

Supplementing the Bottom Line: Retail Sales In The Waiting Room

BY SHARON H. FITZGERALD

As reimbursements decline and the costs of providing quality healthcare rise, physicians are examining more than their patients. They're examining their bottom lines and, for some, the diagnosis is critical.

That's why accountants and consultants are finding themselves handing out advice to doctors on topics once reserved for commercial clients. Physicians are increasingly making the jump into retail sales, and the strategy is proving to be a sound medicine for dwindling revenue streams.

"It's a way to smooth out cash flow by selling additional products and services," explains Douglas Gordon of Gordon & Associates CPA in Cordova. Gordon is one of the few Tennessee members of the National CPA Health Care Advisors Association, which has conducted training for its members on the subject of physician retail sales and services.

"With the HCAA, we usually talk about things going on around the country, and

we have firms in the bellwether states like California, Florida and New York," he says. "This is definitely a hot topic."

Today, dermatologists sell their own skin care lines, obstetricians sell prenatal vitamins, oncologists offer sun block products and diet supplements, and cardiologists hawk fitness videos and DVDs. Durable medical goods such as ergonomic chairs, beds and pillows are hot commodities, too.

Gordon says the trend is growing, as practices and medical groups also add providers whose services aren't traditionally covered by health insurance, such as nutritionists, acupuncturists, massage therapists and even aroma therapists. The key, he says, is that patients buy the products or services directly, and no third-party payer is involved.

Rhonda Sides, director of healthcare services for Nashville-based Crosslin Vaden & Associates, says introduction of retail sales into a medical practice may require a shift in accounting methods. Typically, physician offices operate on the cash basis of accounting, reporting income as it's collected. In retail, the accrual basis of accounting is used to record earnings and

expenses as they occur if total revenue tops the \$5 million mark. Sales taxes might also apply, she adds.

Sides cautions that doctors in retail also need solid internal controls to prevent theft and procedures for ordering and inventory.

Gordon says retailing "really requires a different mindset, and you might want to even set up a different legal structure to handle those transactions. If it goes over particularly well, you would want to protect it from malpractice claims, set up sort of a firewall."

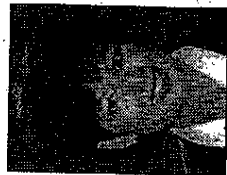
Both Gordon and Sides see maximum potential in wellness and cosmetic services, from spa-like facilities adjacent to physician offices to Botox injections delivered even by general practitioners. Gordon says one wellness center in the Cordova area is owned by internists and boasts a full-service gym complete with a trainer, a nutritionist on staff, a dietitian and massage therapists. "It's a great concept," he says. "They were letting the dollars go elsewhere. They told their pa-

tients to go exercise and eat a healthy diet and that was the end of it. Now they can direct their patients and give them an answer." On the flip side, Sides adds, she knows of a Nashville chiropractor who opened his practice at a health club.

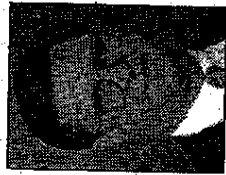
Wellness facilities aren't located in traditional medical buildings. "You will also notice that many retail medicine facilities are aimed at a woman's taste, as it is estimated that they make approximately 85 percent of a family's healthcare buying decisions," Gordon says. "Some facilities are also likely to be located where there is retail traffic, such as malls or strip shopping centers instead of near hospitals or medical centers."

Patient convenience is also fueling this one-stop-shop mentality. Patients like to see their doctor, complete a 30-minute workout and pick up their vitamins all at one place.

"The retail medicine movement is driven in large part by the Baby Boomers who have disposable income and are facing issues of wellness, fitness and aging. They are willing to pay cash for services to help them feel and look better and live longer," Gordon says.



Rhonda Sides



Douglas Gordon