SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

PERSPECTIVES ON MEDICAL PRACTICE MANAGEMENT

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Inside this Edition

How Can We Help?

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

- Accounting Systems and Internal Controls
- Tax Preparation and Planning
- Compensation Consulting
- Government and Third-Party Payer Regulations
- Personal Financial Planning
- Mergers and Acquisitions
- Practice Valuation
- Real Estate Analysis
- Payroll Services

Our News Briefs are going electronic!

To receive future editions electronically, please email info@swcllp.com.

Bring It On: Adding an Associate or Partner to Your Practice

Is it time to bring on an associate or partner? There are many reasons you might consider it. For example, your practice might have become so busy that you have little time with your family—or for yourself. Perhaps your practice volume has grown so much that you need help managing it, or maybe retirement is around the corner and you're thinking about eventually selling. In any case, it's important to look at the pros and cons before taking this important step.

What Are Your Goals?

Bringing on an associate is a significant decision—not unlike hiring an employee, but with higher stakes. Before beginning the process, ask yourself:

- What do you hope to achieve?
- To achieve that goal, what credentials do you expect a partner or associate to hold?
- If the plan is to increase overall patient visit volume, what effect will the increase have on total expenses?
- What patient volume level is necessary for the practice's optimal profit margin?
- Can your office infrastructure (that is, office, examining room, reception room and office staff) handle additional patients?
- Can your office location and community accommodate your practice's growth?
- Are you prepared to manage another physician?

Finally, are you willing and able to give up a portion of control and decision making in your practice?

How Will You Find a Good Match?

After answering these questions, it's time to think about where to find a partner or associate. You already may have someone in mind. If not, resources include journals in your specialty, online information and recruiting firms that specialize in physician practices.

Of course, it's a given that you'll want to bring on an experienced physician with excellent technical qualifications. But, just as in hiring an employee—and perhaps even more so—personality is a huge factor. You want to get along with your partners. In addition, it's important to ensure that the partner or associate understands what your goals are.

Another consideration similar to personality is your practice's culture. This is the philosophy on which your practice is based. Culture can manifest itself in many ways—for example, whether your interactions with patients and office staff are formal or informal, how staff customarily handles daily operations, and whether staff is willing to extend themselves to assist patients and ensure their satisfaction.

To get a better sense of this, it's often useful not only to conduct a traditional interview but also to meet the potential associate in a social setting with your staff. Do you and the candidate approach patient care with the same philosophy? Can the candidate meet the goals you've set? Is he or she willing to do so? Is the candidate comfortable living and working in the community where your practice is located?

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Five Ways to Plug Revenue Leakage

It isn't always a major problem that causes a medical practice to lose money. Sometimes a steady drip of small losses—a little bit here, a little bit there—adds up to a big problem. Of course, you need to empower your staff to work on accounts receivable and to handle billing issues. But physicians often lose track of what's actually going on in their medical practices' business operations—and when that happens, problems can occur.

Before taking any major steps, consider these tips for staying on top of your business processes:

- Meet regularly with your staff to review reports.
- Have financial benchmarks.
- Compare what's happening this year to what happened last year.
- Determine what's normal in other practices.
- Audit patient charts regularly.
- Look at 10 charts a month (per provider) to ensure they're entered appropriately.

You also may want to hire a professional billing service to occasionally spend a day auditing your charts and receivables.

Five Steps to Take

Even when you engage in the best possible business practices, losses might still occur. Here are five plugs for revenue leakage:

1. Ask for your money. If a patient owes a co-pay, ask for it. Collect as much up front as is feasible. Create processes and procedures that make it easy to collect fees owed, such as accepting cash, checks and credit cards. You can and should make exceptions, but the bottom line is that a medical practice is a business. Make every effort to ensure no one leaves the office without paying what's owed—whether it's a bill or a co-pay.

2. Educate patients on estimated expenses. When discussing an expensive and complicated procedure, such as a surgery, develop a financial agreement ahead of time so you can educate the patient on the procedure's cost. Put it in writing and make sure the patient agrees to it by signing it. Both the practice and the patient should receive a copy.

3. Audit your computer systems. Sometimes, practice management software features can cause inadvertent problems. For example, one type of software required someone to hit "print claim" after a transaction was saved. The claim was then sent electronically. But if staff failed to hit the "print claim" button, the claim wasn't sent. Instead, it showed up as an outstanding balance, even though the insurance company had never received it. Staff needs to be trained in the correct use of your practice management software.

4. Offer more services. Offer medically appropriate services that could bring in additional revenue. If a patient comes in with a specific ailment, this is a potential opportunity to offer a more thorough checkup, resulting in more targeted services and care. In addition to creating better results and more comprehensive care for the patient, it will generate more revenue.

5. Badger the insurers. As most physicians know, filing an insurance claim and getting exactly what you expect to receive is rare. Update your insurer contracts on a regular basis. Review your price lists and send them to insurance companies. From time to time, insurance carriers change their reimbursements. Appeal claims and get to know your state Medicare liaison. Join your state's specialty medical association to pool resources when dealing with insurers.

The Sixth Step

The worst revenue loss often is embezzlement. After that, it's losing patients. By keeping your patients happy and satisfied, you'll avoid a major source of revenue leakage. Our experts can help with any questions you have about plugging your revenue leaks.

In Brief: Getting Patients in the Door

the complete article can be found on our website at www.swcllp.com

In the current competitive medical environment, people are presented with a range of options for medical care, so attracting patients is increasingly challenging for physicians. One key to getting patients in the door of your medical practice is to create a marketing plan, possibly with the help of a professional marketing firm, that incorporates an understanding of your target demographic and your brand identity, among other factors. Here are some questions to consider when developing a marketing strategy:

Who Are Your Patients? It's important to evaluate the age range of your patients, where they live, and how they found out about you.

What Is Your Brand? Defining what type of practice you have and who the practice is serving is a way of determining the practice's brand identity. Getting a handle on your brand can help you select the most appropriate marketing targets and outlets.

How Much Can You Spend? Generally, a marketing budget that is about 2–4% of projected revenues is considered appropriate.

Why Not Multiply Your Efforts? For your marketing campaign to be effective, it needs to cross several platforms and be geared to your specific target audience. With research and the added support of a marketing professional, your marketing strategy can produce your desired results.

What's the Best Insurance Coverage for Your Practice?

All medical practices carry insurance policies to protect them against risk. Foremost among these in many physicians' minds is medical malpractice insurance coverage. While important, this isn't the only insurance you need to protect your practice. It's key to assess where your practice lacks coverage—and whether your current coverage is worth the price.

What You Should Have

Every practice should carry policies that cover general liability—for equipment, furnishings, autos and so forth. In addition, your practice should have insurance policies for non-owned auto, workers' compensation and bond for ERISA fiduciary liability. It's important to carry employment practices liability insurance to cover management decisions related to employees, and you'll need policies for directors and officers' liability to cover decisions by board members. Last, but not least, your practice should carry professional liability insurance for various forms of medical malpractice.

You also may want to consider other coverage, including the following:

- Life insurance for your key officers or as an employee benefit
- Long-term care
- Short- and long-term disability
- Privacy violations coverage
- Umbrella insurance for personal injury and property damage

Whether you choose one or all, each of the above is designed to protect your practice—and its key physicians.

Take Inventory

First, take inventory of current coverage, and compare your desired coverage with the list above. Identify where your practice has too much, or too little, protection.

Ask yourself: What are the policy deductibles? What share of a claim would the practice be willing to pay? Do current policy limits fit the potential for loss? Are policies keeping up with the practice's evolving technologies? Last, do any policies have overlapping coverage for the same risk?

Prepare a Matrix

Once you understand the coverage you have, work with your financial consultant to prepare a matrix of coverage tailored to your practice's current and future needs and its owners' wants. Pay special attention to what's essential for the practice, what's required by law or contract, and what should be offered as a benefit to employees or owners. Describe what's covered by each policy, the term of coverage, dollar limits and deductibles, and current carriers and potential alternatives.

Evaluate the Most Cost-Effective Coverage

With an idea of the protection needed, solicit bids from highly rated insurance carriers. Evaluate the bids that offer the most cost-effective coverage.

If your practice can't afford the entire package of policies at one time, rank them according to the level of risk that they manage. Then, purchase the highest priority packages first and other types of policies as you can afford them.

Avoid Risk

It's easy to put insurance coverage on the back burner, allowing it to lapse or become outdated. Although this might not appear dangerous, a lapsed policy can cause severe damage in the event a claim isn't covered. Don't take the risk of losing your practice because your insurance policies haven't evolved with your business. Cover all the bases—assess your practice's insurance needs with the help of a financial consultant on an ongoing basis and make adjustments as needed.

Our Partners:

David Iles, CPA, Managing Partner
Linda Bruckner, CPA
Jeff Gorsky, CPA
Amy Iles, CPA
David Stinson, CPA, MS

www.swcllp.com
info@swcllp.com
607-272-5550

Follow Us!

Sciarabba Walker & Co., LLP
410 East Upland Road
Ithaca, NY 14850

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What About Compensation?

How the partner is to be compensated likely will involve negotiation. Generally, you can take the following three approaches to associate compensation:

1. Pure salary strategy. This places all the risk on you. The question becomes whether the associate will generate enough income to warrant the salary.
2. Pure percentage of production strategy. With this approach, the associate takes on more of the risk. But it's difficult to predict if or how volume will increase or shift. This method, which is probably the least common, can run afoul of antikickback laws, so you'll need to seek legal advice if you consider this a viable option.
3. Base salary plus an incentive. This is the most common approach. The associate is paid a base salary and receives a bonus based on a negotiated level of income generated. The risk is shared between the senior partner and the associate, and an income threshold of approximately three times the associate's base salary is common. For example, if the agreement holds that the associate's base salary is $50,000 a year, a bonus will be awarded when he or she has generated $150,000 of practice revenue. Typically, the bonus consists of 15% to 25% of each dollar made above that threshold payment. And the agreement might also stipulate that, after the associate generates $150,000 of practice income, he or she is to start earning 15 cents to 25 cents on every dollar he or she brings in, to be paid out monthly, quarterly or annually.

It should go without saying that any contract should be in writing. These types of employment agreements fall under several state and federal regulations, so consult an attorney familiar with medical practice agreements.

Does It Stop There?

After you make the new associate or partner part of the practice, it doesn't stop there. It's important to integrate him or her into the life of your practice. Make an effort to introduce him or her to patients as well as local colleagues. Review practice procedures and protocols together and agree upon them. Educate staff on the associate's role and how his or her specialties and relationship with the practice should be presented to patients.

Obviously, any associate you agree to bring on will have a stake in the success of the practice. Stay open-minded, and provide him or her with clear and consistent feedback.