COMMENTARY

Risk Management for Private Practice Dermatology Clinics: A Commentary

by JORDAN V. WANG, MD, MBE, MBA and NAZANIN SAEDI, MD

Dr. Wang and Dr. Saedi are with the Department of Dermatology and Cutaneous Biology, Thomas Jefferson University in Philadelphia, Pennsylvania.

J Clin Aesthet Dermatol. 2018;11(12):40–41

ABSTRACT

Dermatology is a medical specialty that is favorable to operating in private practice settings. Without the administrative oversight from a larger organization, there are greater responsibilities for business administration, including risk identification and management. Here, we discuss salient examples from major categories of enterprise risk in order to introduce a framework that clinicians can utilize. Implementing a comprehensive risk management plan can help to prevent and reduce losses in a private practice dermatology clinic.

KEYWORDS: Risk management, risk assessment, practice management, dermatology, business

Dermatology is a unique medical field that is favorable to private practice opportunities. It has been shown that most dermatology residents will ultimately choose to work in private practice as opposed to an academic practice.[1,2] This setting requires greater responsibilities, since there is an absence of the administrative oversight provided by larger hospital- or university-based centers. In particular, risk identification and management are crucial for dermatologists to understand in order to allow for sustained success of the business. Here, we discuss examples in each major category of enterprise risk that are salient to private practice dermatology clinics in order to introduce a working framework for clinicians to utilize.

Strategic risks arise from trends in the economy and society. They are concerned with the business's strengths, weaknesses, opportunities, and threats. They can arise from adverse business decisions, improper implementation, and management decisions. An important strategic risk for a private practice clinic concerns its location, which influences patient demand, patient volume, and competition. When opening a clinic, it would be best to avoid highly saturated areas. However, there is always a risk that the chosen area might become highly saturated, which could adversely affect business. One risk management technique would involve the loss prevention of market shares by creating exceedingly unique attributes of the clinic that would offer a competitive advantage. They would have high barriers and costs of entry to prevent adoption by competitors. One example would be purchasing expensive medical devices to offer new and trendy treatments. Another strategy would be to allow for diversification by having additional locations in various markets. If one area were to become saturated, then another clinic could help compensate for lost revenues. Planning for changes in market saturation can promote successful business.

Financial risks arise from the effects of market forces on assets and liabilities, which reflect changing market conditions. They can directly impact the business's financial position and can be associated with asset valuation, law changes, interest rates, debt rating, and liquidity. A relevant financial risk is the reduction in reimbursements by health insurance companies. This is especially salient given the rise in healthcare spending and recent campaigns to cut down on healthcare-related costs. This can certainly affect the financial outlook of a dermatology practice given the current modest reimbursement rates and the need to see high patient volumes. A way to manage this would be to increase the portion of aesthetic visits, which can help to stabilize any negative financial impact from declining reimbursement rates. These visits are typically not covered by health insurance due to their cosmetic nature, which forces patients to pay out of pocket. This revenue stream would not be directly affected by changes in reimbursements, allowing for greater financial stability.

Operational risks arise from the failure of people, processes, systems, and controls, which primarily concern business operations. Relevant functions can include manufacturing, supply chain, product recall, customer service,

FUNDING: No funding was received for this study

DISCLOSURES: The authors have no conflicts of interest relevant to the content of this article.

CORRESPONDENCE: Jordan V Wang, MD, MBE; Email: jordan.wang@jefferson.edu

employment practices, and turnover. Of relevance to clinics is the potential failure of an electronic medical record (EMR) system. With increasing pressures to adopt EMR technology, especially from the Centers for Medicare and Medicaid, and their reported efficiency and reliability, their utilization has become widespread. Reliance on EMR systems has especially increased as clinics have transitioned from paper charts. However, as with any technology, there exists the risk for malfunction. In an effort to offer loss prevention and reduction, EMR providers employ full-time support staff members to help avoid disruptions and quickly ameliorate them when needed. However, the clinic must still be prepared to continue caring for patients if the EMR system fails. This can be managed by duplication efforts when paper charts are readily available for providers, which can later be scanned into the EMR. Planning for unexpected EMR downtime will help to prevent unwelcome disruptions in business.

Property hazard risks involve the direct damage or theft of owned assets causing a reduction in value. This can be to either tangible or intangible property. Tangible property includes structures or personal business property, while intangible property includes reputation, brand, and legal interests such as intellectual property, copyrights, patents, and trademarks. This can potentially cause interruptions to business with a loss of income, extra expenses to continue business elsewhere, and a loss of future revenue due to harm to the reputation of the business. Relevant to a practice, damage to its reputation and brand can prove most detrimental. Especially with the rise in social media and websites offering physician reviews, brand reputation plays a large part in health care consumerism. Reviews—either encouraging or damaging in nature—can affect which providers are ultimately chosen by patients.[3] For loss prevention, clinics should ensure patients are treated with the best possible care, with the goal of high patient satisfaction. Training staff how to engage and communicate with patients is important, such as with the use of the AIDET™ communication tool.[4,5] However, when damaging reviews do occur, loss reduction can involve public relations and social media campaigns to allow for greater patient outreach, which can control the damage and reduce the loss of market shares.

Liability hazard risks are associated with the legal liability and court awards for causing bodily injury, personal injury, or property damage to others. This can include legal fees and expenses. It can potentially involve interruptions in business, especially through court-ordered injunctions. In any medical profession, patient safety is at the forefront. Whether harm is caused advertently or inadvertently, patients might pursue lawsuits against physicians, clinics, and/or hospitals, regardless of how major or minor the harm. Loss prevention techniques include proper patient education, thorough informed consent processes, and comprehensive patient consent and liability forms. A proven and effective loss reduction technique when medical errors do occur involves openly apologizing upfront, promising a root cause analysis, and offering fair monetary awards early on.[6,7] A risk financing technique would involve obtaining sufficient medical malpractice insurance. Interestingly, the rules and regulations for medical malpractice insurance vary by state in terms of their requirements, amount of coverage, and costs. However, purchasing ample coverage could help prevent the clinic from being forced to close its operations in certain circumstances.

Personnel hazard risks are concerned with the human capital of a company. These involve medical treatment and lost wages due to the death, injury, or disability of employees. It can also concern the resignation, retirement, and loss of key employees, which can subsequently cause a loss of loyal customers and interruptions in business. Injury to clinical staff are especially important to consider. Specific to dermatology clinics, needlesticks and sharps injuries are common.[8,9] Clinics can increase the awareness of this among their staff and offer techniques to reduce them, including double-gloving, use of the hands-free technique, and neutral zones.[10,11] In terms of loss reduction, proper processes should be established to deal with workplace injuries. This can include standardized reporting practices, presentation to a designated medical facility, and obtaining relevant bloodwork from patients and employees. Offering staff appropriate health insurance coverage as part of their benefits package can also protect clinics from undue costs.

Net income hazard risks involve the indirect losses caused by other risks that lead to business interruption. The financial consequences often depend on the length and degree of interruption, the expenses required to continue operations, and the nature of the restoration process. Using the previous hazard risks as examples, any events involving damage to the company brand, harm to patients, or injury to employees could potentially lead to the interruption of business and subsequent loss of profits. To help manage this, the practice should adopt a comprehensive and appropriate risk management plan to help prevent avoidable risks and reduce the damages when they do occur.

Private practice clinics offer an opportunity for dermatologists to practice on their own. However, this also comes with greater responsibilities related to business administration, especially without the oversight and security provided by larger organizations. Planning for the prevention and reduction of losses through a coordinated and effective risk management effort can allow for a more successful operation.

REFERENCES

1. Lim JL, Kimball AB. Residency applications and identification of factors associated with residents' ultimate career decisions. *Arch Dermatol.* 2009;145(8):943–944.
2. Wu JJ, Ramirez CC, Alonso CA, et al. Dermatology residency program characteristics that correlate with graduates selecting an academic dermatology career. *Arch Dermatol.* 2006;142(7):845–850.
3. Hanauer DA, Zheng K, Singer DC, et al. Public awareness, perception, and use of online physician rating sites. *JAMA.* 2014;311(7):734–735.
4. Scott J. Utilizing AIDET and other tools to increase patient satisfaction scores. *Radiol Manage.* 2012;34(3):29–33.
5. Braverman AM, Kunkel EJ, Katz L, et al. Do I buy it? How AIDET™ training changes residents' values about patient care. *J Patient Exp*. 2015;2(1):13–20.
6. Boothman RC, Blackwell AC, Campbell DA Jr, et al. A better approach to medical malpractice claims? The University of Michigan experience. *J Health Life Sci Law.* 2009;2(2):125–159.
7. Boothman RC, Imhoff SJ, Campbell DA Jr. Nurturing a culture of patient safety and achieving lower malpractice risk through disclosure: lessons learned and future directions. *Front Health Serv Manage.* 2012;28(3):13–28.
8. Morris C, Adotama P, Li J, et al. Comparison of injuries from sharps among resident physicians within dermatology and other medical and surgical specialties. *JAMA Dermatol*. 2018. [Epub ahead of print].
9. Donnelly AF, Chang YH, Nemeth-Ochoa SA. Sharps injuries and reporting practices of U.S. dermatologists. *Dermatol Surg*. 2013;39(12): 1813–1821.
10. DeGirolamo KM, Courtemanche DJ, Hill WD, et al. Use of safety scalpels and other safety practices to reduce sharps injury in the operating room: What is the evidence?. *Can J Surg.* 2013;56(4):263–269.
11. Rizk C, Monroe H, Orengo I, et al. Needlestick and sharps injuries in dermatologic surgery: a review of preventative techniques and post-exposure protocols. *J Clin Aesthet Dermatol.* 2016;9(10): 41–49. JCAD