

KidneyNews

February 2023 | Vol. 15, Number 2

Practices Face Triple Whammy of Inflation, Payment Cuts, and Staff Shortages

By Melanie Padgett Powers



At the small nephrology practice, The Kidney Experts, PLLC, in West Tennessee, expenses for every type of service increased in 2022: the copier service contract, the cleaning crew, the shredder service, and more.

“It’s all of the things that are necessary to be kosher as a practice and do everything correctly... Every single one of these fixed costs [has] increased over the past year,” said nephrologist Shree Mulay, MD. He and his wife, Anna Lee-Mulay, MD, also a nephrologist, own The Kidney Experts. The practice has four clinic locations and 20 dialysis units and employs five nurse practitioners and 12 support staff.

At the same time, a reduction in dialysis patients takes away that known monthly income, Shree Mulay said. “We’ve been very successful in reducing our new start rates and keeping patients off of dialysis, which is where you get a fixed revenue on a monthly basis. We see a decrease in cash flow because we’re doing the right thing.”

Physician practices that survived the height of the COVID-19 pandemic are now facing multiple business challenges, including ongoing inflation, Medicare cuts, and

the “great resignation” that has made it difficult to find, hire, and retain quality staff. For the past 2 years, inflation has affected all aspects of American life—including the costs to run a nephrology practice. After a peak increase of 9.1% in June 2022, inflation started to cool in the United States by the end of last year, but goods and services are still expensive. Inflation remained at 7.1% in November 2022 from the previous November, and analysts do not expect it to fall to 2%–3% anytime soon. In addition, physicians will see a 2% Medicare cut this year, reduced from an initial 4.5% cut when Congress passed the omnibus legislation last December. Physicians could face another 3.5% cut in 2024. However, the American Medical Association points out that, when adjusted for inflation, Medicare physician payments actually dropped by 22% from 2001 to 2021.

Congress also postponed for 2 years cuts from the federal Pay-As-You-Go (PAYGO) Budget Rule, which was created in 1990 to reduce the federal deficit. PAYGO encourages Congress to offset costs from legislation that would increase

Continued on page 4 ➤

Fellowship First, Residency Next: The Untold Story of Exceptionally Qualified Candidates in Nephrology

By Sujith Kumar Palleti

The decline in interest in nephrology fellowships is well documented (1). However, what is more striking is the decline in interest in nephrology among international medical graduates (IMGs) (2, 3). In the United States, IMGs are defined as graduates from a medical school located outside of the United States and Canada. In 2019, 65% of US nephrology fellows were IMGs, a high number compared with other specialties, such as cardiology (37%), hematology oncology (35%), and gastroenterology (31%) (4). Although the number of IMGs who pursue nephrology fellowship is high, the absolute number of IMGs in nephrology fellowships has substantially

declined by almost 50% from 2009 to 2019 at the same time as fellowship positions became unfilled in nephrology (Figure 1, see jump page).

Common reasons for the declining interest include the challenging patient population (6), perceived difficulty of the subject, declining competitive compensation rate, and lack of work-life balance (7). However, the recent decline in nephrology interest among IMGs, who may share some of the same reasons as US graduates, needs to be further studied.

It is now obvious in the nephrology community that

Continued on page 3 ➤

Inside

New editorial fellows announced

Read their articles about how training in nephrology can be improved.



Cancer-focused transplant registry

A call for action



Immune checkpoint inhibitors

Is prime time fast approaching?



Glomerular disease relapse after COVID vaccine

Causation or correlation?

Fellowship First, Residency Next

Continued from page 3

of the fellowship and not wait until 3 years in a teaching hospital under Special Consideration Pathway A of ABIM (19).

The results of the fellowship match show that nephrology needs talented doctors who are genuinely interested in working in the field. The nephrology community needs to provide a secure pathway to allow for future practice after fellowship for exceptionally qualified physicians because they are filling those voids to some extent. This may potentially shift the game for the future nephrology workforce as well as the US health care system by encouraging more physicians with foreign training to pursue this pathway in the future. ■

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The author reports no conflicts of interest.

Acknowledgment: I wish to gratefully acknowledge the contributions of Matthew A. Sparks, MD, in the development of this article.

A version of this article originally appeared on the Renal Fellow Network blog (2).

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Practices Face Triple Whammy

Continued from cover

spending by reducing spending in other areas.

As for the great resignation, a record 4.5 million employees had quit their jobs by the first quarter of 2022, and there were 11.5 million job openings—the highest on record—according to the US Bureau of Labor Statistics. Americans continued leaving jobs throughout the year, with another 4.2 million quitting in November 2022, providing plenty of job opportunities for employees, yet challenges for employers.

At the Virginia Nephrology Group (VNG), Managing Partner and President Renuka Sothinathan, MD, has never seen hiring challenges like this in her 22 years in practice. VNG has 10 physicians, three locations, and 20 dialysis clinics in Northern Virginia. The practice has increased salaries for support staff by 60% over the past few years and still finds it difficult to hire people. “It’s hard to get anybody to turn up for an interview,” Sothinathan said. “Then you’ll offer them the position, they say yes, then they don’t show up for the job or at the last minute say they’re not coming.” This new reality has been going on for 3 or 4 years, she said, but it has been escalating. “In the last year, it was just the worst.”

Patients are noticing the outcomes from having a reduced staff too. “We can’t find staff, and there [are] increased demands from patients. So, sometimes half the visit is calming the patient down because [the patient says], ‘nobody’s answering your phones,’” Sothinathan explains. She has started being direct with patients and asking if they know anyone who might be good job candidates.

Sothinathan said the United States should consider re-evaluating the limit on legal immigrants, pointing out that vetted and approved immigrants could help fill jobs that Americans may not want. Canada is doing just that. The Canadian government announced in November 2022 that it plans to increase its immigration efforts to fill its labor shortage, particularly in health care, skilled trades, and information technology. Similar efforts have failed in the US Congress.

Ways to help nephrology practices

Although physicians may feel helpless at reducing inflation or solving the nation’s labor shortages, there are some business strategies and tactics they can implement to fight rising prices. Practices can negotiate with payers, improve their billing, examine creative ways to cut costs, and outsource services to try to stay ahead of inflation, said Nathaniel Arana, founder and chief executive officer of NGA Healthcare, a health care consulting firm that negotiates contracts with payers for physician practices. “In medical practices and surgery centers, inflation is a major, major issue,” Arana said. “The majority, if not all other businesses, are able to increase their rates when there’s inflation, . . . [but] medical practices and surgery centers are bound by payer contracts. So, the only way that they can increase their rates is by negotiating with insurance companies.”

Arana acknowledged that this could be a long process but said negotiating is doable, either by the practice or through hiring a consultant to do the analysis and negotiating. First, a practice needs to understand exactly what it’s getting paid by an insurance company and then compare that with Medicare and other insurance companies. For example, if Insurer A is paying 110% of Medicare, but Insurer B is paying 80% of Medicare, “that gives us an understanding or an idea that there is a potential to go to 110[%],” Arana said, “because one of the payer’s competitors is paying that high so it seems like the market can bear that rate.”

Once it knows what rate increase it plans to ask for, a practice “needs to create a compelling story about why [it] deserve[s] an increase,” Arana said. The practice should think about ways it is saving the insurer money, such as being able to reduce or prevent more expensive emergency room admissions.

Although it likely does not make sense for a smaller practice to hire a full-time person to negotiate contracts, Arana said, it is a skill to keep in mind when hiring new staff. “If you were hiring for an administrator, for example, and you came across one who has done [contract negotiations] several times for [his or her] previous positions, then that’s obviously going to be a positive return on investment.”

Focus on billing

Medical practices should have billing personnel who are keeping up with billing and going after every penny. “You have to ensure that the [billing staff] is following up, not just accepting claims denials at face value. . . with the insurance company,” Arana said. “In addition to that, there’s a patient cost-share that often isn’t collected at the time of service. It’s always a better practice when the patient shows up and [the practice has] a balance to ask to collect from the patient because that can really affect the practice’s margins.”

The Kidney Experts recently focused on billing, replacing the entire billing team last year after realizing it was not up to date on collections. “We were not getting the support that’s needed to be able to do the billing correctly,” Shree Mulay said. “So, right now, we’re having to take time out and it’s all hands on deck to try and figure out our billing situation. If your billing is not right, even if you’re doing the services, providing the care, and the value, you will not be paid for it correctly.”

To outsource and potentially cut costs, practices should examine every service and item for which they are paying, Arana said. “We live in an era where we tend to put everything on autopay and forget to even review what we are being charged, for the many services we require as a business,” he said. “This is where it is key to have financial reports every month that list all your business services.”

Areas to examine include internet service providers, email hosting providers, and clinical and administrative supplies providers. Areas to consider for outsourcing include medical billing, credentialing, prior authorizations, and recruiting. Shree Mulay said that it is incredibly challenging to look for ways to cut costs and that changes often require new investments. “It’s so easy in theory to talk about what to do, but it can be a challenge to implement because that requires organization and increased complexity,” he said.

Shree Mulay and his leadership team have a daily huddle with their entire staff, where they discuss changes and inefficiencies. “We’re continuously trying to improve things,” he said, “and I think over time, our services continue to improve. Everyone’s a part of the process. Now, everyone’s engaged, so I think there are a lot of opportunities.” ■