



FIVE WAYS TO STOP LOSING MONEY IN YOUR PRACTICE



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Medical practices face similar challenges across the nation. Physicians are busy trying to manage patient volume, rising expenses and compliance issues. Many doctors assume that their practice managers are watching the bottom line, but unfortunately, this is not always the case.

As consultants, we are often asked to analyze why a practice may be struggling to meet profitability goals. Experience has proven that we can focus on five key areas that will undoubtedly highlight where practices are losing money. These key areas are the same no matter what the practice specialty, geographic location or patient mix.

Capture All Charges

Each year, practices lose thousands of dollars by not charging for all the services that they provide. Lost revenue can also occur if physicians fail to document the proper level of service or select an improper diagnosis code. In some instances, physicians return from seeing patients in the hospital or nursing home and fail to provide documentation to their billing staff. A lost charge here or there can add up quickly and may have a significant impact on revenue.

Medical practices can safeguard against lost revenue by putting a few simple procedures in place. Some examples include:

- Establish an internal procedure to crosscheck the hospital patient roster to billed charges in your practice management system.
- For surgical or procedurally based practices, obtain and crosscheck hospital surgical schedules/surgery center schedules to billed charges in your practice management system.
- Utilize the encounter tracking system that is part of most practice management systems. Run the missing encounter report to ensure that charges have been entered for every office visit.

Monitor Staff Overtime

This week we spoke with a physician that told us while he was away on vacation, his staff billed 38 hours of overtime. That's a lot of overtime for a practice that did not have any patient hours scheduled for the week. There are two challenges when it comes to staff overtime.

The first challenge is to identify and quantify how much overtime is occurring in the practice. Any overtime should be signed-off by a supervisor or manager. If the overtime hours exceed a pre-established threshold, than a physician-owner signoff should be required.

The second challenge is to create efficiencies within the practice so that overtime is not an option. Staggered scheduling is an effective way to provide coverage during extended office hours while ensuring that necessary tasks are completed without incurring overtime. Many employees are looking for flexible schedules that will allow extended hours to be covered (i.e. early mornings, evenings and Saturdays).

Fight for Every Dollar

Practices need to be relentless about collecting outstanding accounts receivable. In an environment where reimbursement is constantly being reduced, physicians need to make sure that every dollar is collected. One area frequently neglected is submission and aggressive follow-up on secondary claims. While Medicare's explanations of benefits show that sometimes secondary claims have been forwarded to supplemental carriers, these do not always generate a payment. There are also many instances where the claims are not sent to secondary carriers.

We recently worked with a practice that did not follow-up on the Medicare supplemental claims that were sent electronically. It did not even submit the claims that required manual intervention. After working with them to establish procedures for submission and follow-up, there was a 15% increase in revenue from these claims over a ninety-day period.

Additionally, more and more families have dual coverage with both spouses working. Practices should make sure to file secondary claims that may cover co-payments and deductibles.

Malpractice – More Than Just Premiums

Malpractice continues to be one of the major expenses for most medical practices. Practices frequently get their renewal notices without exploring options for reducing premiums. Consideration should be given to the form of malpractice coverage - occurrence or claims-made. For physicians who intend to work in their current practice for five years and then retire, claims made policies may be available that do not charge for tail coverage. This may be an attractive option to review.

Malpractice premiums are often impacted by claims that have been filed against physicians. Insurance companies “reserve” funds for outstanding claims based on their estimate of what it may cost to settle the claim. There are instances where the amount reserved is excessively high.

We know of one case where a physician’s premium was going to increase by 40% because of an outstanding claim. The insurance company reserved \$500,000 to settle the claim. After working through the broker, the reserve was decreased to \$50,000 and there was no increase in premium for the physician. It is essential that your broker is an advocate for you with the insurance companies to make sure that reserves are appropriate and justified to minimize the impact on premiums.



Medical and Office Supplies

There is tremendous variability in what practices pay for medical supplies, drugs and vaccinations, as well as office supplies. All too often vendors are chosen based solely on convenience, not price. We have seen instances where a practice is purchasing medical supplies from a local vendor at a cost that is higher than if they were purchased at a chain pharmacy.

Every practice should request annually (at a minimum, but preferable semi-annually) that vendors bid on the most frequently ordered supplies. Practices should have separate lists for medical, office and pharmaceuticals. Request that at least three vendors submit bids. In addition, request that the vendors guarantee the pricing on the supplies for at least one year to prevent “low-balling” just to get initial business. The ordering of supplies should be restricted to a few individuals in the practice. Guidelines need to be established as to the amount of supplies to be kept on hand. Practices should not keep excessive inventory of supplies. This ties up funds that could otherwise be spent. Practices should also keep accurate records of supplies that are received by comparing packing slips and invoices with order records. A significant amount of money could be lost by staff taking supplies for personal use if the practice does not keep track.

Conclusion

Practices need to be ever vigilant about both maximizing revenue and reducing expenses in order to make their practices more profitable. As one of the leading accounting and profitability consulting firms for physician practices, Cowan, Guteski & Co., P.A. understands what physicians need to do to make more money. Contact Deborah Mathis, CPA, CHBC, Shareholder/Director (dmathis@cowanguteski.com) or Michael Lewis, MBA, FACMPE, Director (mlewis@cowanguteski.com) with the Healthcare Services Group at 732-349-6880.

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