SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

200 East Buffalo Street
Suite 402
Ithaca, NY 14850

28 North Main Street
Cortland, New York 13045

Phone: 607-272-5550
Fax: 607-273-6357

info@sciarabbawalker.com

The Active Professionals

Medical Briefs

Medical School Costs Continue To Rise

Tuition and student fees for first-year medical students rose at both public and private medical schools during the 2011-2012 school year, according to data compiled by the AAMC Tuition and Student Fees survey. The average cost of tuition, fees, and health insurance at public medical schools for in-state residents was $28,947 during 2011-2012, compared to $26,873 during 2010-2011. For students at private medical schools, average tuition, fees, and health insurance costs for residents stood at $46,456 during 2011-2012, compared to $44,549 during 2010-2011.

Surfing the Web for Medical Information

Eighty percent of Internet users and 17% of cell phone owners have sought online information on health- or medical-related issues, according to the Pew Internet and American Life Project. Topics that are most commonly researched relate to specific diseases or conditions, treatments or procedures, and doctors or other health professionals.

If you would like to receive all future editions of this newsletter via e-mail, please feel free to send an e-mail to:

MLM@sciarabbawalker.com

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

Return Service Requested

SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Perspectives on Medical Practice Management

Fall 2012

Volume I0, Issue 3

Can We Help?

Our Firm provides a broad range of services for medical practitioners, including:

- Accounting and Financial Management
- Tax Services
- Internal Accounting Controls
- Government and Third-party Payer Regulations
- Practice Management Consulting
- Practice Development
- Office Automation Consulting
- Personal Financial and Estate Planning
- Practice Valuation
- Financing

In This Issue

Making Use of Cash Flow Projections	1
Plan for Changes in the Tax Law	2
Maximize Revenues and Trim Expenses by Streamlining Practice Operations	2-3
Handling a Decline in Patient Visits	3
Medical Briefs	4

Making Use of Cash Flow Projections

When you manage your practice's cash flow effectively, you help your practice grow and thrive during both strong and weak economic times. The key to managing cash flow is the cash flow projection -- a forecast of your practice's cash receipts and expenditures.

A cash flow forecast shows the anticipated flow of money entering and leaving your practice on a monthly (or weekly) basis. With the help of this information, you'll be able to create strategies to handle your practice's cash surpluses and deficits and to control your overhead.

Creating a Forecast

The first step in creating a forecast is to examine your accounting records and historical patterns. For each income and expense category, project monthly cash receipts and expenditures. When you combine your practice's cash balance at the beginning of the month with the projected net cash flow for the month, you can see if you will have a projected cash surplus or deficit at the end of the month.

Let's say, for example, your projection for October indicates that cash expenditures will exceed receipts by $9,000 and you have an $8,000 cash balance at the beginning of October. Your deficit for that month is $1,000. Update your forecast monthly, if not weekly, using actual financial data.

What To Do with a Projected Deficit

If your projection indicates future cash flow deficits, you'll need an action plan to deal with them. For example, you might use a line of credit, obtain a short-term loan, take steps to speed up the collection of money owed to your practice, or reduce expenses.

A line of credit will help you even out fluctuations in cash flow. A good accounts receivable tracking system should identify overdue accounts so that you can quickly follow up with delinquent patients and insurers. Stay on top of delinquent accounts with frequent calls and letters.

Reducing your practice's expenses is another effective strategy for handling projected deficits. Some expense-reducing ideas to consider: an energy audit, a comprehensive review of purchasing policies, a reassessment of your practice's space requirements, and a review of your current compensation practices.

Maximizing a Surplus

A surplus allows you to pay down a line of credit or invest in short-term or liquid instruments. Your bank most likely offers a variety of cash management services, such as an automated investment sweep, that can help your practice make the most of its excess cash.

An Important Tool

Cash flow projections can identify periods when cash may be tight so that you'll have time to secure additional credit or take other steps to address the problem.

We Can Help

We can help identify and prioritize various measures that will help your practice run more efficiently. Specifically, we can help you review your current cash management practices and suggest possible improvements. Please contact us for assistance.

A good accounts receivable tracking system should identify overdue accounts so that you can quickly follow up with delinquent patients and insurers.

Plan for Changes in the Tax Law

Significant changes to income- and estate-tax laws are scheduled for 2013. These changes will likely have a major impact on the financial health of many high-income taxpayers, including physicians. What do you need to know?

Potential Changes in Income Taxes

The fate of the lower tax rates that taxpayers have enjoyed for several years probably won't be determined until after the election. However, as things stand, individual taxpayers can expect higher tax rates on ordinary income, capital gains, and qualified dividends after 2012. Absent legislative action, the top rate on ordinary income will be 39.6%, and the maximum rate on net capital gains generally will be 20%. Dividends will be treated as ordinary income instead of being taxed at the lower capital gains rates. Also, absent further action, higher income individuals will be subject to reductions in personal exemptions and itemized deductions after 2012.

The health care reform law's new surtax on investment income and additional Medicare tax on earnings will take effect in 2013. The surtax, referred to as the "unearned income Medicare contribution" tax, will be imposed at a rate of 3.8% on the lesser of (1) net investment income for the year or (2) the amount by which modified AGI exceeds: $200,000 (single and head of household), $250,000 (married filing jointly and surviving spouses), or $125,000 (married filing separately).

Estate and Gift Taxes Are a Moving Target

As the law currently stands, the highest federal gift- and estate-tax rate is 35%. Unless the law changes, the highest rate will rise to 55% for taxable transfers made after 2012. Moreover, though the exemption amount -- the amount that's protected from gift and estate tax by the unified credit -- stands at $5.12 million for 2012, it is slated to drop to $1 million after 2012.

In addition, the existing opportunity for the representative of a deceased spouse's estate to elect to transfer any exemption amount the estate doesn't use to the surviving spouse will not be available after 2012, unless lawmakers agree to extend the provision or make it permanent.

Planning may be difficult in this environment, but it's important that taxpayers try to map out the steps they should take in view of these significant developments.

Maximize Revenues and Trim Expenses by Streamlining Practice Operations

Improving operational efficiencies should be an ongoing process for all medical practices. Reevaluating and examining existing procedures can help identify areas of weakness that can drain revenues and increase costs, lowering the bottom line. The following suggestions may help jump-start your own thoughts about ways you can maximize your practice's revenue stream and reduce costs without sacrificing patient care.

Keep Coding Current

Miscoding is expensive: It can reduce reimbursements and cause delays or denied claims. Miscodes are often due to old data, under coding to avoid penalty risk, or leaving coding decisions to inexperienced support staff.

For more accurate coding, maintain updated coding manuals and software, keep a code reference summary handy in exam rooms, and use online coding resources. If you make notes during each patient visit, you'll be able to bill more accurately. Taking coding refresher courses will help your staff stay current with coding practices.

Finally, periodic assessments of your practice's coding accuracy can help uncover problem areas. These assessments could include a review of your practice's forms and a comparison of billing codes with the actual services that were provided.

Improve Employee Productivity

Consider these ideas for improving productivity:

- Set productivity goals and offer incentives to your staff for reaching those goals
- Delegate administrative functions (ensure that physicians spend most of their day doing only what physicians can do)
- Plan patient flow so that physician and medical assistant billable time is maximized

(continued from page 2)

Exercise More Efficient Control over Staff Time

It is often possible to trim overtime expenses without reducing the quality of patient care. Start by reviewing the payroll records of your non-exempt employees to determine who worked overtime and why. Find out if your practice was fully staffed and simply busy or if it was short one or more employees on the days when the overtime occurred. If overtime was necessary because you were short-staffed, see if this was due to vacations or some other controllable situation. It may be time to revise your practice's policy on vacation time if scheduled time off was the cause of the jump in overtime.

Update Fee Schedules

Patients can be price conscious and resistant to fee increases. Nevertheless, if your practice hasn't raised fees in some time, you may want to consider appropriate increases. In addition, you should periodically examine the reimbursement rates of all the plans you participate with and reevaluate whether it makes economic sense to continue accepting patients from some of the ones that reimburse poorly.

Improve Your Purchasing Practices

Medical and office supplies can be a significant part of a practice's expenses. Busy practices may take the path of least resistance and continue ordering from the vendors that have always supplied them. That can be an expensive mistake. Choose several of your practice's "high-volume" items and find out how much other vendors are charging. Use that information to negotiate lower prices with your current suppliers, consolidate orders with fewer vendors, or switch to new suppliers to save money.

We Can Help

We can help you identify areas where streamlining operations may help optimize your practice's bottom line. Please call.

. . . if your practice hasn't raised fees in some time, you may want to consider appropriate increases.

Handling a Decline in Patient Visits

Visits to physicians' offices fell 4.7% in 2011, following a 4.2% decline in 2010, according to data from the IMS Institute for Healthcare Informatics. Higher copays and deductibles, as well as the lingering effects of the recession, are contributing to the decline in doctor visits and to a drop in prescription use, according to the study. What steps can you take to maintain patient levels and to encourage patients to keep up regular visits? Here are a few ideas.

- Stay in touch: Have your front-desk staff call patients a day or so ahead of time to remind them of their appointments. Use the call to remind patients why it's important to come in for the consultation or procedure and why delaying or postponing the appointment could be potentially harmful.
- Take the initiative in communicating: You have to assume that some patients won't understand what you are asking of them while others may be too embarrassed to ask for specifics. That's why it's important that you clearly explain why you are ordering a particular test and why a certain medication or procedure you recommend is so crucial to the patient's well-being. Once patients fully understand what you want for them, they are more likely to maintain regular appointments.
- Help allay patients' financial concerns: Some patients cancel appointments because they can't afford to come in to your practice. You may be able to help certain patients by allowing them to stretch payments for a visit over several months. You could also direct patients to discount drug programs operated by various agencies and nonprofits or write prescriptions for lower cost generic drugs if possible.

. . . it's important that you clearly explain why you are ordering a particular test . . . .