

VitalSigns



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Be the best of the best

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SPRING 2013

Do you know where you're going?

STRATEGIC PLANNING CAN SHOW THE WAY

Small to midsize medical practices face many pressures and threats. Revenues are tightening and regulations are growing increasingly complex. New configurations of hospitals and affiliated physicians are developing. And provider groups and services are ramping up competition as the economy's recovery remains uncertain.

In such an environment, a well-conceived strategic plan can provide a crucial survival tool and identify a plausible route to greater stability and success.

MAP OUT YOUR COURSE

Good maps help us find our destinations as easily as possible. Likewise, strategic planning can guide your practice more directly toward the mission, vision and goals you have identified for it. The right plan creates a sense of direction amid “stormy seas” and helps you set priorities, focus on productive actions and eliminate extraneous concerns.

The planning process can help build a more complete understanding of your business environment. And, because all of your practice's key personnel are involved in the planning process, it gives you an invaluable opportunity for shared discussion and team-building.

Moreover, a good strategic plan propels specific near-term actions derived

from a collective effort, providing a year or more of concrete goals to drive the practice's operations.

ASSESS THE TERRAIN

The first activity — conducted before the formal group planning session — is an environmental assessment. Gather information about your area's demographics, organizations that compete with your practice for patients, and changes in policy and reimbursement that will affect it.

An internal assessment is also needed. Here, you must assemble data about

the practice's financial and performance indicators. The more thorough and accurate the assessments, the more effective your strategic priorities and action plan will be.

After reviewing each assessment's findings, the group first works out its mission statement — in other words, the purpose of the practice. If you have never tackled this endeavor, the results can sometimes prove surprising. The mission statement shouldn't be a mere platitude; it needs to capture the honest, clearly expressed reasons why its leaders believe the



practice exists and the values that they consider fundamental.

Next comes the identification of the practice's vision: in other words, the shared sense of what the practice should become and how it should look and function several years down the road. This vision statement should then be contrasted with the results of an analysis of the practice's strengths, weaknesses, opportunities and threats (SWOT).

By comparing the results of the SWOT analysis with your mission and vision, you can identify several strategies — that is, the basic changes that are most likely to move the practice in the direction its leaders believe is most appropriate.

MOVING FORWARD

Strategic goals are often defined as broad, long-range (at least two or three years) and somewhat general. They identify fundamental directions, such as exploring a merger or acquisition, or adding a new category of patient care.

Steps needed to accomplish these goals are typically developed during tactical or action planning, which usually occurs in later discussions. An action plan should:

1. Identify specific steps needed to satisfy each strategy,
2. Determine when each step will occur,
3. Appoint who is responsible for each action, and

4. Specify how the results of each action will be evaluated.

To successfully execute action plans, you need everyone involved to be motivated and positive. Procrastination only leads to wasted time, lost productivity and possibly a failure to reach your goals.

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GETTING SOME HELP

As with any strategic business activity, get an experienced health care consultant involved in the planning process. He or she can help organize the overall project, prepare exercises and written tools, facilitate group



activities, and write the actual strategic plan document and related text. And, of course, for your strategic plan to be a useful ongoing function, regularly monitor its progress. A consultant can help here, too, by checking in on agreed-on dates throughout the year.

BEING REALISTIC

Strategic planning is by no means a panacea for every problem facing your practice. But it's the best method for identifying a route to minor tweaks and even major improvements that can enhance profitability and boost everyone's job satisfaction. ●

Good strategic planning = A top-notch practice

Strategic planning surfaced as a business methodology in the 1950s and has remained a mainstay of professional managers and governing boards ever since. It's been universally adopted among larger companies and organizations — including most hospitals and large practice groups.

Unfortunately, smaller medical practices often choose to omit formal planning. But this can prove a costly oversight because, while strategic planning requires relatively little time or expense, it can often produce insights that greatly improve the practice's financial well-being, self-awareness and future prospects.

Be the best of the best

HOW TO BOOST YOUR PRACTICE'S FINANCIAL PERFORMANCE

All physician practices strive to serve their patients and do no harm. But not all practices do everything they can to be successful *financially*. If your practice wants to be one of the most profitable among its peers, there are many ways to boost its financial performance.

MIND THE MONEY

If a practice's market is expanding and its fees are increasing, its charges should steadily increase over time. To see where you are, track charges, payments and adjustments both monthly and annually, and calculate the gross and adjusted collection percentages for the same periods.

Unless collection percentages are already at the highest feasible level, your practice should work steadily to improve them.

FIND YOUR FLOW

Significant increases in charges must come from an inflow of new patients. Make sure you record the number of patients that visit your practice — both monthly and annually — and break out the numbers of visits from established vs. new patients.

If the practice is striving to increase the number of

patients and the revenues they produce, patient flow data will serve as a measure of progress.

REV UP REFERRALS

Depending on your practice's specialties, you may have several primary referral sources, including:

- Other physicians in the same specialty,
- Referral hotlines, and
- Health plans on whose provider panels your practice sits.

Monitor referral activity by identifying your regular referral sources. Then determine amounts allowed by Medicare and commercial payors and

actual collections for each one. Make sure to acknowledge high-referral sources, and ask low-referral sources for even more referrals.

TAKE ON MEDICARE

If you want financial success, review your fee schedule at least annually to ensure it's set at optimal levels. To get a better handle on what those levels should be, compare your schedule to Medicare's fee schedule and then compare the percentage of its resource-based relative value scale (RBRVS) to the schedules in contracts with other payors. Do this service by service, using CPT codes. Then adjust your fee schedule as needed.

Also, periodically check medical EOB statements against your contracted fee schedules, looking for discrepancies between contracted rates and payment amounts. Then contact the appropriate payor to ask for a one-time payment adjustment and to remedy any patterns of underpayment.

COMPARE YOUR COMPENSATION

Salaries and benefits usually constitute the largest expense item in a practice's operating budget. It's critical to maintain them at the optimal level — neither too high nor too low.



When assessing your practice's compensation levels, track the total full-time-equivalent (FTE) number of staff employed for each payroll period. Divide that number by the total FTE physicians or clinicians to determine the support-staff-to-physician ratio. Then benchmark that ratio against comparable practices to get a sense of overall productivity.

If you want financial success, review your fee schedule at least annually to ensure it's set at optimal levels.

Next, calculate total salaries and wages as a percentage of net medical revenue (collections minus refunds),

and plot trends over time. On the basis of this data, your practice might want to adjust the number and types of employed staff, as well as the ways in which staff members are deployed, supervised and compensated.

PERUSE YOUR PAYORS

Maintain records of all charges, payments and adjustments for each of your top payors, and then calculate the gross collection percentages per payor. Doing so will help you anticipate any changes they're planning in provider relationships, contract terms or reimbursement fee schedules.

Next, determine how dependent your practice is on its top one or two payors. If a payor imposes new contract terms or a fee schedule that you can't accept and you terminate the

relationship, a big chunk of revenue could disappear overnight.

In addition, identify payors that are particularly difficult to collect from. Similarly, determine which payors' reimbursements most *inadequately* cover the costs of providing services. With this information, you can decide whether to cease participation in certain plans or to stop accepting new patients from these plans.

WORK WITH A PRO

The best of the best physician practices make their mark because they regularly measure their financials along with other performance factors. They also work regularly with competent, professional financial advisors to get help along the way. ●

7 ways to build primary care practice revenue

A principal premise of the Patient Protection and Affordable Care Act is that the expansion of primary care services will both improve the American public's health and help constrain the cost escalation of health care overall — now approaching 18% of the GNP. In addition, provisions of the act will likely increase reimbursement for primary care practices.

Heightened interest and enhanced payments are a welcome change for the beleaguered primary care medical

community. For years, its reimbursements have lagged behind those of specialty practices. The health care act's provisions — including insurance coverage for children up to age 26, funded screenings and exams and subsidized insurance pools, to name a few — are all coming into play. These changes are a lifeline to a vital but endangered area

of medicine that appeared to be on its last legs.

Here are seven ways to build your primary care practice's revenue while also offering your patients additional and beneficial health care services.

1. EXTEND PRACTICE HOURS

Offering evening and weekend office appointments will likely heighten patient satisfaction and attract new patients. Reorganizing physician and



support staff schedules to accommodate extended hours will require extra effort, but the change should help build a larger, more satisfied and loyal patient panel.

2. OFFER MORE TIMELY APPOINTMENTS

Provide same-day or short-wait appointments to patients who need prompt, unanticipated attention. If you're not providing this option, rest assured that competing practices are doing so — and perhaps capturing your potential or actual patients.

3. MAXIMIZE YOUR MARKETING

Simple, low-cost marketing activities abound. For instance, develop a patient satisfaction survey and modify your practice's behavior based on the results. Also consider conducting health fairs and screening days for your patients, as well as sending them periodic practice news and health tips via e-mail.

Could one of your physicians take on a leadership role at your medical society? If so, publicize his or her activities in your marketing pieces *and* the local media.

4. OFFER NEW OR EXPANDED SERVICES

Successful practices create multiple revenue streams. For example, you may want to add services such as:

- Developmental pediatric screening,
- Joint injections,
- Audiometry,
- Simple-fracture care,



- Pulmonary-function-test interpretation, or
- In-office laboratory testing.

It's often possible to add such services while incurring relatively low capital expenses. Meanwhile, you're providing more convenience to your patients and generating additional revenue.

5. DELEGATE CARE AS APPROPRIATE

Maximize your staff's talents to the full extent of their licensed capabilities. Allowing professional nonphysician staff members a greater range of patient care extends physician time and makes work more satisfying for the employees in question.

6. ADD PATIENT VISITS TO THE PHYSICIAN DAY

Careful scheduling and efficient time management should make it possible to add one or two patient visits to the average physician's work day — without greatly increasing the doctor's

total work week. The revenue rewards of this change can be very significant.

7. MANAGE OVERHEAD

Revenue enhancement is a critical route to success. But don't forget that saving a dollar of expense is just as helpful as earning a dollar of increased revenue. Review your fixed and variable expenses carefully and often.

The health care act's upcoming development of medical insurance exchanges for small businesses might offer one important means to shave expenses for smaller practices by reducing the medical insurance premiums they pay for their employees.

DAUNTING BUT DOABLE

Given the recent developments in Washington, a more supportive primary care environment is taking shape. Practices that take steps now to expand revenue, while increasing patient convenience and services, could attain a level of success not possible in years past. ●

Forging productive relationships with your part-time physicians

Many larger practices have added part-timers to their physician rosters and been pleased with the results. The trend has picked up in smaller practices, where the addition of part-timers can also be mutually beneficial — as long as both parties understand the terms and responsibilities of these employment arrangements.

WORK STATUS

Practices must withhold taxes for employees and provide a range of benefits for those working over a minimum threshold of weekly hours. If a part-timer is categorized as an independent contractor, you have no responsibility for his or her tax withholding and aren't obliged to provide benefits. The same distinction may also apply to malpractice coverage.

The distinction between an independent contractor and an employee can be confusing. Generally, the IRS prefers to classify workers as employees and not independent contractors because this results in tax withholding and the reporting of income by the workers. For instances in which misclassification has occurred, the IRS introduced the Voluntary Classification Settlement Program (VCSP) in 2011.

Under the program, eligible employers can obtain some relief from federal payroll taxes by voluntarily reclassifying certain independent contractors as employees.

In late February, the IRS announced a few changes to the VCSP program. Namely, companies under IRS audit — other than an employment tax audit — may qualify for the new program. If you're accepted into the program, the usual three-year statute of limitations applies, not the six-year statute imposed by previous rules. Because of the ambiguous regulations affecting worker status, if you plan to add part-time physicians or other staff, consult a tax expert to assure that classification is handled correctly.

Some practices make the provision for key part-timers to become partners, allowing them to co-own practice

equity and share in profits. It's up to the practice to decide, or at least consider, if such an arrangement is workable. Also consider whether the part-timer's work agreement should include a noncompete provision restricting work in other practices, clinics or hospitals for a given time.

COMPENSATION AND BENEFITS

Practices may choose to pay part-timers a straight percentage of full-time salary based on hours worked, a pro-rated percentage of total professional fees, an agreed share of net revenue or a per diem fee.

There's also a wide range of benefit options: from none at all to inclusion in medical and dental insurance, retirement and pension programs, and other benefit plans. If benefits are provided, you should determine what minimum number of average hours per week will trigger eligibility for participation.

MUTUALLY BENEFICIAL

Whether you already have part-timers on staff or are just considering them, these arrangements should be *mutually* beneficial. So, review current part-time agreements and carefully plan prospective ones with the help of your financial and business advisors. ●

