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
Fax: 607-756-0052

Email: info@sciarabbawalker.com

The Active Professionals

Medical Briefs

Residents Opt for Hospital Employment

A job in a hospital tops the wish list for residents nearing the end of their training, according to a recent survey by Merritt Hawkins, a national physician search firm. The survey found that 32% of residents indicated that hospital employment was their most desired work setting, while only 10% would choose employment with a single-specialty and 10% with a multi-specialty group. The survey also found that 56% of residents identified a "good financial package" as the most important factor when considering their first practice.

One-year Delay of ICD-10 Proposed

The Department of Health and Human Services has published a proposed rule that would delay the date for implementing ICD-10 from October 1, 2013, to October 1, 2014. ICD-10, the International Classification of Diseases, 10th Edition, contains numerous new diagnoses and procedures and over 141,000 codes, a significant increase from the approximately 17,000 codes in ICD-9.

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MLM@sciarabbawalker.com

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

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Perspectives on Medical Practice Management

Volume 11, Issue 1

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Can We Help?

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

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

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Smart Retirement Planning for Physicians

It's never too early to think about retiring. Even if you are still struggling to pay off your medical school loans or are wondering where the money will come from to send your own children to college, retirement planning is important. As a physician, you are probably well aware that people are living longer, more active lives. It makes sense to start as early as possible to plan, save, and invest for what could be a very long retirement.

To assist you in your planning, here's an overview of tax-favored retirement plans that may be practical for a medical practice.

Defined Benefit Plan

A defined benefit plan, usually referred to as a traditional pension plan, promises to pay a specific monthly retirement benefit to participants for as long as they live. The employer has to make annual contributions to the plan that will be sufficient to fund the promised benefits, which may be calculated based on a formula that includes such factors as age, years of service with the employer, and salary. For example, a pension benefit may be equal to a stated percentage of your average salary for the last five years of employment times your total years of service.

One of the primary attractions of a defined benefit plan is that it permits higher contributions for participants who are older since there is less time to fund the promised retirement benefit. This can be a plus for physicians who may have held off starting a retirement plan until their practice became more firmly established. The maximum annual benefit that can be funded under a defined benefit plan is currently $200,000 (2012 inflation-adjusted limit).

One potential negative associated with a defined benefit plan is that the regulatory, filing, and actuarial requirements are significant, making this type of plan relatively expensive to administer.

Opting for Flexibility

Unlike a defined benefit plan that promises a fixed retirement benefit to participants, the benefits that a participant in a defined contribution plan receives at retirement will be determined by the participant's individual plan account balance. This amount is based on employee or employer (or both) contributions to the plan and account gains or losses. Maximum "annual additions" (generally employee and employer contributions) to a defined contribution plan account for 2012 are $50,000.

There are several types of defined contribution plans. Some of the more common ones are:

Profit sharing plans. This type of plan allows discretionary annual employer contributions.

401(k) plans. This popular plan allows employer contributions and employee salary deferrals. The 2012 elective deferral limit is $17,000, plus a $5,500 limitation on catch-up contributions for those age 50 or older.

Other Types of Retirement Plans

SIMPLE IRA plans. A Savings Incentive Match Plan for Employees can be an attractive option if you have 100 or fewer employees and want to offer employee pretax salary deferral contributions. Generally, SIMPLE plans have low administrative costs and start-up expenses compared to other retirement plans. They also have minimal filing and compliance requirements.

Simplified Employee Pension IRA (SEP-IRA) plans. As the employer, you can make annual contributions for each eligible employee that are generally tax deductible. However, the SEP-IRA gives you flexibility to change the amount you contribute based on your practice's financial performance. This type of flexibility allows you to conserve your cash when practice revenue is in a downturn and resume contributions in years when business improves.

Talk to Us

We can work with you to determine what type of retirement plan will make the most sense for your practice and help ensure your financial security in retirement.

One of the primary attractions of a defined benefit plan is that it permits higher contributions for participants who are older . . . .

Find Your Optimal Staffing Level

If your practice has too few staff members, patient care may suffer and collections may slow down. If you have too many, you'll face rising operational costs. Is there an optimal level that will allow you to operate your practice efficiently without letting your costs get out of control and creating dissatisfaction among patients?

Start by using medical industry benchmarks for comparison. Various organizations collect a wide variety of data on staffing levels. You'll want to compare apples to apples, so it's important that you use data from practices similar to yours in terms of practice area(s), size, annual revenues, and the number of physicians employed. It's also important to follow the same methods used in the survey when determining your practice's numbers for comparison.

Look at These Key Benchmarks

Two benchmarks you should look at are the average number of support staff per full-time-equivalent (FTE) physician and the percentage of gross practice revenue used for support staff salaries.

The first benchmark is the number of full-time staff (not including mid-level providers) required to support one full-time physician. The percentage of gross revenue is total staff salary expense divided by gross revenue over the same period.

Be Ready To Adjust

If your physicians see more or fewer patients daily than the average patient load, you'll likely want to compensate for that difference when you compare your practice with benchmarks. Looking at the number of patient visits per year or week or the gross charges per physician can help you gauge your support staff to FTE physician ratio. Similarly, your practice may require more support staff than a benchmark indicates if your ratio of mid-level providers to physicians is higher than a benchmark survey suggests. By the same token, your need for support staff may be lower if you have no mid-level providers.

Start by using medical industry benchmarks for comparison.

Stay on Top of Denied Claims

Physician reimbursement rates have been falling while the costs of running a practice have been rising. Squeezed financially on several fronts, medical practitioners need to ensure they are not losing substantial amounts of revenue as a result of claims that are denied or underpaid. Partially paid, delayed, or denied payments by insurers can significantly impact a practice's bottom line.

What steps can your practice take to minimize denied or underpaid claims and to improve the likelihood of getting paid when you resubmit denied claims? Here are some ideas that can help get you started.

Get It Right the First Time

Denied or delayed claims are typically due to human error. Insurers deny claims for a variety of reasons: invalid codes were entered on the claims form, the claims form lacked a signature, the patient information provided was incomplete or inaccurate, etc.

The good news is that many errors can be prevented by proper training. You can reduce coding errors by educating yourself and other staff on correct coding procedures. Start by maintaining up-to-date coding reference materials in the office. Consider holding regular coding education seminars for physicians and coding staff. Identify the most common coding errors in your practice and make every staff member aware of them. And create a system in which every claim form is reviewed to ensure it has a signature and contains appropriate supporting documentation before it is submitted to insurers.

Appeal Denied Claims

It's important not to simply accept an insurer's denial or underpayment of your claims. All denied claims should be reviewed and resubmitted for payment. Choose one trained member of your

(Continued from page 2)

staff to run monthly collection reports and to audit all health insurer payments and denials to determine if reimbursements or adverse determinations are accurate. For every partially paid, delayed, or denied claim, have that staffer review the insurer's reason(s) for its actions. Gather any documents that properly support your claim for full payment and immediately resubmit your claim.

Maintaining a follow-up log can help you track your progress in securing the correct payments for your services and will help you identify which insurers are more likely (and which are least likely) to make the correct/more favorable reimbursements on appeal.

Choosing the Malpractice Insurance Policy That's Right for You

Do you have to shop around and pay for your own medical malpractice insurance policy? Since there are variations in cost and coverage among different policies, how can you be sure you'll get the most effective and appropriate coverage at the best price? The following information may help.

Understand Cost Variations

Medical malpractice insurance is largely regulated by the states. Variations among state regulations can be a reason why premiums go up or down in some states but not others. Premiums are typically priced based on a physician's specialty and the geographic location where he or she practices. In some instances, insurers also take into account the number of hours a physician works in setting premiums.

Check That the Policy Covers All Procedures

Your policy should cover all medical procedures you would typically perform as part of your everyday work. If your insurer can't or won't cover certain procedures, you may have to look elsewhere. What happens if you already have a policy but plan to add new medical procedures in the future? Let your insurer know your plans because your existing policy may not cover certain procedures.

Know What Options Are Available

A "claims-made" policy will cover you for alleged instances of malpractice that occur and are reported to the insurer during the policy period. This type of policy also may allow you to increase your liability limits over time if you decide it's necessary.

When reviewing claims-made policies, look for one that guarantees your right to buy "tail" coverage. Tail coverage insures you against claims that are reported after the original policy period ends for incidents that happened while the policy was in effect. However, some insurers offer tail coverage for longer periods than others, so be sure to compare several carriers before you sign on the dotted line.

You could also choose an "occurrence" policy, which insures for any event that happens while the policy is in effect no matter when the claim is filed.

Investigate the Insurance Carrier

You want to be sure that the insurance carrier that's providing your medical malpractice insurance will have sufficient funds to pay any claims. An insurer's financial strength is typically measured by one of the major rating agencies, such as A.M. Best, and is indicated by a letter grade. Carriers rated A- or better tend to be financially strong.

It's important also that you look into the insurance carrier's track record when it comes to handling claims. Colleagues who have policies with the same carrier are often a good source of advice.

Before you sign up with any insurer, make sure you receive satisfactory answers to questions you may have. For example, ask what happens when a physician reports a claim. Ask who will review the claim and whether other physicians will be involved in the review process. Find out the insurer's position on nuisance or frivolous claims -- does the insurer settle them to avoid costs or fight to the finish to have them dismissed? You'll also want to know if you will be involved in resolving a claim against you. The "consent to settle" clause in the policy will typically explain the insurer's approach to settling. Read it carefully before you purchase the insurance.