

SETTING UP SHOP — *in the* OFFICE

To make certain health products available to time-pressed patients, as well as boost profit margins in their practices, physicians are turning to product sales. Is this the right move for you?

DR STEPHEN SINATRA NEVER dreamed where the supplements he began adding to his diet in 1977 would lead him. As a cardiologist who established the [New England Heart Center](#), he strongly believes these pills, capsules, and herbs help prevent strokes and heart disease and delay the aging response. Naturally, he recommended the health-food store staples to his patients.

But the more he studied, the more blatant the marketplace's shortcomings appeared. Sinatra phoned presidents of vitamin manufacturers, demanding to know why they included so much copper, and why not use pure

Vitamin A? By 1990, Sinatra had authored two books on the subject and bought a health-food store in Manchester, Connecticut.

"There was just no creativity—we needed a medicinal model," he says of the industry he'd entered. So he sat down with chemists and PharmDs at pharmaceutical-grade supplement manufacturers to develop his own products, and conducted blood tests on hundreds of patients to validate the delivery system. "I'm convinced to deal with the heart, you have to stay ahead of pathology," Sinatra explains. "If physicians stepped into the nutraceutical (where food and medicine overlap) dispensing market, they'd do an enormous amount of good for their patients."

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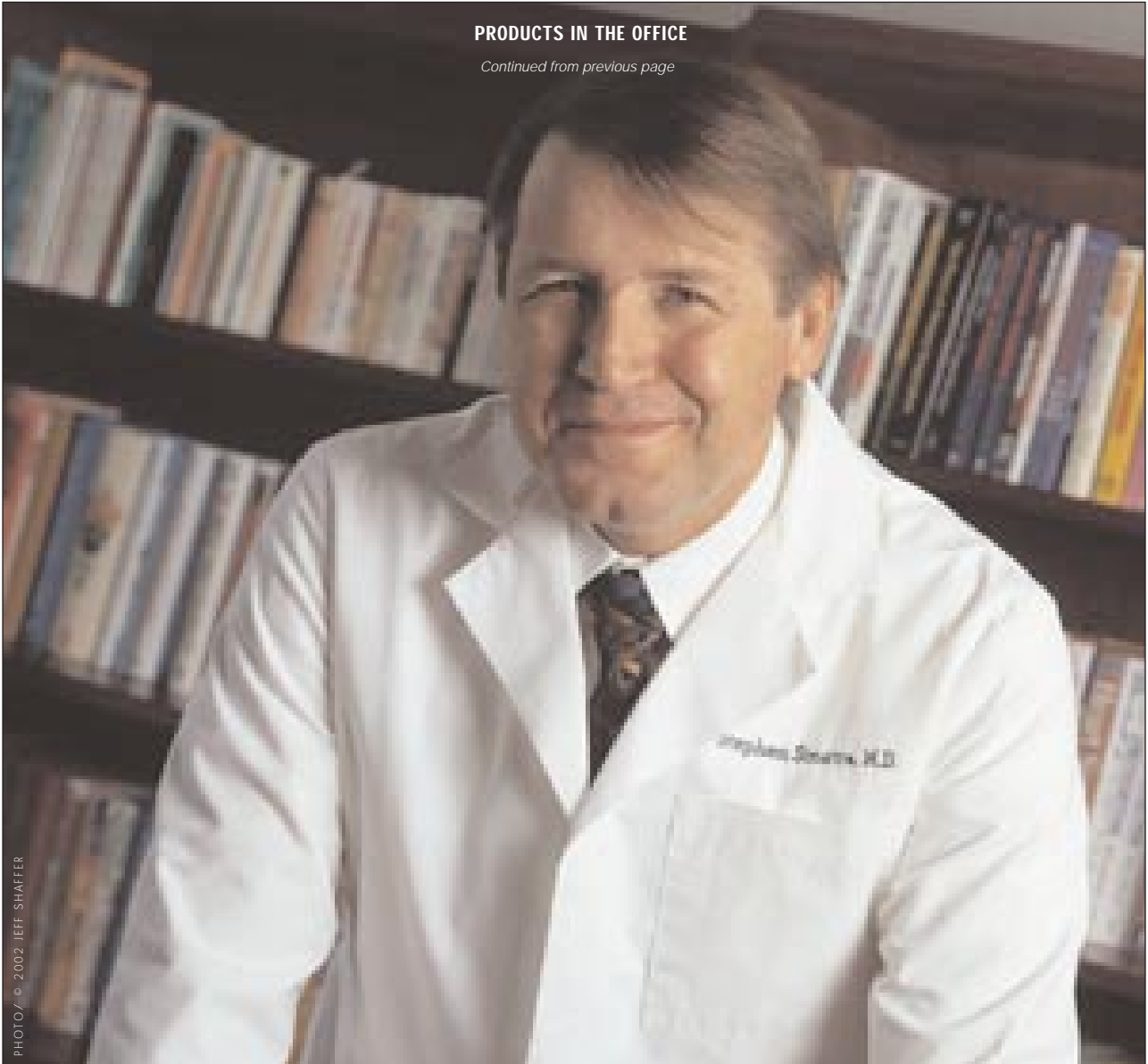


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To impact patient health in the community, he needed his office as a distribution conduit. He now sells vitamins at his office. The logistics demanded he hire nutritionists and registered dietitians and train his nurses to answer patient questions. “We’d commit suicide if we didn’t have some sort of slight profit built in to these sales,” he says.

It’s unclear how many of his fellow physicians also sell products from their offices. Manufacturers anecdotally guess “tens of thou-

Stephen Sinatra MD, the founder of New England Heart Center, believes he helps patients by offering them high quality, specially formulated supplements in his office. “If physicians stepped into the neutraceutical dispensing market, they’d do an enormous amount of good for their patients.”

sands,” while the [American Medical Association](#) reported “thousands” when it jumped into the fray in the late ‘90s. The range of specialties is wide—primary care physicians, dermatologists, ophthalmologists, ob/gyns, plastic sur-

geons, cardiologists, internists, anesthesiologists, and pediatricians, to name a few—and the lines of products even wider. Healthcare business consultant Jeffrey P. Thompson, founder of [J.P. Thompson and Associates](#) in

Are you taking advantage?

Eva Cover may be the world's best patient. The Potomac, Maryland, public relations specialist actively seeks to partner with doctors who suggest alternative, complementary treatments like acupuncture and nettie pots. She raises no eyebrows at purchasing these at her doctor's office, and she doesn't price shop. "Frankly, I'm willing to pay a bit more just to avoid running around," Cover says. "Feeling obligated to purchase from the office goes back to the old way of assuming whatever doctors say is gospel. Informed consumers can't afford that mindset. My doctor's attitude is that these products are available as a convenience, and my attitude is 'thank you.'"

The American Medical Association, on the other hand, views your patients as a captive audience; when writing its guidelines on product sales, the ethics committee kept this side of the equation firmly in mind, reports chairman Dr. Frank Riddick. "When a patient is in your office, he's not on equal footing. He might go along in order not to offend the physician or to placate him," he explains. Today's informed consumers are also a more suspicious breed, points out health-care business consultant Jeffrey Thompson. They prefer to purchase an item rather than be sold on it.

Even Dr. Steven Krems, the physician adviser of the new [complementary medicine program](#) at Daniel Freeman Marina Hospital in southern California, admits Americans are more respectful toward a doctor's orders. "If your doctor tells you to get a product, most people believe in it a bit more than just having watched

an infomercial," he says. The upside: better compliance. The downside: It increases your responsibility to act professionally at all times. Here's how these physicians handle patient communications:

DR. WILLIAM HUFFAKER, plastic surgeon, St. Louis: "We're really low key if we get a sense the patient is hesitant," he says of the skin-care products in his St. Louis office. To avoid the high-pressure car salesman stereotype, Huffaker bends over backwards to recommend similar over-the-counter products that offer milder benefits some patients may prefer. Then he zips his lip on even mentioning his products in the future unless that patient initiates the conversation.

He also extends a money-back guarantee for his buyers' peace of mind. "Never hold the choice against your patient. Treat them as if they elected for a non-surgical solution over the more expensive surgery," he says.

DR. STEPHEN SINATRA, cardiologist, Potomac, Maryland: As a passionate supporter of supplements—he downs the same things he recommends patients add to their diets—Sinatra starts with education. He gives his patients generous product samples along with books and newsletters that address the difference between quality and inferior mixtures. If they want to purchase more product, his staff can help. (Sinatra often gifts it to indigent patients.)

DR. STEVEN KREMS, internist, Marina Del Ray, California: His patient conversation is straightforward—after dis-

cussing the patient's condition, Krems says, "I'd like you to take this supplement to boost your immune system. I have it here at the office if you want to purchase it, or here are a couple of health food stores where you also can pick it up."

DR. MARIE STEINMETZ, family practice, suburban Washington, D.C.: Virginia law requires Steinmetz to get patients' signatures stating they understand she may enjoy a profit from any product they buy. When presented routinely as part of the patient visit, this form serves as Steinmetz's "advertisement." She places her products on a shelf in the hallway for patients to pick up if they're interested.

As executive vice president of Integrative Therapeutics, Corey Resnick, naturopathic doctor, suggests physicians also post a placard in the waiting room that states their financial interest in product sales. This satisfies AMA guidelines, and relieves the doctor from awkwardly transitioning to this topic during the patient visit. "Physicians then are free to say, 'There's a product I'd like you to take for your health. It contains these key ingredients, and here's why they are important to your health. These can be obtained elsewhere, but I have confidence in the quality of this product, so I recommend it. It's available in our dispensary.'

"The vast majority of patients accept this very matter-of-fact," he adds of his practice days. "As long as it's handled in a dignified manner, there's no reason patients should be taken aback." ■

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Manasquan, New Jersey, has worked with doctors who sell weight-loss drugs, exercise programs and equipment, diet foods, and skin creams. Patients are used to buying crutches in this venue, but today's office is also a shopping opportunity for videotapes, books, oils, vitamins, Chinese herbs, and other alternative medicine formulas.

"Medicine is the most ethical and moral segment of business I'm aware of today," Thompson says. "Can we sell products? Yes. But there's a larger question in this issue: What is the mission of a practice, the purpose of a physician's existence?"

Dr. Marie Steinmetz says her busy Washington, DC-area patients save time by obtaining nettie pots, yoga books, and other products in her office. She is required by Virginia law to obtain a signature from her patients stating they understand she may enjoy some profit from the sales of these items.

Ethically speaking

The AMA spells its position in H-140.931: "In-office sale of health-related products by physicians presents a financial conflict of interest, risks placing undue pressure on the patient, and threatens to erode patient trust... Physicians who do sell health-related products should not sell

any good whose claims of benefit lack scientific validity...physicians may distribute health-related products to their patients free of charge or at cost to make useful products readily available for their patients. Except for certain circumstances, physicians should not sell a health-related good when patients can obtain a product that

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offers the same medical benefit at a local pharmacy or health-products store. Physicians must disclose fully the nature of their financial arrangement with a manufacturer or supplier. Physicians should not participate in exclusive distributorships-products that are available only through physicians' offices and for which there is no comparable alternative available at a local pharmacy or health-products store."

According to Dr. Frank Riddick, the New Orleans internist who serves as the chair of the association's [Counsel on Ethical and Judicial Affairs](#) (CEJA), the alarm sprang from the fact that these products are being marketed on the basis of profitability, especially when some vendors don't even require the doctor to stock the supplies to get his cut. "We were not convinced using the doctor's office as a vehicle for sales was appropriate," he sums up.

The AMA dropped the ball in allowing this much leeway, in the view of Dr. Arnold Relman, the editor emeritus of the *New England Journal of Medicine*. "It doesn't matter what the polls show on patient feedback. This is about what the medical profession ought to be," he says. After all, judges can't have a financial interest in parties before his bench. Investment counselors on Wall Street are forbidden to profit from the equities they recommend to customers. "I'm convinced the great majority of people in this country want to be able to trust their doctors to be impartial, unbiased, trusted advisers on their health. Selling diminishes the doctor's standing as an

unbiased professional—it's a no-brainer," Relman adds.

Other medical societies take the same cautious stance. [The American College of Obstetricians and Gynecologists](#) deems it acceptable to sell patients therapeutic products if they answer the women's needs for access at a reasonable convenience and cost (read: emergency birth control); peddling household goods, nonprescription medicines, or multilevel marketing products gets the unethical stamp. [The American College of Physicians-American Society of Internal Medicine](#) says physicians should sell only products essential to the patient's care, clinically relevant to the patient's condition, proven effective in treating the condition, and not easily available thanks to the patient's geography or time constraints. All three associations condemn financially profiting from the situation, which drives St. Louis plastic surgeon William Huffaker nuts.

"Even though I'm an AMA delegate, I say its stance is wrong in this. They don't understand because they seem to focus on product. I can recommend \$5,000 worth of surgery and that's OK, but if I recommend \$45 skin care, that's not OK?" he asks. "There's nothing unethical in our society about profit."

Indeed, chimes in Dr. Marie Steinmetz, a board-certified family practitioner in the Washington, DC area, what's moral about rushing 40 patients a day through your office for the payments? Or ordering an EKG for every chest pain? "There's people doing lots of unethical things in their offices unrelated to selling supplements," she defends.

Sinatra agrees. "If I found an ob/gyn who developed a pill for painless childbirth, even though his selling the pill is a conflict of interest, I'd be the first to buy it," he says. In other words, any office sale meets the definition of conflict in his experience—but that doesn't make it a sin.

He has good company in internist Steven Krems, MD in Marina Del Ray, California. Krems quickly discovered his lengthy herbal instructions went unheeded when patients either couldn't find the product or were confused by the sheer number of choices on the store shelves. "I was wasting a lot of time writing this down for them," he says. Today, he stocks the more elusive herbs in his office. Ditto for Steinmetz, who claims patients in our nation's capital lead too hectic a lifestyle to plan several stops for the nettie pots, yoga books, meditation tapes, herbal teas, healthy bacteria, and Tiger balm she offers. Both Krems and Steinmetz say their reasons fit the AMA parameters by their reckoning.

According to Riddick, the AMA isn't about to police the issue. "We are not an enforcement arm. We can't expel someone from membership if they don't follow our options," he says. "Hopefully we've given enough guidance to convince a physician unsure of the ethics to avoid this. If there are physicians out there who really aren't terribly interested in what CEJA determines to be ethical behavior, I suspect they will continue to do as they have."

Not business as usual

Whether or not it's ethical, selling products from the office can defi-

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nately be profitable. According to Jan Marini, the CEO of [Marini Skin Research](#) in San Jose, California, if a doctor stocks \$2,000 in inventory and sells an average of \$195 in skin care to four patients a day who follow up with \$65 in sales every quarter, the doctor nets more than \$1 million by the end of the third year of practice. Another popular alternative, hiring an esthetician to offer relaxing facials, hauls in at most \$95,000 a year in Marini's examples. What's more, her research shows medical professionals own a scant two percent of the \$20 billion annual sales of skin care in the U. S.

But doctors who sell products solely to save their practice from HMO payment woes have the wrong attitude for success, says Thompson. "If you want to do this because your practice isn't earning the return you need, I'm more apt to look at efficiencies and tweak the business plan," he admits. Thompson claims he has increased the bottom line by 20 percent in more than half his cases with nothing more than new policies, procedures, and systems. The majority of clients, he contends, then shun the product sales option because it doesn't match their practice goals.

Those who choose the product-for-profit route must tackle marketing as aggressively as any other business. Because the competition isn't other practices as much as it is the deep pockets of pharmacies, department stores, health-food chains, groceries, and Internet sites, it's imperative to cull your patient database for potential candidates. Direct-mail flyers, coupons, and bill inserts are the next step. Marini sometimes

hosts elaborate open houses for the dermatologists to kick-start programs, and follows with patient seminars. But the majority of physicians balk at taking their sales to a large commercial level, sticking instead to merely making products available on the side and letting the profits fall where they may. But this lukewarm approach has a cost, as well.

"My accountant looked at my books for five years and said, 'You're out of your mind,'" Sinatra notes. "We were losing money on this because I saw it as a service." He still sells products to area hospitals at cost, and passes out nearly \$2,000 in supplement samples each week. Patients requiring expensive triple-patented formulas from Italy pay only a few dollars over cost. "It's a quality-of-life service issue," the cardiologist says, shrugging off his thin margins.

But remember, cost doesn't mean charging the patient what the doctor paid for the product, reminds Corey Resnick, a former naturopathic family practitioner in Portland, Oregon, who now serves as the executive vice president of [Integrative Therapeutics](#), which sells supplements only through physician offices. Cost also includes expenses associated with providing the product or service.

For example, it can cost \$5,000 to \$100,000 for a start-up inventory, although Resnick recommends his clients start small. "Even doctors who start with a larger dispensary should limit their potential mistakes by cutting down on the number of different products," he points out. "It's somewhat common for offices to order obscure products not pre-

scribed often, or to order too great a quantity of a popular product." It's best to examine the most common ailments in your practice, and select a few applicable products. Assume only a percentage of your patients will be interested in this service, then multiply that by your patient volume to determine a monthly or quarterly supply.

Virginia state laws required Steinmetz to obtain a sales license and collect sales tax; Sinatra had to pour resources into his formulas' manufacture and labeling. But the biggest hit comes in reorganizing the front office staff—someone needs to take responsibility for reorders and accounting issues related to the product sales, and the entire staff needs ongoing education to stay abreast of patients' queries and research. Be sure your receptionist and nurses can handle the drop-in visits these products invite as well as the day's appointments.

Thompson recommends doctors hire an esthetician, dietician, or other licensed medical professional to address the new traffic flow. "It works like an optometrist's office that sells glasses—the fact that the products are a continuation of a medical treatment becomes more acceptable to colleagues within the medical profession," he says. This added personnel also allows specialists like plastic surgeons to use stronger, more effective solutions than non-physicians since the goal isn't pampering as much as results. "If one of our patients experiences redness, she'll accept it from a physician's office more than from a salon," Huffaker notes. But project the costs for this staff

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member, including benefits. You should also protect your patient base from the esthetician with a non-compete contract.

Finally, you must price the product correctly. With skin care, cheaper prices belittle the product's effects in a woman's mind, says Marini, but overpricing endangers patient-physician trust that Relman sees eroding in this situation. A majority of practitioners scout out the competition's pricing and mark theirs in that ballpark. This strategy saves Steinmetz from an uncomfortable position: "I'm not into telling people they have to pay \$60 here for a product because mine's better, when CVS is selling it for \$20," she says.

Homework assignment

According to Krems, the daily routine, once established, is not time-intensive, but keeping up with the industry takes time. However, you can't skimp on this commitment. As Sinatra warns, "Your reputation, all your years of training will be reflect-

ed in the product that you offer." That holds true even if the dietician or esthetician selects the actual product lines and presents them to the patient.

Sinatra treated this homework as he did his med school training. He attended industry conferences, wrestled with various published study results, and devoted a year to studying for the exam to earn a certified nutrition specialist title. Steinmetz took Columbia University's herbal medicine course offered each year, which added her to a listserve that updates members on the latest from pharmacologists. "You must review your biochemistry, really understand how these things work scientifically. Don't just accept what the dealer tells you," she says.

However, no research in the world forms a protective shield against the slights you stand to suffer at the community level and behind closed doors among physicians, Thompson warns. Krems knows the hospital staff where he holds privileges disparaged several local doctors who

broke out the multilevel marketing approach to cholesterol-lowering formulas. "And here I am in a Western hospital selling herbs. There's probably some people on staff who think I'm a total quack," he confesses. "Does that bother me? No." As a result of offering naturopathic and Chinese herbs, Krems' practice boasts more than 130 patients who have found relief from ulcerative colitis and Crohn's disease.

"I know the AMA doesn't believe in this, but all I care about is taking care of my patients," Krems says. "And since they do well on herbs and formulas that may be hard to find, this is a no-brainer for me." ■

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