

## Doing Good and Doing Well in Orthopedics *By Lee Bergman*

"I've become a country doctor in the midst of the urban sprawl of Southern California."

Los Angeles orthopedic surgeon, Dr. Tom Grogan, jokes about his self-image as a healer but adds seriously that it took him twenty years to figure out how to balance solid patient care against the demands of the turbulent, ever-changing 21st century American medical market place.

Grogan is a former assistant chief of orthopedics at Shriner's Hospital and now in private practice. He thinks young orthopedists just starting out need business and marketing help more than ever. He says the lack of any business training in medical school, combined with hundreds of thousands of dollars in tuition bills, makes building a new practice a steep climb indeed. Grogan has partnered with Ed Mann, a leading medical equipment leasing and marketing expert, to fill that need.

Grogan and Mann head up Ortho Funding Group, a firm whose mission is to help young orthopedic surgeons get solid business advice for professional success, help in refining practice management - from billing techniques to acquiring key pieces of diagnostic equipment - and help with financing.

"We take a consultative approach," says Mann, adding that his experience handling long-term lease agreements for sophisticated medical equipment like MRIs or the latest digital X-Ray machines is a great match with Grogan.

OFG has been in business for about eight months.

Grogan says the maze of Medicare and Medicaid mandates, plus government and insurance red tape, convinced him a while back that he had to take a hard look at the meaning of asset management within the caring profession.

"A number of years ago I realized that the largest asset I had as a surgeon was my patient base," he says.

Grogan has also been grappling with systems like the electronic medical record (EMR), which holds the promise of providing caregivers and patients personalized and confidential medical data - all on a disk.

TIME magazine reported recently that reforms within the U.S. Veterans Administration health system has improved care and lowered costs by using computers more efficiently at bedside in vets hospitals.

But for now, for private practitioners, the cost of EMRs seems out of reach.

"I'm unsure how it will benefit my practice in terms of return on investment," Grogan says, pointing out that one advanced EMR made by Kaiser Permanente goes for a cool \$363,000 - a huge expense for a young orthopedist or even a joint practice of four or six.

Grogan is also wary of how insurance companies might handle claims if all patient data is digitalized and whether the patient-doctor relationship could be compromised in the private health market if "data miners" can access a patient's complete health history.

It's hard to imagine paying for medical services on a credit card, but it's happening, and Dr. Tom Grogan is accepting plastic from his patients. He encourages his patients to ask questions about procedures and tests; he also offers payment plans which he says lead to a "huge dose" of loyalty - and referrals.

"We adjusted our daily schedule to allow for same-day emergency appointments," he says. "We accept credit cards and given patients a super bill to help them bill their own insurance. Although we still bill third-party payers for surgery, we help our patients understand the process of co-pays and deductibles. I listened to what my patients wanted and found out that it started with the three A's: ability, affability and availability."

Just a country doc in the big city.

Back to equipment, Grogan says leasing, especially leasing cutting-edge digital equipment, can offer savings that might not be apparent - at first. A conventional X-Ray machine, he says, costs about \$12 each time it's used; the cost is for film and fluids basically. But a digital X-Ray machine costs virtually nothing to run.

So for the sake of discussion, think of processing ten X-Rays a day on an older model machine (some practices easily do double or triple that number daily). The practice takes a hit for \$120. Lease a new digital X-Ray machine for about \$40 a day, with no additional operating cost, and there's an immediate saving of \$80 a day. Grogan says a lease/purchase deal on a new digital X-Ray

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machine - at about \$58,000 - makes it possible for a young orthopedist to own it outright in about five years, with lease payments covered by an immediate saving in operating costs.

Similarly, with electronic medical record systems (EMR), or MRI diagnostic machines, leasing is a viable option for a joint practice. In turn, a joint practice can offer lease time on its machine for other practitioners in the community.

OFG, according to Ed Mann, wants its clients - whether newly minted orthopedists or experienced practitioners - to consider the idea of the "total practice."

"We want to show them the numbers about equipment costs and ask them to consider business plans for two, five, ten years and more," Mann says.

To Mann and Grogan though, the total orthopedic practice is about the same as buying diagnostic equipment though. It's about adequate insurance coverage (critical for long-term leasing), wealth management, cultivating and sustaining loyal patients, and re-marketing older equipment in the worldwide market in places like Africa, South America and Eastern Europe.

Like Grogan, Mann believes replacing old pre-digital equipment is critical because of the immediate saving in operating costs. And, a structured lease-purchase agreement from OFG makes it easier and faster to own a new machine.

"We know that life happens," says Mann. He says OFG has many underwriting options that allow clients to solve debt problems and secure new financing.

Mann says a prospective OFG client needs only to fill out an application, and if the value of equipment sought is around \$150,000, no other financial data is required. For purchases over that amount, two years of personal and corporate tax data is needed. Mann says OFG can review a client's needs in less than a week.

In the end, "the biggest asset is the surgeon himself," says Grogan, adding that successful orthopedic practices yield a profit margin at greater than 50 percent, the highest in medicine.

With his concern for a solvent practice - and OFG's goal of developing of new thriving practices for young orthopedists - Grogan never forgets his healing role - and his responsibility to care for rich and poor.

"I still see a lot of patients who cannot afford to pay even their deductibles," he says. "Or they have no insurance. I give away 10 to 15 percent of my care, but I do so at 100 percent of what I feel I am worth, not some small percentage deemed correct by Medicaid. I have built the practice to take care of my patients, and I find that they want to take care of me."

Spoken like a true 21st century country doctor.



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