practices.

Then we also have, I would say probably culturally, one of the other challenges we have is Most medical schools have for many years and still operate on a knowledge shame culture.

So what I mean by that is they are imparting a lot of knowledge and they expect the physician to have all that knowledge. And if they don't have the knowledge, then they get shamed.

That's been our learning pattern for years. If you've been raised in that environment and that's where you have done your learning, You've been forged inside of that environment.

When you come out and you're running this massive entity, this medical practice, or you are on the board or one of the owners, and there's business things that you don't understand, you do not ask questions.

You just keep your head down, like you learned to do in medical school. As one my physician friends says, we'll just nod and smile in the Boardroom. That's all we do.

And I think that, again, that's a huge disservice to physicians because that just ratchets up their stress level. Yeah. And it's, it is a challenge. So, I don't know if that got right at the heart of your question, but those are the main things I see.

big disservice to doctors and we've got to help them. So let's talk about how do we help. Where do you start? Where does a doctor start getting educated on business and financial services?

Yeah, well, there's a lot of great resources. So we talked about Physicians Edge a little bit. That is meant to be the primer. And why don't you give us an outline, somebody that I go to Physician's Edge, what's in there?

Yeah. Absolutely. There's 25 recorded modules. Each are an hour to an and a half a piece, and they are meant build on one another, but a deep dive. We start with the language of finance, right?

It's like, this is a foreign language, so let's give you some of the terms and terminology so the rest of course makes sense to you. We spend some time early on on their revenue cycle.

And we talk about budgeting, why they should have a budget. I see a lot of groups, still large, sophisticated groups that run without a budge, and that just boggles my mind.

Yeah, so, I mean, let's talk, you know, it sounds obvious, but why do you need a Budge? How does it help? And do have any examples of somebody before and after they had a Budget versus not and what the results were?

Budgeting and Practice Case Study

Yeah, absolutely. Well, the budget I like to think of is your GPS, right? It's like, okay, if you were going to get in the car and drive to San Diego, would you just go?

Or would kind of map that out, you know? So, I'd like think about that as your, a little bit of your North Star, too. And as you're running your business and you are going along month over month, bringing in a lot of money and your spending a whole lot money.

The question is, did you bring in as much as expected to? And did you spend more or less than you expected to? And so if you don't have a budget, you just kind of flow along and you may have some odd things happening financially, but you're not really aware because you are not looking.

And you do not have yardstick or a GPS to say, are we on track? Are we off track or are going to make it to San Diego or now are headed to Phoenix? question about, are you on track or not?

And how do you know the answer to that question? So do have any examples? I know you said you had a couple of case studies. Can you share one with us?

Tell us somebody. Do you have one specifically who was able to get the budget in place and what a difference it made? We absolutely do. Yeah, one case study actually with a group that is a pain management clinic, probably about 15 clinicians all told between their physicians and their APPs.

And they came to us with some specific questions, but what turned out to be a lot of needs. And so we've worked with them now for about two and a half years.

They have utilized almost every service that we provide. So it was a great pay study for us. But we started actually helping them to assess their current leader.

She was someone who had grown up with him, office manager. And the group had outgrown her and that was really challenging for everybody involved because the physicians were very loyal and they loved her.

And they could see that she was not functioning very well, given the size of the organization, what it had grown to. So first question was, Can we coach her up?

And the answer to that wound up being no. She had kind of evolved to where she was going to be. And so then the second question is, can we couch her out?

Can you engineer a graceful exit for her with some severance and honor her years of service and also be real about the fact that she wasn't a fit for the organization anymore?

We were able to do that without a lawsuit, which I consider a success. That's a win. Yes, that's win we then helped them recruit her replacement. So that was important.

And in that intervening time, their CFO had also departed. He was not from a health care background. And then we helped them recruit a new finance manager who then came in and put in a budget in place.

So that was much better, the after picture. But it was like we needed to start a few steps before that. We also were able to work with them on several different fronts to improve their revenue.

And that included getting them into their local clinically integrated network, which really improved their insurance rates. And then we also had them as a part of our code mastery program where our medical director teaches physicians.

physician to physician, she teaches them how to code their office visits so that when they're billing for their services, they are actually getting full credit for the total complexity of the patients they aren't managing.

So that added about a quarter of a million dollars to the group's bottom line in the span of about year. Amazing. Those are some of the most tough, those are the toughest challenges for any entrepreneur.

You know, when you're starting out a small business, maybe you started out as a whole practice and then you start hiring one person after another and you have some success, you'll start growing, but then, do employees.

And one of the hardest things to do is to fire someone. As a business owner, that's like the least favorite part of my job, is really important that you cannot let that person stagnate inside the company.

Burnout, Revenue Growth, and Practice Turnarounds

Frequently it's a blind spot. Sometimes it is somebody you really like. That makes it even harder. It's so great that diverse services and you can help somebody who recognize that first of all.

One of the biggest dangers inside the organization is that person that everybody likes who you've outgrown. And that is because it's emotionally very hard to replace that.

So congratulations on that win. Well, thank you. That's it. Those are always challenging conversations. And I would say that is an excellent time, and I've done this myself as a business owner, that it is excellent to use an external consultant.

Yeah. When you have those hard things that need to be done, I like to say, you know, as the consultants, we can come in. We don't need preserve organizational capital.

You know we'd like be friends with everybody, but we don' t need be with friends everybody six months from now. So that's a perfect time I think to us a consultant So, we've talked about money matters and there's so many of those.

Let's talk about something that's just happening all over the place, which is burnout. Many business owners struggle with burnout and physicians are no exception there.

What role does financial stress and operational chaos play? play in physician burnout and how can leaders address those challenges? Yeah, great question.

I would say, I like to say money doesn't solve all your problems, but when the money part is handled, it just leaves so much more space for everything else.

Oh, you just relax. Yeah exactly. It's that feeling like, okay, could pay all my bills, life is good. So that's the part. And I think frequently groups look at it if there are financial challenges, I'm way more about the top line.

Like, let's work on getting more revenue coming in. That occurs for me is a lot easier than trying to cut, you know, $20 here and $50 there off of your expense base.

When we do overhead reviews for groups, we will come in and look at the whole financial picture and say, here's where we think you can improve your revenue and here is where you think we can reduce your expenses.

It's always a bigger number on the top that you have a more positive impact by creating another line of business. All of the things that help physicians to do.

Let's monetize some other thing that we have, some expertise or a different service line or something. that makes the business healthier. I'm a fan of multiple revenue streams.

And that's an area we always work with groups on is how can we make the pie bigger? And hopefully you can hold your expenses fairly constant, although those are always rising a little bit each year.

So getting your arms wrapped around the finances and having that work, I believe is a huge contributor to keeping physicians from burning out. Again, we haven't taught them any of how to do any this, so that contributes a lot too.

It was just that sort of underlying shame of that things are going wrong and I don't know how fix it. And do you have any other examples or case studies on that?

Oh, yeah. So we had a group that also pain management. We love working with all subspecialties. Pain management is a good one for us. They were exiting a larger group.

The had joined a large group feeling like that would be a better financial move for them. And in the end, they had a lot of issues about, you know, that they didn't have control over their day.

They didn' have a control of their schedule. And they wound up ceding a little bit of control to the bigger entity. That was coming out in all kinds of different stress.

When we first met the group of physicians, They were pretty crispy fried, pretty burned out. Not at all excited about working with this larger group. We helped them to kind of extricate themselves from that and stand up their own business entity again.

And so that was sort of a soup to nuts startup of an existing practice, which is always interesting. Those are fun. We've done, gosh, more than a hundred de novo practice startups in our time.

So we have a good checklist for how to do that, but taking a group out of an existing group and setting them back up on their own. But they're about a year and a half in now, and they are thriving financially.

And it's so great to see when you get them set up with the right infrastructure. As you were saying earlier, when your grow, it is easy to outgrow some people and it easy out grow your infrastructure, so those are things you need to kind of be mindful of.

But that's another group that I could see where we really did get them back. I see the physicians now back in a space of sort of joy and enjoying what they're doing and the impact they can have for their patients.

That's so great. So speaking of growth, you know, technology and AI have been helping practices grow.

Technology, AI, and Operational Efficiency

And they're really transforming every industry. What are the opportunities that you see for physician practices to use technology more effectively to improve both patient care and financial performance?

The technology, there is so much of it out today. So the challenge really is finding the right one for you. That's the first thing I always recommend is get really good at identifying the problem you're trying to solve.

and then seeking out a technology that will fit. And I have been involved in implementing electronic medical records in practices. I am that old, so I go back to the very beginning of the early 90s when we were starting to put them in practice.

What I can observe, including the ones I did, we would get the software about 25% implemented, and then we'd say, OK, good enough. We're busy. we got to get back to seeing patients.

And we never go back and really optimize. So I would say probably most groups are sitting on a lot of technology that they're not using fully. So first, get clear about what problem you're trying to solve and find a good technology.

Second, optimize what you already have. And then third, kind of leaning into the AI and what we can see today, I believe there's a lot of opportunity for groups to reduce their cost structure by utilizing RPA and AI to eliminate or automate some of the really routine things that happen in the office.

Can you give some examples of some success stories that you've seen with some of your customers using AI specifically? Yeah. Referrals. You know, I've got to refer my patient.

If I'm the primary care doc and I need to send Mrs. Smith over to the cardiologist, it's like, you know in the olden days, that would take a staff person getting on the phone or getting a website and waiting and, waiting, and that's been really successfully automated with AI.

I have seen groups do a lot of that. Same with prior authorizations, slightly different animal, but same process. And we see a lot of ability to do cost savings that way.

And I think we're just starting to scratch the surface. There's a whole lot that could be automated. I mean, have you seen anybody where that AI automation has hit their bottom line?

And do you have a story about that? That's a great question. Definitely with the prior auths, we have seen groups be able to actually just eliminate staff members, which is, you know, probably 40, 50, $60,000 per person fully loaded for benefits.

Yeah, absolutely. So that's huge cost savings. We have see groups tighten up their coding. utilizing some of the tools and or training the physicians a little bit better on coding and there tends to be sort of this notion that we need to have all of our office visits reviewed by a coder.

There is no requirement for that and one of those groups we went into here recently to do a financial review had five full-time coders for a group of maybe 30 physicians.

And that was, as you can imagine, a large expense. So we went through and looked at the functionality of those coders and actually recommended that they reduce that staff by about three.

Yeah. I think that about $180,000 of savings just in saying, let's take a look at what people are actually doing. And are they adding value to the business, either by increasing the revenue or reducing risk in some way?

And in this case, the way they had employed the coders was not doing either, actually. Yeah, amazing. So you founded Healthy Practices and you host Medical Money Matters podcast.

What was the inspiration, what inspired you to create these platforms and what gap were you trying to fill for physicians and practice leaders? Yeah, it's that one we've been talking about, the need to run a multi-million dollar business, which most private practices are by definition, and without any education or training in how to do so.

Why Healthy Practices Was Created

And having seen a lot of physician clients and friends and colleagues over the years really struggle, To do that and to do it well, that's been sort of the mission for me is, can we help get groups from point A to point B and then more recently with the education?

Can we be the easy button for folks that want to learn more about the business? So for a doctor listening today who feels overwhelmed right now by the Business side of medicine, what are the first three things they should focus on to gain more control, confidence, and profitability?

Yeah, I would say, first of all, begin educating yourself, and that doesn't have to be a long, complicated process. There's lots of resources. Aside from PhysiciansEdge, mgma.com has quite a bit.

I believe amga. com also has resources for physicians that want to learn more about the business side of it. And I'd also say step two would be bring your team in and be comfortable asking them a lot of questions.

When we find groups that have been embezzled, usually it's because the physicians weren't comfortable asking questions, or if they ask questions and got some pushback, then they stopped.

And I always say to physicians, if you ask question and get push back, ask more questions. It's your business, it's you money. And if you're not getting answers that you understand, either from your internal folks, bookkeeper, finance person, or your CPA, please stop them and ask them to explain until you understood because you own the business.

Yeah, absolutely. That's the best advice I could give.

First Steps for Doctors and the Future of Practice Success

Well, our last bonus question, looking ahead five to 10 years, what do you think the most successful physician practices will be doing differently than the ones that are struggling to survive?

That's a great one. A couple of things I could think of. First of all, strategy and strategic planning. Those are things we don't talk about enough, but really any kind of structured activity that takes you out of reactivity and puts you into proactively looking at where do you want to take the business?

What do want it to look like in 10 years? When you have that map and when you've stated that out loud or put it on a flip chart or Put it in a binder wherever you want to put.

It you're far more likely to get there If you's been mindful about that and then I would say again secondly just increasing the knowledge of the business and its components and Making sure you.

Have good people in place that can partner with you to help you run the Well, thank you, Jill Arena. I really appreciate you. That is another edition of Dr.

Talks. And thank, you Jill, so much for being here. Thanks for having me. It's been a treat. We appreciate you. That wraps up this episode. Thank you for listening and we'll see you on the next one.