



North Carolina Medical Society **PractEssentials**

Opening a Medical Practice



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Starting a Medical Practice in North Carolina

It's been a long, hard road, and now you are about to achieve your dream — your own medical practice. But how to ensure it will be a success? Where do you get all the information you need for establishing your own medical practice? Just trying to figure out what needs to be done and when to do it is overwhelming. The two most significant problems physicians face when making the decision to start their own practice are:

1. Lack of planning. Starting a medical practice is the same as starting any small business. It takes preparation and a considerable time commitment to complete everything that needs to be done. Remember nobody else is going to handle everything for you, so be prepared to follow through on all the details.
2. Trying to do it all your self. You may be a highly trained clinician, but unless you have managed a medical practice before, you're not qualified to do it. There are qualified professionals out there that can help. Don't let ego get in the way of lettings help you succeed.

There are no off the shelf solutions when it comes to starting a medical practice. One key to a thriving practice is getting off to a healthy start, with the right structure, people, and processes. From securing a loan to hiring staff to choosing software and equipment, a myriad of tasks and important decisions awaits you that may affect your practice operations for years to come.

This information contained in this article will assist you by providing you with the information you need, with an organized checklist of the major tasks that need to be accomplished, and the approximate time frames in which to complete them. In addition, the resources you will need specific to North Carolina are made available.

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Legal Organization

In North Carolina, the legal organization of the practice will have specific financial, legal, and tax ramifications. Following is a brief description of the options for the legal organization of a medical practice.

Proprietorship

A one-owner, unincorporated business (includes husband and wife).

- Easy to form and dissolve;
- Owner pays all federal income tax;
- Owner fully liable for all business debts and liabilities;
- Limited medical deductions allowed to owner; and
- Limited deductions available for retirement plans.

Partnership

A multiple-owner, unincorporated business.

General Partnership

A multiple-owner, unincorporated business.

- Can be easy to form; however, the more time and expense spent during formation, the less time, expense, and potential litigation involved in dissolution;
- Partnership files “information federal income tax return,” but pays no tax;
- Partners pay tax on their shares of partnership income and loss (whether received or not);
- Partners fully liable for all business debts and liabilities, including the partnership liabilities and the torts (malpractice/personal injuries) incurred by the other partners;
- Limited medical deductions allowed to partners; and
- Limited deductions available for retirement plans.



Limited Liability Partnership (LLP)

A general partnership, but with the following differences:

- Partner not subject to personal liability for the malpractice of another partner unless he or she participates or is responsible for supervising the partner committing the malpractice.
- The partners are liable for the contractual debts and other liabilities and obligations of the partnership.
- The owners of a limited liability company are called members.

Corporation/Professional Association (PA)

A corporation formed by physicians for the purpose of conducting the practice of medicine. The business organization is a legal entity separate and distinct from its owners.

- Fairly complex to form and dissolve (plus filing with the secretary of state and applicable filing and annual fees);
- Owners (shareholders) not liable for corporate liabilities, including the torts (malpractice/personal injuries) and debts of others; and
- Can be structured as C corporation or S corporation.

C Corporation: A Regular Corporation

- Corporation subject to federal income tax on corporate income;
- Shareholders also taxed on the income and/or dividends received;
- Medical expenses fully deductible; and
- Greater deductions available for retirement plans.

S Corporation: A Small Business Corporation

- Corporation files “information federal income tax return,” but pays no tax;
- Shareholders taxed on their shares of corporate income and loss whether received or not (i.e., for federal income tax purposes, treated as proprietorship or partnership);

- Strict limitations on types and number of shareholders;
- As with proprietorships and partnerships, limited deductibility of medical expenses; and
- As with proprietorships and partnerships, limited deductions available for retirement plans.

501(a) Corporation: A Nonprofit Health Care Corporation

- Non-profit corporations are distinguished from business corporations not by their organizational structure, or by the management of the organization, but by the purpose of such corporations. Unlike business corporations, non-profit corporations are not formed to make profit or financial gain for their owners.
- Typically has one shareholder (member), which is a hospital, and the officers and directors are physicians;
- While the nonphysician shareholder(s) may exercise decision-making authority over financial matters, physicians must make all medical decisions;
- Also may qualify as a nonprofit organization for federal or state income tax purposes. If so, the corporation pays no federal or state income tax.

Professional Limited Liability Company (PLLC, LLC, or LC)

A hybrid entity, having attributes of partnerships and corporations.

- Complex to form and dissolve (plus filing with secretary of state and applicable filing fees);
- If structured as a partnership for federal income tax purposes:
 - LLC files “information federal income tax return,” but pays no tax; members are taxed on their shares of LLC income and loss whether received or not (i.e., for federal income tax purposes, treated as a proprietorship or partnership);
 - Owner(s) pay federal income tax on their shares of LLC income whether received or not;

- As with proprietorships and partnerships, limited deductibility of medical expenses; and
- As with proprietorships and partnerships, limited deductions available for retirement plans;
- If structured as a corporation for federal income tax purposes:
 - LLC pays federal income tax on LLC income;
 - Owners also taxed on the income and/or dividends received;
 - As with corporations, medical expenses fully deductible; and
 - As with corporations, greater deductions available for retirement plans;
 - Greater flexibility than corporations in structuring distributions; and
 - Owners (members) not liable for LLC liabilities, including the torts (malpractice/personal injuries) and debts of others.

Tax Identification

Once you have decided on the legal organization of your practice, you must obtain a federal tax identification number (TIN) or an employer identification number (EIN). Medicare and other managed care plans will use the TIN/EIN to identify you or your organization for tax purposes. To obtain a number, complete Internal Revenue Service (IRS) Form SS4, which you can get by calling the IRS at (800) 829-1040. If you have secured the services of an attorney, the TIN/EIN application can be completed upon incorporation.

You should seek legal counsel carefully looking at the advantages and disadvantages of each structure before deciding which type of legal organization best suits your needs. For more information regarding North Carolina guidelines to incorporation and naming your practice, contact:

North Carolina Secretary of State
 P.O. Box 29622
 Raleigh, NC 27626-0622
 Telephone: (919) 807-2000
 Website: www.seceratary.state.nc.us/Corporations/



Practice Options

Structure

Your choice of structure and environment for your medical practice involves several factors, including autonomy of decision making, financial implications (including risk taking and income sharing), and professional considerations (including provision of after-hours coverage for patients).

BASIC PRACTICE CATEGORIES

Solo Practice

Advantages

Autonomy

Personal Satisfaction

Disadvantages

Lack of readily available after-hours coverage

Financial risk

Time demands

Inability to solve all problems

Multi- Speciality Group Practice

Advantages

Readily available consultation

Provision of full range medical services

Use of single medical record

Sharing of after-hours coverage

Sharing of financial risk

Disadvantages

Loss of autonomy

Implied expectations

Questions of income distribution

Need to adhere to established policies

Single-Speciality Group Practice

Advantages

Physicians have similar philosophy and scope

Physicians have similar income

Sharing of after-hours coverage

Sharing of financial risk

Disadvantages

Limitations of diversity

Loss of autonomy

Need to adhere to established policies

Practice Location

When choosing a practice location, consider the following criteria:

- Competition — How many other primary care/specialist physicians are in the area?
- Economic factors — Does the area support large industries, schools, or government offices? What is the payer mix in the area (e.g., Medicare and Medicaid population)?
- Demographics of the area — What are the population, age, sex, race, and educational factors of the area?
- Availability of space — Is medical office space available, or will you have to lease non-medical space?

Professional Affiliations

Establish relationships with certain professional entities who can help you with the details of starting your private practice and maintaining smooth operations as your practice grows. Due to the unique nature of medical practice, you should ensure that these professionals have relevant health care experience. (See appendix A for the NCMS Professional Directory)

- **Banker.** You may need to acquire a loan for start-up operations and working capital needs. Some banks have established departments that work only with physicians and other health care entities to start a practice. Typically, for the bank to consider you for a loan, you will need to provide your personal tax returns for two years and a business plan or financial proforma.
- **Health care attorney.** In addition to helping you establish the legal organization of the practice, the attorney also can interpret employment contracts, managed care contracts, and leases.
- **Health care accountant.** Many physician practices hire a certified public accountant (CPA) for accounts payable, payroll, and quarterly/yearly tax preparation. The CPA also can develop physician compensation plans.
- **Health care consultant.** Health care consultants are available to provide a variety of services to physician practices. For example, a health care consultant can handle all of the details of starting a medical practice while you finish your residency. Consultants also can perform operations assessments, billing and collections assessments, coding and documentation reviews, and on-site staff training. Be sure to check the consultant's references before hiring.

Licenses

You have made the decision to establish a medical practice in North Carolina. Before you see your first patient there are a number of licensing and registration requirements involved in starting a new practice.

Medical License

In order to practice medicine in North Carolina, physicians must be licensed by the North Carolina Medical Board. Once your medical license is received, you must register your medical license each year within 30 days of your birthday. Should you register more than 30 days after your birthday, a late fee of \$50.00 is required in addition to the \$175.00 registration fee. The Board sends a registration form by first class mail to registered physician's approximately one month before their birthday. Should you not receive such a mailing, you must contact the Board within a day or two of your birthday and request a registration form. Physicians who complete and send the registration form, and the required \$175.00 fee to the Board will receive a new annual registration certificate. You may also request a medical license application or complete the initial or annual registration on line at www.ncmedboard.org and pay the required fee via credit card. The Board will send a notice of failure to register to any physician who is 30 days delinquent in registering his or her license (notices are sent to the physician's last known address). If there is no response from the physician within 30 days, the license will automatically become inactive. No other notices will be sent. A physician may not practice in North Carolina without his or her license.

To apply for a license to practice medicine in North Carolina, please contact:

North Carolina Medical Board
P.O. Box 2007
Raleigh, NC 27619-007
Telephone: (919) 326-1100 or (800) 253-9653
Fax: (919) 326-0036
Website: www.ncmedboard.org

(reference: North Carolina Medical Practice Act (N.C.G.S. §90 Article 1)

DEA Registration

If you do not currently possess a Drug Enforcement Administration (DEA) registration, you will need to request a new application form. The specific application form to request depends upon the type of activity you intend to conduct. Applications for registration may be obtained from the local DEA office



by calling (336) 547-4219. You may also apply for and/or your renewal your DEA registration on line at: www.deadiversion.usdoj.gov. The processing and issuing of a DEA registration usually takes six to eight weeks. Renewal applications are mailed automatically to the registered location 45 days prior to the expiration date. The application fee for the DEA registration is \$390.00 for three years.

DEA Office
1801 Stanley Road
Suite 201
Greensboro, NC 27407
Telephone: (336) 547-4219
Fax: (336) 547-4209

If you already have a DEA number and are changing practice locations within North Carolina, you must update your address before beginning to dispense or prescribe controlled substances. Contact the DEA in Greensboro at (336) 547-4219.

If you have a DEA number in another state and are opening a practice in North Carolina, you will need to contact the Registration Call Center at (800) 882-9539. Website: www.deadiversion.usdoj.gov.

Dispensing Physician Registration

A physician who dispenses prescription drugs, for a fee or other charge, must register with the North Carolina Board of Pharmacy each year. All dispensing physicians must comply in all aspects with the laws and regulations that apply to pharmacists governing the distribution of drugs. These responsibilities include drug utilization review, patient counseling, appropriate packaging, labeling, and record keeping.

If you plan on dispenses prescription drugs for a fee or other charge in your office, registration information can be obtained from:

North Carolina Board of Pharmacy
6015 Farrington Road
Suite 201
Chapel Hill, NC 27517
Telephone: (919) 246-1050
Fax: (919) 246-1056
Website: www.ncbop.org



Laboratory License

If you plan on having an in-office laboratory, you must comply with the Clinical Laboratories Improvement Amendments (CLIA) and obtain a CLIA number. This federal regulation stipulates that all physicians' practice laboratories be licensed according to the complexity of the tests they perform. To enroll in the CLIA program, laboratories must first register by completing an application, pay fees, be surveyed if applicable, and become certified. CLIA fees are based on the certificate requested by the laboratory and the annual volume and types of testing performed. CLIA regulations list specific requirements for proficiency testing, patient test management, quality control, quality assurance, personnel, and inspections. Waived and Provider Performed Microscopy (PPM) laboratories may apply directly for the certificate as they are not subject to routine inspections.

For more information on setting up an in-office laboratory, applying for a CLIA number and fees, please contact:

North Carolina Department of Human Services
Division of Facility Services/CLIA Certification
2713 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 733-1610
Fax: (919) 733-0176
Website: www.cms.hhs.gov/clia

X-Ray Equipment Registration

If you plan to operate X-ray equipment in your office, registration information can be obtained from:

North Carolina Department of Environmental and Natural Resources
North Carolina Division of Radiation Protection
1645 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 571-4141
Fax: (919) 571-4148
Website: www.drp.enr.state.nc.us

Federal and State Tax ID Numbers

To obtain federal employer identification number (EIN), as well as information on federal withholding and tax return filings, you must contact the IRS at (800) 829-3676 or www.irs.gov and request the following forms:

SS-4	Application for Employer Identification Number
15	Employers Tax Guide (Circular E)
335	Tax Guide for Small Business
505	Tax withholding and Estimated Tax
541	Tax Information on Partnerships
552	Record-keeping for Individuals

To obtain a state EIN number contact the North Carolina Department of Revenue, Withholding Division at (919) 715-2864 or (800) 228-8443 and request form NC-BR. Forms can be downloaded from the internet at www.dor.state.nc.us. If you have any questions after you have been assigned a state EIN number contact the North Carolina Department of Revenue at (877) 252-3052.

National Provider Identification

National Provider Identification number (NPI) is required for both individual and organization health care providers. Both individual health care providers (such as physicians, dentist, nurses) and provider organizations (such as hospitals, group practices, nursing homes) are required to obtain an NPI, if they conduct transactions electronically. Individual provider NPI's are called Type 1; organization provider NPI's are called Type 2.

Even if the individual health care provider is not conducting transactions electronically, many will be required to obtain an NPI. Though an individual health care provider is not required by rule to have an NPI (because the individual provider does not conduct transactions electronically), health plans or even state laws may require the individual provider to obtain an NPI in order to do business with them. For example, Medicare requires that ALL individual providers that are enrolled or will enroll with the Medicare program obtain an NPI.

An individual health care provider that is also a sole proprietor can only have ONE NPI. The individual will be the one eligible to obtain an NPI (Type 1); the sole-proprietor entity is NOT eligible to have its own NPI. ONLY if the entity is incorporated in a State in a manner that makes it legally separate and distinct from the individual (such as a corporation), then the entity is eligible to obtain its own Type 2 NPI.

The NPI is NOT just a number.

While the NPI might be perceived as a simple new identifier, easy to obtain and use, the reality is, that the process to make it all work is much more complex. Planning and transitioning to the new NPI involves several internal and external steps, all of which will directly affect the processing and payment of claims to providers.

The NPI requires a transition period of no less than 120 days. Providers, health plans and clearinghouses need at least 120 days to successfully implement all internal and external process steps. These steps include assessing the impact of NPI in all internal systems, making system changes to accommodate the NPI, obtaining and collecting NPI's, creating NPI-to-Legacy ID crosswalks, testing NPI's in transactions, phasing-out old proprietary identifiers on electronic transactions and some paper transactions, and fully using the NPI as the ONLY provider identifier into the future.

Providers must communicate their NPI's to health plans, clearinghouses, and other providers. Providers need to pay attention to health plan communications that outline what they need to do in terms of NPI reporting. Many health plans and clearinghouses will depend on providers informing them about their NPI's. Until CMS begins to release NPI information from the NPPES system, sometime in the future, most health plans and clearinghouses will NOT have any other way to collect NPI's from providers. Providers MUST communicate their NPI's to health plans and clearinghouses they do business with as soon as they receive their NPI's.

Providers must communicate their NPIs to other providers that need them. Referring providers, physicians that deliver services at hospital, nursing homes, or other institutional settings, providers that order tests from clinical or imaging laboratories, prescribers, and providers that order durable medical equipment supplies (among others) need to communicate their NPIs to those providers they do business with, so they can be identified in those claims. Not doing so will result in possible claim rejections or delays.

Both individual AND organization NPI's must be communicated. When informing health plans, clearinghouses or other providers about your NPIs, you should communicate both the NPIs of your organization AS WELL AS the NPIs of your individual providers.

NPI applies to more than just claims and claim payment transactions. By May 23, 2007, the NPI will be required to be used in ALL applicable HIPAA transactions, which are: 1) health care claims, 2) claim payment/remittance advices, 3) coordination of benefits, 4) eligibility inquiry/response, 5) claim status inquiry/ response, 6) referrals, and 7) enrollment.

New paper claim forms being adopted to allow reporting of the NPI. While HIPAA does not affect paper transactions, new paper claim forms that allow the reporting of the NPI have been nationally adopted and will be implemented in the months to come. Check with your health plans regarding their timeline for paper claim transition. Implementing the new paper forms does not automatically imply providers will be required to use NPI's.

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Providers Should Always Remember:

- The NPI is yours. It doesn't belong to a health plan or the employer you work for. And it is assigned to you for life.
- The NPI is unique. It serves to identify you uniquely across the country and with one single ID, regardless of where you practice or the type of practice you have.
- The NPI will become the only identifier. It will be the only permitted identifier used in HIPAA transactions to identify providers.
- You must share your NPI. Other entities will need to know your NPI in order to conduct business with you.
- You must use your NPI. It is required in all HIPAA transactions including claims, claim payment, coordination of benefits, eligibility, referrals and claim status.
- You must use your NPI with all health plans. Medicare, Medicaid, and all private health plans are required by HIPAA to receive/submit the NPI as the only provider identifier in electronic transactions.
- You must protect your NPI. Only in rare circumstances, such as fraudulent use, will the NPI be able to be replaced.
- You must take care of your NPI. Changes to any of the required information furnished during the NPI application need to be reported to the NPI Enumerator within 30 days of the change.
- You must still report your Tax ID to health plans. This will allow them to properly report payment information to the IRS on form 1099-MISC.

To apply for an NPI number, please contact:

Center for Medicaid Medicare Services (CMS)

Mail: NPI Enumerator

P.O. Box 6059

Fargo, ND 58108-6059

Telephone: 1-800-465-3203 or TTY 1-800-692-2326

E-mail: customerservice@npienumerator.com

Website:

http://www.cms.hhs.gov/NationalProvIdentStand/03_apply.asp#TopOfPage

Additional Information Resources

CMS Main [NPI](#) Website - Contains NPI Final Rule, FAQs, Fact Sheets, Tip Sheets, NPI Viewlet, Medicare MedLearn Articles, Enumeration Statistics.

[NPI Enumerator Website](#) - Main site to enter an NPI application.

[WEDI NPI White Papers](#) -

Industry NPI papers, including "NPI Impact on Providers"; "NPI Dual Use Strategy"; "NPI and Subparts"; and others.



Insurance

Although professional liability insurance is not required for licensure in North Carolina, it is required in varying limits for hospital staff privileges and for insurance credentialing. The limits of liability (per occurrence and aggregate) usually vary by specialty.

- **Claims made.** Professional liability coverage for any incident that takes place and is reported to the carrier on or after the earliest date to which a specific insurance policy applies, as long as the policy still is in force. Prior acts coverage may be purchased to allow the date of coverage to occur prior to the date the policy is written. Premiums are based on the potential for a claim (expanding liability), thus increasing to a mature rate within four to seven years of the inception of the policy.
- **Occurrence.** Coverage that protects physicians for any incident that occurs while the policy is in effect — regardless of when in the future the incident is reported or becomes a claim. Premiums reflect a projected cost to cover claims “incurred but not reported,” which allows all acts occurring during the term of the policy to be covered after the policy terminates.

Additional information can be obtained from the Medical Mutual Insurance Company and endorsed by North Carolina Medical Society. (See Appendix A for A listing of liability insurance carriers in North Carolina)

Other Insurance

Following are additional types of insurance coverage you should consider for yourself, your family, and your staff.

- **Critical illness insurance.** Coverage that provides a lump-sum payment to help maintain your lifestyle and financial security if you contract a covered critical illness.
- **Life insurance.** Either term or permanent, a fundamental part of any sound financial plan that helps protect your family against financial difficulties in the event of your death.
- **Long-term care insurance.** Coverage for the costs of certain long-term care expenses not covered by Medicare or private supplements to Medicare; you can design a policy around your best estimations of what the future will bring.



- Long-term disability insurance. Protection against the devastating financial implications of a disability that strips you of your ability to make a living; and provides you with income for a long period of time, such as two years, five years, or until you retire.
- Major medical insurance. Comprehensive health coverage with many options to choose from including traditional indemnity, preferred provider organization, and HMO policies.
- Medical savings account. A tax-deferred account established to pay medical expenses in conjunction with a high-deductible health plan.
- Medicare complement insurance. Health coverage sold by private companies specifically to complement Medicare insurance.
- Office overhead expense insurance. Economical protection for your overhead in the event of disability.
- Personal accident insurance. A low-cost way to supplement your other insurance, including medical and life, with no medical underwriting required.
- Supplemental hospital indemnity. A supplement to your existing health coverage that covers expenses your basic medical plan may not, such as deductibles, co-payments, transportation to and from the hospital, private room charges, and child care.

Insurance Oversight

The North Carolina Department of Insurance (NCDOI) is available to help with a variety of insurance issues. They answer insurance questions and help educate the public of available avenues to resolve insurance related problems. The NCDOI also provides a Healthcare Review Program, which arranges for independent medical external reviews of eligible health plan coverage denials. The unit's staff helps consumers, physicians and hospital representatives understand and navigate the insurer's appeal and grievance process as well as the External Review process. More information on the NCDOI can be found at:

NC Department of Insurance
 1201 Mail Service Center
 Raleigh, NC 27699-1261
 Telephone: (800) 546-5664, (for instate only)
 (919) 733-2031, (out of state)
 Website: www.ncdoi.com

Worker's Compensation Insurance

The following are answers to some of the most commonly asked questions by business and industry about North Carolina Workers' Compensation:

Q: I am getting ready to open my own business. Am I required by law to carry workers' compensation insurance?

A: In order to determine if you are required by law to carry workers' compensation insurance, you must first determine your business entity, i.e., sole proprietorship, partnership, limited liability company (LLC), corporation, agricultural operation, business with radiation, estate, trust, etc.

If you are a sole proprietorship, partnership, LLC, estate, or trust, you are required by law to carry coverage once you have three (3) employees who are regularly employed, in addition to the sole proprietor, partners, formulators of the LLC, executor of the estate, and bearer of the trust. It does not matter if these employees are full time, part time, regular seasonal or family members.

If you are incorporated, including all forms of corporations and those which have non-profit status, you are required by law to carry coverage once you have a total of three (3) people in the corporation. Everyone is included in the headcount, including corporate officers.

Businesses with radiation are required by law to carry coverage when they have one (1) employee. An agricultural operation must carry coverage when there are ten (10) or more regular, non-seasonal employees. Any other business entity not mentioned above would use the three (3) or more employees rule.

Q: Where do I get workers' compensation insurance?

A: There are four (4) markets of coverage available in North Carolina.

- (1) You may qualify to become self-insured. To receive information on this process, contact the [Department of Insurance](#) at (919) 733-5631.
- (2) Your business may be placed in a self-insured fund. In order to receive a list of the self-insured funds in North Carolina, contact the [Department of Insurance](#) at (919) 733-5631.
- (3) You may find coverage in the conventional and open market. In order to do so, contact an independent insurance agent and request his/her assistance in providing your business with coverage.
- (4) You may be placed in the assigned risk pool which is administered by the [N.C. Rate Bureau](#). You may contact them directly for information at (919) 582-1056 or you may ask your insurance agent for information.

Q: How much does it cost?

A: The cost varies depending upon your market of coverage. There are rates for each specific type or classification of employment. These rates are applied on a percentage basis. The percentage is applied to per one hundred (\$100.00) dollars of payroll. You may contact your insurance agent to receive these rates and/or the [N.C. Rate Bureau](#) at (919) 582-1056.

Addition information on North Carolina's Worker's Compensation Program and the North Carolina Industrial Commission can be found at: www.comp.state.nc.us



Vendors and Suppliers

Practice Management Systems

The key to selecting the right practice management software system for a physician practice is ensuring that the software meets the specific needs of the practice — “one size fits all” does not apply. You must research and plan your system carefully to avoid the pitfalls of system software incompatibility. This will be a high-cost purchase, so pay special attention to your projected needs; if you buy a system that does not have the expansion capability or modules (e.g., electronic medical records) that your practice may need in the next five years, you could end up having to convert all your data to a new system. This will be costly, time-consuming, and very disruptive to practice operations.

Staff Training

The purchase price of your system should include training specific to the software. Ideally, the training should allow multiple users to become familiar with both the mechanics of the system and the integration of the system with day-to-day practice procedures. The software vendor is the best candidate for software-specific training including system set-up and customization, daily functions (from scheduling to charge entry to billing), reports, and electronic medical records (if included). Depending on the system selected, ongoing maintenance costs may include additional training services, or you may have to purchase them separately. Some systems also have local or regional user group meetings for networking with other practices to maximize system efficiencies.

Purchase Options

You can lease or purchase practice management systems. Leases should contain end-of-lease financial requirements that may include a fair market value assessment. To take advantage of various tax benefits, consult your practice CPA before making the decision to lease or purchase.

Telephone Systems

Purchase telephone hardware and software only after determining the following needs of the practice:

- Number of voice and data lines;
- Number and type of telephone sets (i.e., display, nondisplay, cordless);
- Voice mail availability, with or without outgoing messaging;



- Message or music on-hold capabilities; and
- Remote programming for call forwarding.

Because the needs of a practice change, the phone system should have some expansion capability in terms of the number of sets, the number of voice and data lines, and system features. Maintenance agreements from the manufacturer or vendor typically are available beyond the original purchase; compare them with local service plans for price and response time.

Medical Equipment and Supplies

Medical equipment and supplies are available through a number of sources. You can purchase them directly from sales representatives, or through mail order catalogs or Internet sites. The prices usually are competitive, so you should monitor them frequently.

Although a supplier may offer an exclusive purchasing agreement, be aware that association with a single supplier can be either a hindrance or an advantage. If the medical supplier doesn't think you have received any better offers in terms of price or payment terms (such as "dating," delayed payment terms without accruing interest or financial charges), your practice may end up paying more than the market price for equipment, supplies, or biologicals. When figuring your costs, include the time spent negotiating prices in addition to the actual costs of the supplies and normal inventory levels. Pay careful attention to changes in the cost of supplies to ensure that the office fee schedule covers increased costs.

- Practice size
- Ease of use
- Security
- Patient scheduling
- Appointment tracking
- Physician scheduling
- Patient information
- Demographic information
- Office routine
- Billing
- Collections
- Receipts
- Managed care requirements
- Practice performance measures



Personnel Management

Personnel management is critical to the success of a medical practice. However, finding qualified staff for your office in the first place can be difficult at times due to market saturation, low unemployment rates, and other factors. You will be more successful in hiring if you first develop accurate job descriptions and determine the qualifications needed for each position on your staff. This also will help ensure you adhere to appropriate interviewing, hiring, and annual staff evaluation policies.

Be sure you understand the legal regulations for interviewing, hiring, and dismissing staff. In the absence of a written employment agreement, North Carolina law is considered employment-at-will state, which means employees may voluntarily leave the practice or be terminated for any reason. Employees serve at the will of the practice; any provision, written or implied, regarding a disciplinary process is procedural in nature and creates no guaranteed right of continued employment. Covenant's not to compete can be enforced if they meet North Carolina statutory requirements.

Refer to Appendix B for federal laws that affect employment practices.

Advertising for and Selecting Candidates

To recruit staff, you can place advertisements in local newspapers, county medical society job banks, North Carolina Medical Group Managers, and employment web sites such as Triangle Medical Jobs.com.

To avoid discrimination complaints, design your selection procedures to produce job-related information about each applicant's qualifications (i.e., knowledge, skills, and abilities needed to perform the job).

Interviewing

Interviews can be a valuable source of job-related information about applicants, giving the interviewer a chance to fill any gaps on the application form, gauge the applicant's job-related knowledge and abilities, and describe particular features of the job and practice. Like other components of the employee selection process, interviews are subject to scrutiny under federal and state equal-employment-opportunity rules.

The safest interview course to follow is to identify the basic requirements of the job and develop a standard set of questions designed to reveal each applicant's ability to perform the specific requirements.

Refer to Appendix C for guideline questions to ask during an interview.

Performance Appraisals

Performance appraisals should be one of your main tools for making salary and promotion decisions in your practice. They also help improve employee performance and morale, identify training and development needs, promote better communication between supervisors and staff, and reduce absenteeism and turnover. A well-designed appraisal system can provide solid documentation of performance, accomplishments, or problems that your practice can use to justify a wide range of personnel actions or decisions.

Top 10 Tools for Hiring Success

1. Create an accurate job description
2. Advertise wisely
3. Develop a consistent interview process
4. Conduct reference/background checks
5. Hire the right person
6. Orient the new hire
7. Train, train, train
8. Provide feedback
9. Conduct exit interviews
10. Develop retention strategies

Top 10 Mistakes to Avoid

1. Believing job descriptions aren't necessary
2. Hiring too quickly
3. Not equally emphasizing skills, behaviors, and cultural "fit"
4. Doing most of the talking in an interview
5. Waiting until review time to assess performance



6. Basing performance appraisal on opinion, not documented fact
7. Performing one-way appraisals
8. Believing turnover is a fact of life and out of your control
9. Not involving physicians and staff in the retention program
10. Failing to recognize the power of praise and recognition

Employment Issues

North Carolina Department of Labor maintains a website with information on rules and regulations for many labor related topics including employment discrimination, occupational safety and health and wage and hour information. For more information on labor guidelines and a complete listing of mandatory employment posters, contact the North Carolina Department of Labor at:

NC Department of Labor
4 West Edenton Street
Raleigh, NC 27601
Telephone: (919) 808-2796, or (800) NC-LABOR
Website: www.nclabor.com

Health and Safety

The Occupational Safety and Health Administration (OSHA), was established to ensure that employees worked in safe, healthy environments. Contact your local OSHA office at:

Raleigh Area Office
4407 Bland Rd.
Suite 210
Raleigh, NC 27609
Telephone: (919) 790-8096
Fax: (919) 790-8224
Website: www.osha.gov

Policies and Procedures

Developing personnel policies and office procedures for your practice will help streamline its operations and improve efficiency. You can use the policy and procedure manual as a training and orientation guide, an ongoing reference and training resource for staff, and a risk management tool. Be sure to keep it current, and always share it with new staff members at orientation. All employees should sign a statement indicating that they have read and understand the practice's policies and procedures. Finally, it is imperative that your practice actually implement and enforce all policies and procedures.

Key elements of a policy and procedure manual:

- **Employee issues —**
Hours of operation, dress code, vacation, holidays
- **Employer issues —**
Hiring, interviews, performance evaluations
- **Administration —**
Scheduling, telephone protocols
- **Billing compliance —**
Coding and documentation, billing and collections
- **Insurance —**
Managed care requirements, claim forms
- **Medical records —**
Retention, release, maintenance
- **Office safety —**
Fire safety, evacuation plan
- **Patient issues —**
Rights and responsibilities, dismissal
- **Health Insurance Portability and Accountability Act compliance —**
Patient privacy



HIPAA

Privacy

Depending on the amount of capital invested in the medical practice or if you plan to use a vendor to submit claims electronically, federal confidentiality regulations may affect your new practice. If you transmit health information electronically for claims payment, patient eligibility, or any other transaction for which there is a federal standard format, you have to comply with the federal Health Insurance Portability and Accountability Act (HIPAA) privacy regulations. HIPAA imposes a number of duties upon physicians as to how they use and disclose patient information, including:

- Adopting appropriate physical, technical, and administrative safeguards to protect health information;
- Having written policies for the practice to follow in regard to confidentiality;
- Designating a physician or staff member in the practice to be accountable for implementing and enforcing those policies;
- Posting a notice of those policies in a public area where patients can read them; and
- Making a good faith attempt to get patients' acknowledgment that they have received the notice of privacy practices.

Needless to say, there are other requirements. However, help is at hand; professional associations like TMA can assist practices, and the federal government is required by law to provide technical assistance to those who must comply with the regulations. See page 29 for Web sites.

Transactions Standards

HIPAA regulations cover a large range of issues. First among the act's purposes is an assurance for Americans that their insurance will be "portable," meaning that a person may change employers without fear that the health plan benefit the new employer provides will contain exclusions for preexisting conditions. HIPAA also contains penalties for embezzling funds meant for health care, strengthens federal fraud and abuse laws, and introduces administrative simplification.

Administrative simplification is the federal government's effort to eliminate the hundreds of electronic claim forms required by insurers and health maintenance organizations. The government has replaced these differing formats with a single standard electronic claim form that the U.S. Department of Health and Human Services adopted for a limited set of financial transactions related to health care



delivery. The regulations require you to submit these transactions in the federally mandated standard format or be subject to sanctions.

Of course, most of this is invisible to the physician who relies upon vendors to ensure that claims sent to carriers are in the standard format. Most physicians send claims either through a clearinghouse or through software purchased from a vendor who, according to contract, will send HIPAA-compliant claims on the physician's behalf. However, you must monitor the claims data sent back from your vendor, looking for abnormal amounts of claims "kicked back" by the carrier for noncompliance. This is a red flag that should spur you to action.

IF YOU TRANSMIT HEALTH INFORMATION ELECTRONICALLY FOR CLAIMS PAYMENT, PATIENT ELIGIBILITY, OR ANY OTHER TRANSACTION FOR WHICH THERE IS A FEDERAL STANDARD FORMAT, YOU HAVE TO COMPLY WITH THE FEDERAL HIPAA PRIVACY REGULATIONS.

Security Standards

HIPAA security standards actually are a subset of the HIPAA privacy standards. These regulations lay out the physical, technical, and administrative safeguards a practice should have in place to protect the confidentiality of medical information that is transmitted or stored electronically. While the privacy standards apply to all medical information, the security standards apply only to electronic medical information.

Rather than lay out exact actions that physicians must take in regard to electronic privacy, the regulations require you to engage in a risk assessment of your practice. Then, based upon the risks identified, you must act as your judgment dictates. The regulations focus more on this assessment than actual methods of protecting information. The reason for this is HIPAA's applicability to a very diverse population. It applies to large, multibillion-dollar HMOs as well as to solo physician practices. To impose a single security method on such different entities would be either inadequate or overkill, depending on the chosen method. It is easy to imagine a security measure that is effective for a solo physician practice as being totally inadequate for an HMO. Conversely, a security measure appropriate for an HMO would most certainly be overkill for a solo physician. The security regulations went into effect in April 2005.

Managed Care and Credentialing

Participation in managed care contracts requires credentialing, a process that includes verifying the physician's education, licensure status, medical liability insurance status (including a claims history), and hospital privileges. Credentials usually will be renewed biannually to make updates and to verify that all licenses and registrations are current. The initial credentialing process is typically 180 days up to a year.

As you open your medical practice, various managed care organizations will approach you to contract for a defined patient population under an arranged fee schedule. Provider contract types include:

- Health maintenance organization (HMO). HMOs offer comprehensive health coverage for both hospital and physician services. They may contract for either capitated or fee-for-service reimbursements. Typically, HMO patients have restricted access to out-of-network services. To manage the cost of care, HMOs usually require primary care physicians to act as gatekeepers of medically necessary care.
- Preferred provider organization (PPO). PPOs are created by purchasers of care (e.g., employers, insurance companies) and providers who offer patient benefits at a reasonable cost by providing incentives (such as lower deductibles and copays) to use in-network providers. Physician reimbursement usually is in the form of a fee-for-service agreement and also may have restrictive utilization review guidelines. Patients who wish to access physicians outside the network usually may do so at a higher out-of-pocket expense.
- Medicare/Medicaid. Currently Medicare and Medicaid have traditional delivery systems and managed care models in some areas. The managed care products are contracted through various managed care organizations and may require additional contracts and credentialing.
- Independent practice association (IPA) and physician hospital organization (PHO). IPAs and PHOs are more recent physician-contracting vehicles. Typically, groups of like specialists and/or primary care physicians form IPAs, whereas PHOs link hospital services with physician services to form a contracting group.

As you consider the various physician networks, pay careful attention not only to the fees they offer but also to the administrative time and staffing you will need and additional risks the practice will incur. Consider also the legal implications of participating. If you choose to accept an insurance plan with which the practice is not currently contracted to "build a rapid patient base," you also should establish policies that address out-of-network issues. A competent health care attorney can provide insight into the legal language of the contract and help you define the



risks of participation. Once the concerns are defined, they can become points upon which to negotiate.

Health Plan Providers

Listed below are the major public and private providers' of insurance products in the North Carolina health plan marketplace. Contact information to apply for a provider number to accept these health plans is included.

Medicare

CIGNA Healthcare

(866) 520-4007

www.cignamedicare.com

Medicaid

NC Division of Medical Assistance

(919) 855-4050

www.dhhs.state.nc.us/dma

Blue Cross/Blue Shield of North Carolina

Contact your Network Management Field Office to obtain information about credentialing, provider numbers, contracts' and sample fee schedules.

www.bcbsnc.com

Charlotte

P O Box 35209

Charlotte, NC 28235

1-800-754-8185

704-561-2740

704-676-0501 (fax)

Greensboro

2303 West Meadowview Road

Suite 200

Greensboro, NC 27407

336-316-5374

336-316-0259 (fax)

Greenville

P O Box 1447

Greenville NC 27835

1-877-889-0001

910-509-0635

910-509-3822 (fax)



Hickory
P O Box 1588
Hickory, NC 28603
1-877-889-0002
828-431-3127
828-431-3155 (fax)

Raleigh
2501 Aerial Center Drive, Suite 225
Morrisville, NC 27560
1-800-228-6216
919-469-6935
919-469-6909 (fax)

Wilmington / Fayetteville
2005 Eastwood Road Suite 201
Wilmington, NC 28403
1-877-889-0001
910-509-0635
910-509-3822 (fax)

Aetna Health Inc.

Regional Office:
128 S. Tryon Street
Suite 2000
Charlotte, NC 28202
(803) 353-1232
www.aetna.com

CIGNA Healthcare of North Carolina

207 Regency Executive Park Dr.
Charlotte, NC 28217
(800) 822-4462
www.cigna.com

United Healthcare of NC

3803 N. elm Street
Greensboro, NC 27455
(800) 521-2603
www.uhc.com

Medcost

165 Kimel Park Dr.
Winston Salem, NC 27103
(800) 824-7406
www.medcost.com



Coding and Documentation

Coding is the responsibility of you, the physician. The government and other payers hold the physician accountable for incorrect coding that is not government-compliant. While a staff member may aid you with coding, the physician must review the codes for accuracy prior to submitting them for billing.

Due to the fear of overcoding, undercoding is prevalent. Undercoding means lost revenue that is rightfully due to the practice. Learning to code to the correct level offers a significant opportunity for revenue enhancement for many practices. The American Medical Association's AMNews reported that the average physician loses between 10 percent and 30 percent of potential revenue by incorrectly coding the services provided. This equates to between \$15,000 and \$45,000 for a physician earning \$150,000 annually.

An annual audit of a physician's coding and documentation is recommended to ensure accuracy and appropriateness based on the most current evaluation and coding guidelines adopted by the Centers for Medicare and Medicaid Services (CMS). Practice management consultants can perform coding and documentation reviews and provide recommendations for improvement as well as train your staff to conduct internal audits on a regular basis.

According to the 1995 and 1997 CMS Documentation Guidelines for Evaluation and Management Services, the following are general principles of medical record documentation:

- The medical record should be complete and legible.
- The documentation of each patient encounter should include reason for the encounter and relevant history, physical examination findings, prior diagnostic test results, assessment, clinical impression or diagnosis, plan for care, and date and legible identity of the observer.
- If not documented, the rationale for ordering diagnostic and other ancillary services should be easily inferred.
- Past and present diagnoses should be accessible to the treating and/or consulting physician.



What Triggers an Audit?

- Within a group setting, inconsistent coding among partners
- Excessive use of a code
- Coding level 5 services and not preventive medicine codes for annual physicals
- Upcoding on stable chronic conditions
- Missing physician signatures for lab and/ or test results ordered by a physician assistant, nurse practitioner, or physician
- Use of words such as “maybe,” “perhaps,” “probably,” or “rule out” instead of signs and symptoms
- Use of symbols or shorthand. (Be sure to have a list of what the symbols or shorthand means in your office. Negative symbols without elaboration are not considered sufficient documentation.)
- Lack of specificity about what you are reviewing. (Review of systems as “unremarkable” is insufficient data to support that a review was completed.)



Financial Management

Be prepared to play an active role in the financial management of your practice and stand behind the practice's established policies. Financial policies should address monthly and yearly reports, billing and collections, and embezzlement controls.

Reports

Good business planning requires ongoing, overall financial evaluation of the practice, including regular audits of critical financial reports. At a minimum, your practice should generate and review the following reports on a monthly and annual basis:

- Accounts receivable aging;
- Procedure analysis by physician;
- Billing summary;
- Collections analysis;
- Unpaid insurance claims; and
- Charges, collections, and adjustments.

Pay careful attention to the following areas:

- Physician production. Monitor individual physician production for overall consistency. Unless, a physician has been out of the practice for an extended period of time (such as vacation), physician production should not vary greatly from month to month. A drop in production may signal failure to bill on a timely basis or a decline in service volume.
- Charges, payments, adjustments, write-offs. Track charges, payments, contractual adjustments, and bad debt write-offs so that you can compare them from year to year and identify any significant changes. Pay careful attention to any increases in contractual adjustments, which may indicate a shift in payer mix. Should this occur, the practice may need to develop a strategy to shift to a more profitable payer mix.
- Amount of collections. A drop in collections from one year to the next could indicate a change in reimbursement patterns, such as a decrease in office visits, increased payer adjustments, or a problem with billing and collections.



- **Rate of collections.** Review the gross collection percentage, net collection percentage, and accounts receivable ratio to determine whether these are reasonable. Track this data for a year-to-year comparison, and analyze the cause of any significant changes.
- **Contractual adjustments.** Review contractual adjustments by carrier to determine whether any particular carrier makes up the majority of practice revenues. Heavy reliance on a particular carrier could put the practice at financial risk if the plan were to pull out of the market or terminate the contract with the practice. To decrease the contractual adjustments, the practice will need to renegotiate managed care contracts and/or shift the practice payer mix by accepting fewer of those patients or by terminating the contract for carriers whose adjustments are higher in comparison with other contracts.
- **Accounts receivable.** Track accounts receivables more than 90 days old and compare them from one 12-month period to the next. Watch for a gradual increase in accounts receivable aging (bracket creep), which could signify a problem with collection procedures.
- **Fee schedule.** Conduct a regular spot audit of the practice fee schedule against HMO and PPO explanations of benefits. This will help identify practice fees for particular CPT codes that may be set too low. Set up a spreadsheet listing most frequently billed CPT codes, the practice charge, the contracted fee, patient co-payments and deductibles, and the amount paid to the practice. If the billed charge is too close to or lower than the amount paid, this could indicate that the practice's fee schedule for this particular code needs to be adjusted.

BE PREPARED TO PLAY AN ACTIVE ROLE IN THE FINANCIAL MANAGEMENT OF YOUR PRACTICE AND STAND BEHIND THE PRACTICE'S ESTABLISHED POLICIES.

Billing and Collections

The goal of any medical practice is to provide quality care to patients; however, the practice of medicine also is a business that involves billing and collecting money for medical services. Establishing and enforcing billing and collections policies that are equitable for all patients is critical to financial success.

Areas to include in a practice's financial policies and procedures follow:

- **Accuracy of data collection.** Well-designed forms make the process of gathering financial data easier. At times, the accuracy of the data depends on the skill of the staff member entering the information into the practice management system; your practice can conduct spot audits to check the accuracy of data input. Many practice management systems track each staff member's activity. This feature also can serve as a training tool and a measure for performance evaluations.



- **Verification of benefits.** It is recommended that a practice verify benefits and eligibility for all patients prior to the patient's appointment. A valid referral is not a guarantee that the patient is eligible when you deliver services. Verification of benefits should help the office determine the patient's financial responsibility (any coinsurance due) and allow for financial counseling and collection at the time of service.
- **Filing the claim.** Many practices are using vendors such as The Health Information Network (THIN) to file their claims electronically so that the claims are processed and payments generated more rapidly. Inaccurate data input can cause claims to be rejected or returned for further information — another good reason you should establish policies for data accuracy.
- **Account follow-up.** Maintain a detailed accounts receivable aging report, and adopt a systematic approach — based on age and dollar amount criteria — for follow-up of unpaid claims and outstanding patient balances. A chronic problem for many practices is a carrier saying it has no record of the claim. By starting calls at 30 days old, the practice will find out as soon as possible whether the carrier received the electronic claim and entered it into the system. If not, then the practice can refile such claims early enough to meet filing deadlines. The sooner staff starts the follow-up process, the more quickly the claims will be paid. Your practice goal should be to obtain carrier payment within 30 to 45 days. If calling all carriers with unpaid claims at 30 days is not feasible, then staff should set specific dollar amount criteria and call these carriers first.
- **Patient collections.** Implementing a patient collection procedure will help ensure more payment collection at the time of service. Assign staff to handle past-due accounts on a monthly basis, using a combination of telephone calls and collection letters. The practice should keep a log, either manual or generated from the practice management system (if possible), of all patient contacts, giving the status of the account and when a payment can be expected. Turn over accounts that cannot be collected in-house to an outside collection agency and write them off. It is recommended that a practice turn over accounts after they exceed 90 days without any payment and if the practice is unable to reach an agreement for payment terms.

Embezzlement

Effective use of cash is essential to the operation of any practice. Internal control procedures can promote efficiency and reduce the risk of errors and fraudulent activities. The following policies can assist a practice in reducing the potential for embezzlement:

- Do not give any one employee complete control over the entire sequence of cash transactions.



- Give only key employees access to cash.
- Segregate financial transactions so that employees who keep practice accounting records do not handle receipts or perform cash disbursements. If this division of labor is impractical, arrange for a review of all work at least quarterly.
- Consider requiring business office employees to undergo the bonding process.
- Hire an outside accounting agency to perform periodic financial audits.

Background Checks

One way to help preclude embezzlement is to perform background checks on potential employees before making a job offer. Employee screening companies can perform the following individual background checks:

- Statewide criminal background search. A search of the official state repository for crimes that may include felony, misdemeanor, and traffic offenses for the last seven-year period.
- National criminal offender profile summary. A multi-jurisdictional search of state and county criminal records databases, which currently include data from 39 states (more than 76 million offense records). For most states, the reporting period covers the last 10 to 15 years.
- County criminal search. A criminal records search in any U.S. county and some Canadian provinces of felony and misdemeanor offenses for the last seven years.
- Social Security validation. A background check that validates a Social Security number, provides information on past addresses and movement patterns, and verifies the candidate's full name, date of birth, and phone numbers.
- Education and employment verification. A service that verifies the highest educational level attained by the candidate and information regarding employment history.
- Motor vehicle report. A report of motor vehicle violations, suspensions, and revocations as well as the type of driver's license the candidate holds and any restrictions on its use.

INTERNAL CONTROLS CAN REDUCE THE RISK OF FRAUDULENT ACTIVITIES

Marketing

Successful marketing plans are long-term investments supported by a sufficient budget and a commitment to continue the plan, even though results often are not immediate.

To market effectively to your target population, you must understand it. Area hospitals and the local chamber of commerce may be able to provide you with demographic information about your area's population and employment trends, including changes that have occurred over the last five years. In addition, you should identify your practice's main competition, who your referral base is, and which insurance companies have the largest market share in the area.

Internal Marketing

Marketing your practice begins the minute a patient calls your office or walks in the door. The office decor and signage, the behavior of the staff members (and you, the physician), and the policies of the practice must create a friendly and professional impression on your patients and referring physicians — the first time and every time they interact with the practice.

Public Announcements

Public notice of a new medical practice often takes various forms:

- Newspaper advertisements;
- Media attention, such as feature stories or bylined articles;
- Sponsorship of local youth/adult sports teams; or
- Lectures and public speaking engagements.

Patient Communication

Practice Web Sites

Web sites are rapidly emerging as a successful marketing and patient education tool for medical practices. Your practice site can include your practice's basic office policies, information about you and your staff, your philosophy of care, patient education material prepared by medical specialty societies, the latest medical news, and even a secure system by which you can communicate with patients over the Internet.



Office policies covered can include office hours, phone number, address with map, availability and types of appointments, call coverage instructions, billing and payment options, referral policies, and how to obtain medical records.

Brochures

Patient brochures are another excellent way of communicating basic office policies and other information to your patients. In addition, brochures that provide information about specific health subjects can become a routine part of patient education as well as part of a marketing strategy.

Patient Satisfaction Survey

Patients who are given an opportunity to share their views about the practice through patient satisfaction surveys feel more commitment to the patient-physician relationship. By asking for and receiving patient input about the practice, you can establish a “we care what you think” relationship. Patients are more likely to recommend the practice to others who are looking for a similar type of relationship with a physician.

Medical Staff Networking

Notify Hospital Medical Staff

Notify medical staff at hospitals where you have privileges that you are accepting patients at your new practice. Send them announcements that provide your name, specialty, practice address, and phone number. This will help start word-of-mouth advertising publicity that will help your practice grow.

Develop a Referral Base

To develop an ongoing relationship with other physicians in your area, write thank-you notes for referrals, send holiday and/or thank-you gifts, and make donations to charitable and community events on behalf of the referring physicians.

SUCCESSFUL MARKETING PLANS ARE CONSIDERED LONG-TERM INVESTMENTS.

Appendix A

Professional and Vendor Directory

(Discounts may apply if an active member of the North Carolina Medical Society)

Accountants

Angela W. Banask, Partner
McMillan, Pate & Company, L.L.P.
615 Oberlin Road, Suite 200
Raleigh, N.C. 27605
Phone: (919) 836-9200
Fax: (919) 836-9288

Attorney, Practice start- up

Cathleen Plaut
Bailey & Dixon, LLP
2500 Two Hannover Square
PO Box 1351
Raleigh, NC 27602-1351
cplaut@bdixon.com

Attorney, Human Resources

Jack Nicholas
Allen and Pinnix, P.A.
333 Fayetteville St. Suite 1200
Raleigh, NC 27602-1270
919-755-0505

Benefits Consultant

Hubbell Consulting, LLC
13850 Ballantyne Corporate Place
Suite 500
Charlotte, North Carolina 28277
Office: 704.887.4930
Fax: 704.887.5201
E-mail: info@hubbell-llc.com



Health Insurance

The NCMS has its own health insurance plan, the NCMS Employee Benefit Plan available to active members. The plan is a group insurance product designed for and governed by physicians. The NCMS can also help you find excellent products for dental, life, disability, Medicare supplemental coverage, and commercial insurance.

NCMS Employee Benefit Plan contact information:
Barry Hill
Medical Mutual Insurance Company
Tel: 919-878-7576

Professional Liability Insurance

Listed below are several major carriers offering professional liability coverage:

Medical Mutual Insurance Company

P.O. Box 98028
Raleigh, NC 27624
(919) 872-7117
(800) 662-7917

GE Medical Protective Company

200 Regency Parkway
Suite 295
Cary, NC 27511
(800) 633-2285

The Doctors Company

185 Greenwood Road
Napa, CA 94558
(800) 421-2368

MAG Mutual

3825 Piedmont Road Building 8
Suite 600
Atlanta, GA 30305
(800) 282-4882

The North Carolina Medical Society endorses the Medical Mutual Insurance Company of North Carolina for the various types of commercial and personal insurance products they offer, including business owners' insurance (worker's compensation, etc.), homeowner's office overhead disability, life, and health.



Professional Associations

American Medical Association

Membership Department

515 N. State St.

Chicago, IL 60610

Telephone: (312) 464-5000

Website: www.ama-assn.org

North Carolina Medical Society

Membership Department

P.O. Box 27167

Telephone: (919) 833-3836 or (800) 722-1350

Website: www.ncmedsoc.org

County Medical Societies

A complete listing of North Carolina County Medical Societies can be obtained at:

www.ncmedsoc.org

Specialty Societies

A partial listing of medical specialty society chapters available in North Carolina can be found at:

www.ncmedsoc.org

Consultants

PractEssentials

Franklin Walker, Director of Programs and Practice Management

Terri Gonzalez, Director of Practice Improvement

Visit: www.ncmedsoc.org

Phone: (919) 833-3836

For more detailed information on these consultants, visit the North Carolina Medical Society Foundation's website at www.ncmsfoudation.org.

Appendix B

A Review of Federal Laws that Affect Employment Practices

NAME	Purpose
Title VII of the Civil Rights Act of 1964	Employers cannot discriminate on the basis of race, color, religion, sex, or national origin .
American with Disabilities Act	Employers cannot discriminate against qualified disabled individuals. Applies to employers with 15 or more employees
Age Discrimination in Employment Act of 1967 as amended (ADEA)	Employers cannot discriminate on the basis of age against any individual 40 years of age or older. Applies to employers with 20 or more employees.
Sexual Harassment under Title VII	Employers must promulgate a comprehensive policy to ensure that sexual harassment complaints are promptly and thoroughly investigated, complaints are held in confidence and disclosed only to those authorized, and no retaliation is permitted against employees filing bona fide complaints. Appropriate disciplinary action must be taken against the offender.
Religious discrimination provisions of Title VII and E.O. 11246	Prohibits religious discrimination. Employers must reasonably accommodate religious beliefs of their employees and ensure that employment decisions are made without regard to religion.
Equal Pay Act of 1963	Forbids compensation discrimination on the basis of an employee's sex.
Pregnancy Discrimination Act of 1978	Amendment to Title VI prohibits discrimination in all areas of employment on the basis of pregnancy and pregnancy-related conditions. Employers must not discriminate against a qualified pregnant employee.
Employment and re-employment rights of members of the uniformed services	Prohibits discrimination against persons based on their service in any uniformed service.
United States Bankruptcy Code	Prohibits private employers from terminating employment or otherwise discriminating against any individual who is or has been a debtor or has filed bankruptcy.
Consumer Protection Act	Employers are prohibited from discharging an employee because his or her earnings have been subjected to garnishment for any one indebtedness.
Fair Credit Reporting Act	If an applicant is denied employment either in whole or partly based on information in a credit report, the report's user must advise the applicant and supply the name and address of the consumer reporting agency.



NAME	Purpose
Drug Free Workplace Act of 1988	Employers must take specific steps to maintain a drug-free workplace. Applicable to all employers receiving federal grants and those entering into Federal contracts of \$25,000 or more to be performed in the United States.
Occupational Safety and Health Act	Mandates strict record-keeping and reporting requirements regarding occupational injuries and illnesses.
Employee Polygraph Protection Act	With limited exceptions such as professions involved in national defense or security, the use of polygraphs (lie detectors) is prohibited for employment purposes.
Employment Retirement Income Security Act of 1974 (ERISA)	Governs all employee pension, health, and welfare benefit plans. Plan administrators must provide employees with summaries of their benefit plans, updates of major changes, and reports on financing certain plans.
Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA)	Employees and eligible dependents must receive a temporary extension of health insurance at group rates in certain cases in which coverage otherwise would end. Applies to employers with 20 or more employees.
Fair Labor Standards Act of 1938 (FLSA)	Establishes the minimum wage, maximum hours, and overtime pay provisions employers must provide for covered employees.
Immigration Reform and Control Act (IRCA)	Prohibits employment of aliens and non-immigrants not legally authorized to work in the United States.
Jury System Improvement Act	Employers cannot discharge, threaten discharge, intimidate, or coerce an employee because of jury service.
Family and Medical Leave Act of 1993 (FMLA)	Employers must provide qualified employees leave of absence for the birth or adoption of a child, the care of a seriously ill family member, or an employee's own serious health condition. Applies to employers with 50 or more employees.



Appendix C

Checklist

Task	Person Responsible	Date Started	Date Completed	Resources Available
One Year Out				
Determine corporate structure				NC Secretary of State Office
Obtain Federal Tax ID number				www.irs.gov
Obtain NC EIN number				www.dor.state.nc.us
Financing Options - Business Plan with budget - Secure line of credit - Personal finances				Community Banking Institutions Practice Management Consultants
Open personal and business checking and savings accounts				Community Banking Institutions
Select Key Advisors - Accountant - Attorney - Management Consultant - Real Estate Broker - Insurance Broker				NC Medical Society
Nine Months Out				
Obtain State medical license (If new physician in NC) or submit change of address				www.ncmedboard.org
Obtain NPI number(s) if new physician or submit change of address				www.cms.gov
Obtain DEA if new physician or submit change of address				www.deadiversion.usdoj.gov



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Nine Months Out...				
Determine if lease/buy office space (office layout, access, parking)				Real Estate broker
Office renovations required (contractor cost, time)				Contractor
Determine utility requirements (gas, water, electricity)				Local Yellow Pages
Determine office and medical equipment needs. Buy or lease? Registration or certificates needed for equipment? (CLIA,X-Ray) - Patient Management System - EHR - Telephone system - Office Equipment - Exam Room equipment - Office furniture - Dictation System - Special medical equipment				NC Medical Society www.cms.hhs.gov/clia www.drp.enr.state.nc.us
Obtain Medicare Provider number				www.cignamedicare.com
Obtain Medicaid Provider number				www.dhhs.state.nc.us/dma
Six Months Out				
Develop fee schedule				NC Medical Society
Obtain managed care provider applications or notify of change in provider status				NC Medical Society
Complete and mail managed care applications or notify for existing practice				NC Medical Society



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Six Months Out...				
Submit applications for hospital privileges or change in provider status				Request information from hospital medical staff office
Determine what type of medical records system to use. Determine specific forms needed for printing				NC Medical Society
Develop list of office forms needed to be ordered and printed, or which may be ordered as standard forms (HCFA 1500)				NC Medical Society
If patients will be transferred from previous office or other location, patients must be notified of change of address and how records may be copied and forwarded to you.				
Determine what kind of signage you will need for office space				NC Medical Society
Set up computer software demos for patient management system and EHR				NC Medical Society
Check the deadline for submitting Yellow Pages Advertising				Local Yellow Pages
Notify pharmaceutical representatives and other appropriate sales persons that you are opening a new practice				
Meet with advisors to determine and evaluate benefit plans for you and staff				NC Medical Society



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Six Months Out...				
Request and complete applications for the following professional organizations: - NC Medical Society - County Medical society - Specialty Medical society - American Medical Association				NC Medical Society
Four Months Out				
Arrange for professional malpractice insurance.. Most carriers will not make effective date of coverage prior to 90 days of start date				NC Medical Society
Select software, telephone system, office and medical equipment, finalize prices, or obtain bids if necessary				NC Medical Society
Develop practice marketing plan				
Three Months Out				
Review Federal and NC patient privacy laws and develop appropriate policies and procedures, including: - Notice of Privacy Practice - Business Associate Agreement - Releases of Information - Disclosures				NC Medical Society Healthcare Attorney



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Three Months Out...				
Review and/or arrange for office business insurance coverage: <ul style="list-style-type: none"> - Office overhead - Office liability - Business Interruption - Employee fidelity bond - Office contents - Umbrella policy - Worker's compensation - Health - Disability - Life 				NC Medical Society
Finalize computer software, telephone, office and medical equipment training schedules				Meet with selected vendors
Schedule testing of Medicare/Medicaid electronic billing				www.cignamedicare.com www.dhhs.state.nc.us/dma
Order all pre-printed forms, including: new patient, stationary, business cards, patient billing statements, prescriptions, appointment cards, etc.				
Arrange for the following service vendors: <ul style="list-style-type: none"> - Telephone - Paging - Answering service - Document destruction - Medical waste - Dictation - Drop box - Credit cards - Billing - Janitorial - Building Maintenance - Security Service - Laundry Service 				NC Medical Society



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Three Months Out...				
Draft or purchase office policy and procedures manual				NC Medical Society
Obtain medical equipment				
Obtain office equipment				
Obtain medical supplies				
Obtain office furniture				
Obtain office supplies, including deposit stamp for checks				
Obtain medical record filling system				
Select outside reference lab				www.labcorp.com www.spectrumlab.com www.questdiagnostics.com
Implement OSHA compliance: - Bloodborne Pathogens - Handling Sharps - Hepatitis B Protection - Contamination - Personal Protection Equipment - Reporting Exposure Incidents - Hazard Communication Standard				www.osha.gov
Finalize development of office opening announcements				Local area newspapers Local hospital physician locator service
Arrange for physician coverage				Local hospital medical staff office
Draft, finalize, and have printed practice super bill or encounter form				NC Medical Society



Task	Person Responsible	Date Started	Date Completed	Resources Available
Continued Three Months Out...				
Draft, finalize, and have printed hospital/surgical charge ticket				NC Medical Society
Obtain necessary Wage and Hour and other employment regulations, including required postings				www.nclabor.com www.eeoc.gov www.comp.state.nc.us www.dol.gov
Determine what jobs and positions will be necessary for the office. Obtain or write job descriptions, determine salary structures and pay rates				www.mgma.com
Determine how employees will be recruited, hired and trained - local personnel agency - print advertisements - professional associations				NC Medical Society Local newspapers
Draft, finalize and print employee handbook and HR materials				NC Medical Society www.mgma.com Labor Attorney
Review resumes				
Interview candidates				
Make job offers, send out hire letters				
Order the following printed materials: - waiting room magazines - newspaper - patient information brochures - CPT book - ICD-9 book - PDR				NC Medical Society www.mgma.com www.ama-assn.org



One Month Out				
Employee meeting to review and discuss policy manual and office operations				
Make sure all employees are adequately trained on new computer, telephone and office systems				
Mail out announcements to physicians, pharmacists, hospitals and professional organizations				
Place print announcements in local newspapers				
Select list of referring doctors				
One Week Out				
Review checklist to insure all items have been completed				
Walk through office to insure all equipment, furniture, etc. is in place and works				
Perform final check of computer system to insure system is functional, i.e., submit test claims, run sample reports, verify appointments, etc.				
Meet with staff to resolve any last minute issues regarding policies, procedures, patent relations, etc.				

