AN INTERVIEW WITH THE PRESIDENT:

How Much Do Healthcare Consultants Cost?

Healthcare consultants are more and more being used by both large and small practices, hospitals and other healthcare delivery organizations. The pace of change in healthcare today almost demands looking outside your organization for assistance.

I recently had the opportunity to sit down with Andy Popple, President of Medical Management Services to get his thoughts on consulting. The answers provided are verbatim Andy.

SO ANDY, HOW SHOULD A HEALTHCARE EXECUTIVE THINK ABOUT ENGAGING A CONSULTANT?

If you will take a deep breath and give me five minutes, I plan on making you think about consulting in a different manner. I am still going to give you some cost numbers so if you want to cheat, look ahead, get the quick answer and then get back to your insanely busy life, then proceed accordingly. I was you at one time. I am still insanely busy but I now take the time to think about almost everything differently. I recommend you invest in a different way of thinking as well.

WHEN DO YOU START THINKING ABOUT ENGAGING A CONSULTANT?

You have determined you need help when you have: a lack of resources, a need for expertise, a special project, the benefit of extensive experience, etc. Whatever the impetus, you need help and you know healthcare consultants are the way to go. Then it hits you, “I can’t afford those people!” You can afford them and you should be happy to write that check, if you do your part.

WHY A CONSULTANT?

I have a deal for you. If you give me $500, I will give you $5,000 back minimum, and maybe even $10,000, no questions asked. No, I am not laundering money. I am an appropriately qualified healthcare consultant with a clear scope of service. Ahhh, there’s the catch. When considering consultants, you need to answer the following questions BEFORE you proceed:

1. What are three reasons I need a consultant? (expertise, resources, etc.)
2. Can I define a clear scope of work for a consulting engagement? (if not, can you get close and then let the consultant help based on their experience)
3. Can I afford to wait and try to reach a solution internally, and be honest. This is the classic build it or buy it dilemma. (if you thought about bringing in an external resource, you already have your answer, do not go against your professional intuition)
4. Can I define a clear return on the scope
of work requested? Is the result increased revenue, lower cost, more efficiency, clear direction, elimination of risk, etc.

Once you have these answers, you are ready to move forward finding a consultant. In the healthcare arena, there are literally thousands of consultants. Are bigger consulting firms better? Maybe, maybe not. Are individual consultants too high a risk? Maybe, maybe not.

HOW DO YOU GO ABOUT FINDING THE RIGHT CONSULTANT?

Word of mouth is a good source, but can be unreliable. What you think is a good job may be far different than your colleague’s opinion. The internet is a good starting point and my two pals Google and Bing can also be your pals. Try Google or Bing for “Healthcare Consultants, healthcare consulting firms, medical management services, medical management professionals or practice management services.” These are good search terms that should generate excellent results.

Once you have selected some websites, look at the website. Does the website look like someone you would do business with? Is the quality high? Is the website laid out well? Are there photos and bios of the company’s consultants? Are experience levels listed? Along with expertise comes experience. How long have they been working in the healthcare industry? What kind of training do they have? What is the education level of the consultants that will be potentially working on the project? Will “those” experienced consultants be working with you? Are there any white papers? Can you read a few? How about this one, can you talk to the president of the company? Is he or she technically sharp or just a sales person? The website should give you some good insight into the company. Is the company specialized? Do they list their services, in detail?

WHAT IS THE PRIMARY DISTINGUISHING DIFFERENCE BETWEEN GOOD CONSULTANTS AND WORLD CLASS CONSULTANTS?

Are they “just” consultants? What do I mean by this statement? Many, if not most, consulting companies are just that, a loose affiliation of consultants that purely provide consulting services. Here is a tip worth you taking the time to send me a Starbucks gift card.

When looking at the website, can you determine if the consulting company manages physician practices at present? If not, you need to add this question to your conference call. Do you want an consultant that worked in a hospital-based physician practice, a specialty or a multi-specialty group environment ten years ago or one that works in one routinely at present? The answer of course is obvious. These “working” consultants are current on regulations, reimbursement, physician practice trends and many other areas that will provide great benefit to you, regardless of your specific scope of service.

HOW DO I BEGIN THE CONVERSATION WITH A CONSULTANT?

Web-based research is not perfect, but it will provide a great starting point. Once you have completed your web-based research, set up a few conference calls and ask to talk directly with the consultants, NOT the sales team. Did I say NOT with the sales team? Oh, yes I did. If the consulting company is not willing to almost immediately get “actual” consultants involved, I recommend you use an extra-large red sharpie and draw a line through that company’s name. While you will have to deal with the sales team to ensure you have defined, in general, the services you are interested in buying, you need to move quickly beyond the sales team to the people who will perform the work. Just so you know how much I am interested in getting this information into your hands, I will likely be verbally bludgeoned by many consulting sales personnel for this paragraph. Sympathy cards and $25 gift cards are welcomed...

Okay, you identified two consulting firms that look promising and have set up conference calls. Prior to the conference call, make sure the consulting companies 1) have a reasonable understanding of the scope of service you desire and 2) have the consultants which will be
assigned to the engagement present on the call as well as a vice president level consultant or even the president of the company. The best way to maximize the information obtained during the call is to provide a brief summary of what you believe the project scope will entail well in advance.

**WHAT ARE THE TOP TEN QUESTIONS TO ASK A CONSULTANT?**

For some reason I just love Top Tens. I cannot explain my attraction to this simple concept for communication of information; however, here I go again. As a quick aside, I tried a Top Ten reasons I should not be given a speeding ticket. While sound in theory, in practical application it just did not work. I have ten questions you need to ask potential consulting companies. Feel free to ask the questions in a different style, but you really need to obtain answers for each one.

1. **Based on the scope of service, which consultants would be performing services?**

   If things have gone well, the consultants will be on the call. You can then feel free to inquire about their experience in your area of need.

2. **Ask for specific examples related to your scope of service.**

   What was the issue, how did you approach resolution and what specifically was the result? Ask the participants to provide an engagement example with a similar scope where the outcome was not achieved and explain contributing issues.

3. **How many consultants are employed by your organization as W-2 employees?**

   How many are independent contractors? Many consulting firms act as brokers for consultants that are essentially free agents. These free agents perform as independent contractors (1099 consultants) and work for whoever has the highest pay scale or the most interesting opportunity. While this can be a great model, I prefer consulting organizations that employee permanent consultants. I know, I know...

   **WHY DO YOU PREFER TO EMPLOY PERMANENT CONSULTANTS?**

   A. Employees have a vested interested in the success and reputation of the company.

   B. Employees are highly motivated to work collaboratively with their peers and have experience with those peers, resulting in efficiencies for you, the customer.

   C. Most organizations will not retain substandard consultants as employees.
4. Ask each consultant about their professional experience before they became a consultant. You be the judge of information provided.

The absolute best consultants are those who have current practical experience. It is one thing to provide consulting services based on what you have done in the distant past. It is a completely different level of expertise when the consultant has very recently or currently manages a physician practice, a portion of the revenue cycle, generates EHR templates, has restructured a governance model or has just completed negotiating several payor contracts or hospital contracts.

5. How many clients does each assigned consultant work with at one time?

I love to ask questions that require a “failure-type” answer. For example, “tell me about a time when you have too many clients and how you managed to meet the needs and deadlines of each.” How do you communicate with clients (phone, email, text, etc.)? Tell me about a time that communication approach failed.

If you are going to initiate a major restructuring, you probably don’t want your consultant working with more than two or three other clients. There is a “catch” to this theory. Some have reported that consultants with few clients can have a tendency to become more invasive and therefore generate more billable hours. I personally recommend consultants have at least two clients at any given time. While you cannot completely control this aspect of a consulting engagement, just asking will send a strong message.

The number of clients a consultant can serve at a professional quality level of service varies with the type of service provided and client. I have a general rule of thumb: I want to have same-day response to questions or concerns.

6. Will you teach us to do this work or similar projects for ourselves and become self-sufficient? Will this process cost more and take more time? Can we assign an internal resource to the engagement for training purposes?

One common trap in using a consultant is becoming dependent on the company. I can tell you as the president of a consulting company, this is what I want to happen. It means more revenue for my company; however, I have provided instruction many, many times. Here is one big catch with this theory: most people can’t span the experience gap.
that exists between a very talented consultant and a very
talented internal resource. This process does in fact take
more time and does cost more money. Is it worth it? Only
you can make that call. Don’t be surprised if the consulting
organization you are interviewing shays away from this one.

7. Have you written anything-published or not-that addresses
projects or challenges like the ones this company (your company)
faces?

Uh oh, this may be one where consultants turn their head,
mumble and cough a little. Consultants love to write about
their experiences, opinions and theories; however, few are
good writers. Sometimes these white papers or articles
can be pretty rough reading, but it will usually help you
understand how the consultant sees markets and business
factors that may affect you or how they approach project
management and resolution. Professionally-prepared and
well-written articles and white papers are a great window
into the philosophies of different consultants and consulting
organizations. WARNING: Do not be fooled by a consulting
organization that has one or two people writing articles and
everyone else performing services.

8. What kind of documentation, reports, recommendations will
you give us when the project is completed? Who will own that
documentation? Can you provide some redacted examples (two-
three).

Keeping a formal paper trail of the work a consultant does
for you accomplishes several ends—all of them are good for
you, like a salad with grilled chicken. First, if the project has
worked well, this will usually give you some forms and tools
that you can use to improve some part of your performance.
Second, it allows you to keep a record of the analyses made
of your company and the responses you’ve taken. This kind
of “scrap book” can be a big help when dealing with future
problems or other consultants. Third, it makes clear what the
consultant did—and didn’t do—while working for you.

Finally, if any disputes should emerge over payment
or ownership or confidentiality, you’ll have some solid
documentation. In general, all work (including spreadsheets,
computer programs, mechanical devices or literature)
a consultant does for you is your property. Sometimes—
especially in the cases of proprietary approaches and
literature—this becomes an issue. Make it clear from the
beginning that you want to own as much as possible that
comes from the consultation.
9. How do you charge for services? Do your fees include travel time and other miscellaneous charges or are those billed separately?

There’s no set standard for paying consultants: Some work on a straight-fee basis, others work for a fee plus performance bonus, a few work on a contingency basis—tied to revenue or cashflow increases or cost reductions (typically from 40-50% of the incremental gain for 24-30 months).

As with paying any outside vendor or contractor, your focus should be assuring a high quality of work and containing costs within a predetermined budget. Having a well-defined scope and well documented engagement agreement will help accomplish both of these ends. WARNING: do not proceed with an engagement without at least an estimate of fees.

Make it clear from the beginning what incidental expenses you’re willing to pay and how you’ll pay them. Consultants who’ve worked at or for large corporations may be used to expense accounts that you aren’t. Be very clear about how much you’re willing to spend on the whole project or series of projects. Insist that the consultant communicate with you—in writing—if the project won’t be completed on time and within budget. That communication should not come as a surprise. It should list specific reasons for additional costs.

10. Who are some of your other clients? Who are some people and companies with whom you’ve worked before?

Always, always, always get at least five references. Even if you don’t call each one, at least call three. Will you ever receive a bad reference? No. At least not from me. You can get some information that is worthwhile. For example, ask each reference these questions:

A. Tell me one thing that the consulting organization could have done better.
B. What is one area where the level of expertise was less than you expected?
C. Tell me about a time when you second-guessed your decision to use the consulting company.
D. If you had to complete that project (the one in the reference), what are two things you would do differently?

Feel free to add your own questions. How you ask the questions is as important as what you ask.

I want you to think about one more concept as you contemplate which healthcare consultant to trust your practices to: are the consultants you are considering recommenders or implementers?
WHAT THE HECK IS A RECOMMENDER AND AN IMPLEMENTER?

Many, if not most consulting organizations are recommenders and NOT implementers. Once again, I am quite sure the mean email will flow for this topic. If I disappear look for me in rental car trunks first...

RECOMMENDERS:
Recommenders are consultants who do an excellent job in accessing issues and recommending solutions. I have seen literally hundreds of engagement reports, often called “Findings and Recommendations”. Based on my assessment, about 75% of these reports include recommendations which are too general in nature. For example, one report had an analysis of labor in ten hospital-owned physician practices. The technical analysis was excellent. The consultants had identified all personnel, job duties, carrying cost for each position, tenure, reporting relationships, certifications, etc. The consultant then computed a ratio of FTE’s per provider and compared to some published Medical Group Management Association (MGMA) data. The recommendation was to reduce labor consistent with an MGMA best practices benchmark. Okay, a good recommendation.... not. The consultants did not take into consideration the type of practice, the practice volume, the payor mix, physician tenure, the number of in-office ancillary services or the impact of a highly inefficient EHR. Additionally, the report provided no recommendations for how to reduce staffing. Some of this recommendation style may be related to cost considerations, individual experience or a particular company’s approach to consulting. Make sure you know what you are purchasing. Contrast the recommender with the implementer.

IMPLEMENTERS:
Implementers typically have a different mindset, because they are much more heavily involved in the day to day business of healthcare, from practice management to software system set-up and processes to an effective governance structure to physician compensation plans that drive desired outcomes. Implementers seem to inherently assess and plan at the same time. As they identify issues or opportunities their very nature is to simultaneously design a solution and implement that solution. After all that is what they do. Their recommendations are typically much more of a detailed style with specific actions to be taken. Often, you will find implementers want to provide Findings and Recommendations and then immediately move to implementation of those recommendations. If you elect to have a change implemented, make sure you understand the costs and timelines.

I typically pick the implementers, what I call the “operationally-oriented” consultant. These healthcare consultants are worth their weight in gold.

WHAT’S THE NEXT STEP?

Okay, you have done your job:
A. Defined the scope of your consulting need.
B. Decided that external resources are required.
C. Researched different healthcare consulting companies.
D. Interviewed the companies, and asked the Top Ten questions.
E. Determined if the consultants are recommenders or implementers.

Now you need to make a decision. If two companies are comparable, get a fee quote and a scope of engagement. Once you receive this information DO NOT just look at the fee quote. While important, fees must relate to the quality of work to be performed. If ever there was a time with the old adage “you get what you pay for” is true, it is generally true with healthcare consultants.

While not within the scope of this interview, don’t forget to perform a detailed review of the engagement letter, sign a business associate agreement and a nondisclosure agreement if the engagement letter does not include similar language.
OKAY, LET’S WRAP UP AND COME FULL CIRCLE TO THE BIG QUESTION: HOW MUCH A HEALTHCARE CONSULTANT SHOULD COST?

The ideal, and very realistic number is -0-. With certain exceptions such as implementation of a new software package or IT-based consultants who can build tables in your revenue cycle software, you should expect to cover the fees paid to healthcare consultants with actual results, be those results revenue enhancement, cost reductions, a more efficient operating model or a new revenue stream.

CAN YOU PROVIDE AN EXAMPLE OF HOW THAT ACTUALLY HAS WORKED?

I will provide one actual example, at a high level. Medical Management Services (MMS) recently assisted a very large specialty group with a restructure of buy-ins and buy-outs related to an internally owned ambulatory surgery center (ASC). As part of that engagement MMS identified four additional non-ASC lines of business the group should have been operating with income potential well in excess of over $1mm per year. The group took an implementer approach and MMS started up those businesses, trained personnel and then turned over operation to the group. To this day, they are loving MMS.

Meet the President

Andy Popple, Jr., CPA
President, Senior Executive Consultant

Andy has over 20 years of experience in the healthcare industry and provides clients with a diverse offering of subject matter expertise, from physician compensation plans and development/implementation of revenue producing lines of business to strategic planning and innovative approaches to overall group operations. Andy’s depth of financial experience coupled with significant operational experience brings a unique view to many practice management challenges.

Andy began his career in public accounting with Ernst & Young, specializing in audit, consulting, and tax services for a diverse group of clients, from large physician groups and hospitals to manufacturing companies and retail businesses. His public accounting background was augmented through experiences with healthcare companies in the public and private sector in senior leadership roles such as CFO, executive director, and executive vice president. Andy leveraged this experience by establishing Medical Management Services. Since then, Andy has assembled a world class team of professionals which represent Medical Management Services today.

Andy earned a BS in Accounting from the University of South Alabama and is a licensed Certified Public Accountant in the State of Alabama. He is an active member of Medical Group Management Association (MGMA), the American Institute of Certified Public Accountants (AICPA), on the board of directors of United Way and Covenant Hospice, and an active member of the Chamber of Commerce and Rotary International.