

Leading a Rural Clinic Toward Financial Stability

John A. Zeier



ABSTRACT

The article identifies key features of a business plan for rural health clinics managed by nurse practitioners. Important elements of organizational structure, fee scales, coding, marketing, and fund raising are addressed. The author illustrates aspects of a business plan with an organizational case study.

Keywords: business plan, nurse practitioner clinic, rural clinic

Rural communities experience chronic shortages of physicians and a paucity of general medical resources. Nurse practitioners (NPs) in such settings provide quality and cost-effective care and often serve a dual role as clinic administrators. The sparse populations of rural areas translate into relatively low volumes of clinic use, resulting in patient revenues insufficient to cover basic operating costs. How can NP leaders work to create greater financial stability for their small but vital clinics?

One rural health expert has wryly observed, "If you've seen one rural health clinic, you've seen one rural health

clinic" (P. McGuiness, personal communication, October 2004). Each clinic is unique in organizational structure, population demographics, and services offered. Although no simple formula can guarantee the financial health of all clinics, this article identifies a number of key components and resources which, when adapted to individual circumstances, can help a clinic progress toward a higher level of financial security. Like any plan, it is only a guide and must give way to the exigencies of daily existence.

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tional structure, reimbursement programs, fee structure, services offered, and marketing strategies with a comprehensive business plan.

Additional vital considerations include recruitment, business partnerships, grant seeking, and local fund raising. I discuss these components of a business plan, not as a recipe for success, but as important building blocks for an individualized plan. A case study provides further illustration of the process.

ORGANIZATIONAL STRUCTURE

Health clinics choose to be either public or private and are either for-profit or nonprofit. How do these ways of structuring the business affect its financial health? A public clinic has the advantage of access to tax revenues at the city, county, or even federal level. This is a direct way to meet expenses when patient revenues are insufficient. Public clinics may also share in the administrative, accounting, and human resource support already in place for city or county employees, and group health insurance may be less expensive than for a stand-alone clinic; such access may help to control expenses. However, in smaller communities the tax base may not be adequate to support a clinic, and it may not be advisable to risk the clinic's financial viability within a political framework, because doing so may lead to uneven support as elected officials come and go.

Private organizations may also have access to public funding through local government grants, but this is an even more unpredictable source of support. Private for-profit clinics have the most difficult time obtaining funding beyond patient care revenues, but in the right situation (adequate patient volume) they can provide the greatest individual financial rewards.

Nonprofit, tax-exempt status can provide a clinic with great flexibility in seeking financial assistance through grants and local fund-raising activities. A nonprofit clinic will invest and reinvest all of its assets in the organization, thus stimulating growth. Nonprofit organizations, however, will require a board of directors, and, as membership

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on the board changes, an element of unpredictability again arises.

REIMBURSEMENT PROGRAMS

Clinics can operate under a variety of reimbursement systems. Clinics accepting only cash payments can be successful in areas where large numbers of uninsured have difficulty gaining access to the health care system. These clinics operate efficiently by avoiding the need for

insurance billing software and personnel. However, in a rural environment financial viability usually demands pursuing a significant portion of available market share. Rural clinics will generally need to contract with government payers (Medicare, Medicaid, Veteran's Administration) and with as many private insurers as possible. Reimbursements through Medicare or Medicaid may fall below the true operating cost per visit.

Federal programs to establish the clinic as either a designated rural health clinic (RHC) or as a federally qualified health center (FQHC) are ways of acquiring further financial assistance while caring for patients with public insurance. Rather than paying at usual established rates, these programs are designed to reimburse providers at cost (the cost for providing service at that specific site). Each patient visit is paid at the same rate without variance; the level of evaluation and management does not determine reimbursement. The goal of these programs is to improve services to medically underserved populations.

The decision to enter into either the RHC or FQHC system requires a thorough understanding of the program regulations and careful analysis of the clinic's practice. RHCs provide primary care and work best in smaller communities. FQHCs can receive considerable federal grant funding in addition to the cost-based reimbursements, but to do so they must provide dental care, mental health care, and transportation in addition to primary medical care. FQHCs work best in conjunction with larger organizations or in areas where several organizations can form a consortium.

If your clinic's patient mix includes a large percentage of those with private insurance, these government programs may not be sufficiently valuable to warrant the effort of attaining and maintaining such status. If you typically see mostly Medicare and Medicaid patients for evaluation and management codes of levels 3 to 5, you may actually lose money by participating in the programs. However, if your Medicare and Medicaid visits tend to be levels 2 to 3, entry into the programs should help your bottom line. The State of California has produced an excellent guide to evaluate the appropriateness of a given clinic joining either the RHC or FQHC program.¹

FEE STRUCTURE

It may seem obvious to suggest proper coding and the establishment of an adequate fee structure as key ingredients to financial health, but many clinics fail to do both on a regular basis. Coding is not just a function for the billing department. All the clinic's providers must understand the coding process, they must code for what they in fact provide, and they must chart in a coding-congruent manner. Medical assistants can double-check coding entries, ensuring providers do not neglect to indicate services such as electrocardiograms, pregnancy tests, or cryotherapy. The organization needs to support the coding process by investing in related continuing education and by purchasing quality coding and charting software. The journal *Family Practice Management* includes information on coding in every issue and occasionally publishes helpful articles that cover the basics.² Providers must be discouraged from undercoding in an attempt to save their patients from high medical expenses. Your patients will not be helped if you go out of business, and undercoding is just as fraudulent as inaccurate up-coding.

The clinic must periodically analyze its fee structure. You need to compare what you charge for both evaluation and management codes, and what you charge for all procedures (from a simple venipuncture charge to a complex incision and drainage service). You should compare your fee structure to that of clinics in the surrounding area; most rural clinics will share this information. It is also helpful to look at state averages if these have been surveyed. If your clinic is trying to establish market share, it makes sense to initially set your fees toward the low end, but if your charges are significantly below those of area competitors, you are simply giving away money.

YACHATS COMMUNITY HEALTH CLINIC: A CASE STUDY

An organizational case study is given to illustrate key ideas. The business plan is only a guide, just as a diagnosis is often provisional. Individualizing the plan and being open to the importance of new information are keys to success.

Organization

Yachats, a community of 600 people living on the central Oregon coast, wanted to organize a local clinic in 1999-2000. Local taxpayers were already supporting the regional hospital so the possibility of a city-operated, public clinic was not pursued. The community had an established history of supporting fund-raising events for local social services. Thus, the clinic was organized as a nonprofit, private clinic.

Reimbursement

The clinic's board was torn between applying for status as an RHC or an FQHC. A review of regulations showed the clinic would not qualify as an FQHC. After considerable preparation, the clinic was certified as a federal RHC. The clinic's patient mix includes 60% or greater Medicare and Medicaid patients, and the ability to bill for those patients as an RHC has sharply narrowed clinic operating losses.

Fees

The Yachats Clinic asked the Oregon Health and Science University's Office of Rural Health to conduct an analysis of the clinic's practice, including the fee structure. This analysis, a statewide fee survey,⁵ and an informal study of area clinics' fee structures were all reviewed. The clinic discovered a 15% to 20% under-billing compared with peer clinics. Fees were subsequently increased, helping to reduce negative margins.

Services

The clinic obtained grants to purchase new medical equipment and to pay for continuing education. The success of the grant applications was based, in part, on reasoning that the grant funds would increase billings, resulting in greater financial stability. These types of grant-seeking activities help manage expenses and pro-

vide a risk-free way to test methods of increasing revenues. The clinic has sought programmatic development to expand services (the mission) while bolstering the revenue stream (the necessity).

Marketing

The Yachats Clinic faces competitive pressure from physicians in nearby communities. These established practices have full schedules and are often closed to new patients. Yachats is a retirement-oriented community (with many part-year residents). The community is also a popular summer tourist location. The clinic has captured an increasing market share by constructing a unique presence based on these factors. The clinic sees tourists, accepts patients from other clinics in need of urgent care services, and uses public health outreach talks to promote the idea of comanagement for seasonal residents.

Non-patient Revenues

The clinic has contracted with the State of Oregon to serve as the medical provider during in-depth evaluations of children involved in early intervention services. The clinic is in discussion about the possibility of providing teaching expertise for a new RN program in the county and has contracted with the local fire department to provide wellness education.

Grants and Fund Raising

The Yachats Clinic was founded with a combination of local fund raising and large grant support. The clinic has continued to meet financial needs through focused grant proposals (indigent care, information technology costs, medical malpractice insurance). The clinic has conducted an annual direct-mail campaign for contributions from their service area. The Yachats community is full of avid gardeners, and the clinic has successfully conducted a yearly Coastal Garden Tour, to leverage this avocation into unrestricted financial support. The clinic is now adding two more annual special events as fund-raising efforts. The clinic has hired a director of development to focus on this key aspect of their operations. A team effort of paid staff and volunteers allows the clinic to progress toward financial stability.

SERVICES OFFERED

Patient revenues can be increased by professional continuing education and appropriate equipment purchases to expand the menu of available services. Increase your billings by learning to read your own electrocardiograms and by providing office-based pulmonary function testing, electronic hearing testing, tissue biopsies, ear washes, cryotherapy, simple and advanced suturing, and perhaps even Botox injections.³ If patients in a rural setting have to travel for many of these services, they may leave your practice altogether.

Patient revenues can also be bolstered by programmatic development. Partner whenever possible with regional public health organizations and hospitals to get your clinic involved in programs such as Vaccines for Children, the Breast and Cervical Cancer program, and early childhood intervention programs. Set up your clinic to accept Medicaid applications. Consider contracting to be a provider for any area health maintenance organization Medicare programs. Learn to provide (and bill for) group visits for patients with chronic illnesses. Your clinic staff should be familiar with procedural requirements for providing sports physicals, commercial driver's license physicals, pre-employment physicals, and worker's compensation claims. Of course, state laws vary as to what NPs can be compensated for.

MARKETING

Comprehensive marketing plans go beyond simple advertising campaigns by identifying the relations between local needs and available resources. A market share analysis accounting for your capacity, competitive forces, and local demographics will help you decide how to promote your clinic as a unique presence. It is almost obligatory to advertise in such sources as telephone directories and local ad mailers. However, more benefits accrue from targeting the portion of available market share you plan to capture and then constructing a comprehensive outreach and advertising campaign specific to that open market. It is counterproductive to fight for market share with established clinics. More can be gained by targeting underserved persons and thinking about and communicating what you do best.

NON-PATIENT REVENUE SOURCES

It is not always possible to fill a schedule in an area with a limited population, but there may be ways of creating

revenues without increasing your patient visits or simply improving coding. Consider contracting to provide family planning or sexually transmitted disease clinics for the county health department. Perhaps the local school system needs a school-based practitioner once a week.

Contract with a busy, competing physician to cover his or her nursing home visits every other month. Perhaps you can provide medical services for persons incarcerated at the county jail. Search for opportunities to provide wellness education classes to large employers in your area. Think of ways of combining more than one rural health need under the umbrella of your clinic.

GRANT SEEKING AND FUND RAISING

Grant seeking can be essential in the formation of a rural clinic. The initial costs of construction, equipment, recruitment, and start-up operating costs can be considerable. Your best opportunities for support will probably come from medium to large local and regional private foundations. Look for philanthropic organizations with mission statements that most closely match your own. The success of these initial grant applications will be tied to your ability to articulate a convincing plan for eventual financial independence.

Grantors typically do not continue to fund basic operating expenses after the start-up phase. This does not mean you should stop writing grant proposals, but it does mean you should look for specific grants to match specific needs. For example, you might approach a computer manufacturer (or corporate foundation) for a grant to cover the cost of upgrading your information technology system. An insurance company's contributions program might provide funds for you to care for the uninsured. The greatest pitfall in grant seeking is to simply go after money. If a grant proposal does not reflect your mission, you will either not be successful in your application or you will devote your energies to a peripheral task while leaving your core mission unfulfilled (J. Laylander, personal communication, September 2005).

Local fund raising is critical for a number of reasons. It will help you secure grant funding by demonstrating local need and support for the clinic. People who contribute to the clinic are likely to use your services, giving you an important opportunity to build your client base. Fund raising should be based on the activities and interests of the local population. Fund raising should be *fun raising*; people enjoying themselves

are more likely to write a check. Board members and clinic volunteers should be very active in fund-raising activities. As Peter Drucker has observed, fund raising should not be a one time effort but is best conceived as building long-term relationships.⁴ Fund raising is asking for what you deserve (in terms of your mission) and not what you need.

CONCLUSION

No simple formula is available for leading a rural health clinic toward eventual financial success; in fact, there is really no such final success to be realized. Although rural clinics will often find themselves in financial jeopardy despite management's best efforts, thinking through the factors relevant to your local environment and implementing the essential ingredients of a sound business plan will enable you to operate your clinic with sufficient financial stability to fulfill its mission. The work is difficult, but the satisfaction of being a vital member of a small community is worth the effort. [JNP](#)

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John A. Zeier, RN, MSN, FNP, is certified as a family nurse practitioner, and works as the Clinic Director/Nurse Practitioner for the Yachats Community Health Clinic, in Yachats, Oregon. He can be reached at yclinic@actionnet.net. He has no business/industry relationships to disclose. He acknowledges the clinic Board, staff, and Julia Laylander.

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