SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Perspectives on Medical Practice Management

Volume 7, Issue 2

Summer 2009

Can We Help?

Our firm provides a broad range of services to medical practitioners, including:

- Accounting & Financial Management
- Tax Services
- Internal Accounting Controls
- Practice Management Consulting
- Office Automation Consulting
- Personal Financial & Estate Planning
- Practice Valuations
- Finance Consulting

Inside this issue:

Retirement Plans for Medical Practices

Although retirement plan assets have declined in value during the financial crisis and economic downturn, there are still many compelling reasons for a medical practice to sponsor a qualified retirement plan.

Qualified plans are a way for physicians to convert current income into savings for the future. They deliver valuable tax benefits. And sponsoring a plan can help attract and retain valuable employees.

There are several different types of qualified retirement plans. Which plan, or combination of plans, is right for your medical practice depends on many factors. Your and your fellow physicians' savings goals should top the list.

The Defined Benefit Option

More commonly known as "traditional pension" plans, defined benefit plans promise a fixed or defined benefit (typically calculated based on such factors as a plan participant's age, years of service, and earnings). Defined benefit plans are funded entirely by the employer. Each year, an actuary determines how much the employer must contribute to cover the benefits that have been promised under the plan.

Maximum annual benefits are subject to a limit (set each year by the IRS): For 2009, the limit is $195,000. While defined benefit plans are generally more expensive to set up and administer, they allow higher contributions for older participants, which may be a factor if you've waited to establish a retirement plan.

The Defined Contribution Option

In defined contribution plans, such as 401(k) and profit sharing plans, contributions are defined (by plan formula) rather than benefits. Plan participants have individual accounts, and benefits are based on the vested balance in each person's account. Defined contribution plans generally offer more flexibility than defined benefit plans. For example, both employees and employers may contribute, and employees may be permitted to direct their own investments.

One possible drawback: There is an annual limit on the amount that can be added to a participant's account. The limit is $49,000 for 2009. (Certain plans may allow participants age 50 or older to make an additional $5,500 catch-up contribution.)

Other Options

In addition to traditional defined benefit and defined contribution plans, there are several qualified plan options that may allow you to significantly increase your retirement benefits.

Cash Balance Plan. This is considered a "hybrid" plan -- a defined benefit plan that incorporates some defined contribution plan features. (Plan benefits are expressed as a hypothetical account balance rather than a projected monthly amount.) Contribution amounts can go well above the defined contribution plan limit. And cash balance plans offer attractive distribution options not available through defined benefit plans.

DB(k) Plan. This is also a hybrid arrangement. The main feature of this "eligible combined plan" is that it allows a traditional benefit plan to accept 401(k) contributions. The DB(k) will become available in 2010.

New Comparability or "Cross-tested" Plan. Under this type of defined contribution plan, nondiscrimination testing is performed as if the plan were a defined benefit plan. Employees may be split into groups (based on age, ownership, etc.) with each group receiving a different contribution percentage. Again, contributions may well exceed the limit for defined contribution plans.

Age-weighted Profit Sharing Plan. This option uses an age-and-salary-weighted allocation formula, which allows larger profit sharing contributions to go to older, higher salaried physicians.

Call Us

Qualified plans are complex, and the laws governing them change frequently. Whether you're establishing a new plan or considering making changes to your current program, we can guide you through the many options and explain the advantages and disadvantages of each.

Boosting Your Collection Rate

A healthy cash flow is invaluable. How well cash flows into your practice may be a direct result of how your accounts receivable functions are structured. A lenient approach to these important processes could result in the loss of valuable income.

Organize Accounts Receivable Functions

Start by making sure that job positions are clearly defined and staffing levels are adequate. Meet with your employees to review workflow and discuss specific job responsibilities. Collection duties are challenging, and not all employees are well-suited to the task. Identify staff members who have not only the right skills and knowledge, but also the right temperament for this important job.

Prompt billing can help speed up payments. Avoid unnecessary lag time between a patient's visit and when the bill is generated and mailed. Payments should be processed promptly, and statements should be sent out on a regular basis. If a patient questions a bill, investigate the matter as soon as possible so the issue can be resolved in a timely manner. One final suggestion about billing disputes: Taking responsibility when an error has occurred can promote goodwill.

Collection Tips

In addition to selecting staff members with the appropriate skills, the following suggestions may help improve your success rate.

- Print your terms of payment on all billing statements.
- Follow up on past due amounts within 10 to 14 days. (It is not necessary to wait 30 days.)
- Keep tabs on patients who relocate by using an address correction service (such as the "Address Service Requested" option offered by the United States Postal Service).
- Watch for warning signs. If a patient's payment habits change, follow up sooner than you previously did.

The Alternative

Generally speaking, the longer a debt goes unpaid, the less likely it is that you'll be able to collect. In this case, a collection agency may have more success. You may want to establish a policy of sending all uncollected debts over a certain age (90 or 120 days, for example) to a third party for collection.

Improving in-house collections is a worthwhile, cost saving, and potentially lucrative goal. If you would like our assistance, we can review your current billing processes and meet with your staff to discuss improvements.

The Fair Debt Collection Practices Act (FDCPA) is a federal law that requires that consumers be treated fairly by debt collectors. It spells out what debt collectors can and cannot do. Many states also have laws governing debt collection activities. In general, debt collection laws:

- Prohibit abusive and harassing behavior.
- Spell out when and where debtors may be contacted. (For example, the FDCPA prohibits calls at "inconvenient times" or in the workplace, unless permission has been given.)
- Limit who, other than the debtor, may be contacted regarding a debt and what information may be provided.
- Establish the debtor's right to tell a debt collector (in writing) to stop contacting him or her.

To ensure that your debt collection policies adhere to applicable federal, state, and local laws, consult your legal professional.

Curbing Workers' Comp Costs

With reimbursements declining and operating costs increasing, your medical practice could use some financial relief. One way you may be able to realize some savings is by reducing your workers' compensation insurance premiums.

A medical practice is, by nature, a risky workplace with plenty of opportunities for injuries and accidents. That intrinsic risk is reflected in the workers' comp premiums you pay. Another factor also affects your premiums: your "claims experience." By lowering the number of reported accidents, you may be able to lower your premiums.

Risk Assessment

If you're committed to improving your safety record, consider conducting a practice-wide assessment to identify the riskiest areas. Then, review your claims history. The data you collect will give you a clearer picture of where to direct your efforts.

Safety First

To ensure that safety is a key priority, announce that you're instituting a practice-wide safety initiative. Form a committee with staff members from all departments and prepare a written, formal safety statement. Then, compile a list of rules designed to eliminate unsafe practices. Post the safety statement and rules around the office.

All new employees should be given a copy of your safety rules soon after joining your practice. Match up job-specific hazards with appropriate safety measures and expectations and include them in your job descriptions to help bring new hires up to speed quickly.

Anytime an accident occurs, conduct a prompt and thorough investigation to uncover the cause and prevent further occurrences. Revise your safety regulations accordingly.

Raise Awareness

Don't just assume that your employees will be proactive about preventing accidents. Actively encourage them to make safety a priority. Training and awareness are the keystones of an effective safety program, so offer training sessions, including OSHA-mandated programs (such as the one for bloodborne pathogens). Improving your safety record may pay off in lower workers' compensation insurance premiums.

Are Your Patients Happy with Your Practice?

Without question, your patients' health is your number one priority. But their level of satisfaction is important, too.

If you don't know how your patients would rate your practice, a survey can tell you. The most obvious reason to survey your patients is to provide feedback so you can make improvements. Satisfaction surveys can also uncover problems that busy physicians may not be aware of, especially in the front office.

There are other benefits, as well. A survey sends a message that you care about your patients and are committed to improving their experience when they come for an office visit. Satisfied patients will spread the word and help your reputation -- and your patient base -- grow. The data you collect can also be used to demonstrate patient satisfaction to hospitals and insurance companies.

Select a Survey

If you plan to conduct a patient survey, you'll need to make several decisions. Will you design your own or use one that has already been tested? (Health-care research firms can provide tested questionnaires and handle the entire survey process.)

Will you conduct the survey in the office, by mail, online, by phone, or use a combination of methods? The more responses you receive, the more information you'll garner, so distribute the survey to as many patients as possible. One final note: The survey should be completely anonymous to ensure candid responses.

Plan for Changes

Be sure there is a strong consensus among your staff before you begin the process. There should also be a firm commitment practice-wide to making changes once the survey is completed and the results are analyzed. If you meet resistance, be sure to remind your staff that happy patients can make everyone's job easier.

SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

200 East Buffalo Street
Suite 402
Ithaca, New York 14850
Phone: 607-272-5550
Fax: 607-273-6357

28 North Main Street
Cortland, New York 13045
Phone: 607-756-0073
Fax: 607-756-0052

Email: info@sciarabbawalker.com

The Active Professionals

Medical Briefs

Insurance Rates Fall

Following years of soaring increases, 93% of medical liability insurance companies reported that premiums fell or stayed the same in 2008. The average drop in premiums for 2008 was 4.3%.

Source: Medical Liability Monitor 2008 Rate Survey

2007 PQRI Recap

Eligible providers received incentive payments totaling more than $36 million from the Centers for Medicare and Medicaid Services (CMS) for participating in the 2007 Physician's Quality Reporting Initiative (PQRI). However, according to a CMS report, 48.4% of the more than 14 million quality data codes entered were invalid. CMS has since launched an educational initiative for physicians and other eligible providers.

Ban on Brands Begins

A voluntary moratorium on branded gifts from pharmaceutical companies began January 1, 2009. The guidelines were established by the Pharmaceutical Research and Manufacturers of America to counter the perception that gifts were used to unduly influence physicians.

Sciarabba Walker & Co., LLP
200 East Buffalo Street
Suite 402
Ithaca, New York 14850

Return Service Requested