



Vital Signs

In this Issue:

Practice Management
Page 1

Championing New Ideas
Page 2

Paper Flow
Page 3

Exit Strategies
Page 4

We're here to help you with all of the details associated with your practice. From the organization of paper to the major milestone of retirement, this issue of *Vital Signs* covers these topics and more. Many health care providers struggle with the amount of paper flowing in and out of their office. We discuss a few methods for calming the paper storm. Retirement should be a peaceful and relaxing time for dentists, but it can become stressful and worrisome without the proper advanced planning. Our article about exit strategies gives a few ideas to consider for retirement plans. As we all know, managing a health care practice won't always be easy. In our practice management article, we offer some suggestions for navigating your practice through the rough patches. Finally, we present a case study that demonstrates the importance of having someone on staff to champion new ideas. As always, please contact us if you would like more information about any of these articles.

Practice management: Navigating the stormy seas

Many medical practices have seen profits decrease for a variety of reasons. The reality in small businesses is that times will not always be good. In order to survive the rough patches, your practice needs constant care and attention to detail, which you, as its leader, are responsible for providing.

Captain the ship

A leader of a practice is like the captain of a ship, navigating away from troubled waters. To avoid stormy seas, a good physician leader reshapes the vision of the practice, drives efficiencies, analyzes new opportunities, sets new goals, develops action plans, creates a system to measure results, and constantly monitors and reviews progress.

A leader makes sure that the fundamentals of running a practice are being followed and that the practice is charting a course into safe territory. It is always more fun to add a new ancillary service and buy new equipment, but the attention to detail must always come first.

Navigate new paths

A physician leader must reshape the vision of the practice at least annually, not just in troubled times. Some practices actually refine their vision twice a year. By refining your original vision of the practice, you rejuvenate yourself and the practice so that you and your staff will be eager to get to work each morning. Don't stand pat and continue to run the practice as it has been run for the last three, five, 10, or 15 years. You can inject new life in your practice by trying some of the following tactics:

- Start new projects
- Re-evaluate staff
- Collect accounts due to you
- Change vendor relationships
- Review compensation models

You can also work on making your practice more efficient. Question everything, from your scheduling to your billing. Try asking yourself the following questions:

- Why do we see patients in our current schedule format?
- Can we add or delete slots in the schedule?
- Does the software offer upgrades we can use?

- Can we save time or paperwork by using our billing software more efficiently?

By tightening your standards of productivity and service, you can make your staff more accountable. You might want to review what your staff members are doing on a daily basis and redirect staff members who have free time to work on revenue-producing activities and patient satisfaction issues.

New opportunities might help you to reinvent your practice. Analyze new opportunities such as adding procedures, expanding hours, using physician extenders, adding radiology services, adding cardiac diagnostic testing, or becoming a "one-stop shop" offering durable medical equipment products. Don't be afraid to try something different after you have covered the basics.

Track your progress

After you have charted your course, you should continue checking your route and evaluating your progress often. Set new goals for the practice annually or bi-annually and put these goals in writing. You can measure your success with a chart of key indicators that measure success toward those goals in "bite-size" increments. Let your staff know what you want to achieve and share the goals. Focus all your

efforts and decisions on meeting those goals, while increasing your profit margin.

In order to achieve the goals, develop action plans. Each week try to complete several of the key steps in the action plans. Keep your staff involved by insisting that they also achieve their goals and complete several action plans.

To keep yourself and your staff members apprised of the progress towards the goals, create a measurement system to chart how well you are doing. Graph the results of weekly revenue and expenses. Define your results in measurable terms such as patient visits, revenue per visit, new patient visits, procedures per day, hospital visits, or costs per procedure. Track the results that have the most influence on the goals that were set.

Keep the balance

As you review your progress, keep in mind the big picture. You need to find the appropriate balance between the income you want to earn and the lifestyle you want to live. Monitoring your entire plan quarterly or every six months can let you see if what you envisioned is working. If you've planned well, you should be headed for a future of smooth sailing.



Case study: Championing new ideas

Every physician practice is looking for avenues that aren't normally associated with the core practice to increase its bottom line. The first costs that many physicians review are their staffing and administrative expenses, but the excess in these cost areas has usually already been cut.

In the following study, we evaluate an example of two different practices that were seeking to enhance their bottom line. Both practices looked into an avenue in their area of specialty that's not normally associated with their core practice. These practices had significantly different results just one year into implementation.

The research

After many shareholder meetings, two practices with similar patient demographics and insurance mixes looked at adding bone densitometry in their offices. They wanted to see how this would financially impact their bottom line, so we performed a cost benefit analysis for each practice that detailed all the assumptions and issues (see charts below). Since both practices were evaluating the same equipment, we were able to use a similar cost analysis for both. The analysis included:

- Average expected Medicare reimbursement for the procedure
- Monthly lease rate on the equipment
- Labor expense associated with running the equipment
- Facility expense associated with housing the equipment
- General expenses to maintain the equipment
- Patient volume

On paper, the added service seemed like a sure thing for both practices. However, as mentioned, the one practice saw significant revenue from this procedure, while the other practice had a hard time just covering their monthly lease payments. Why such a difference?

The implementation

Upon review of the patient volume, reimbursement rates, and discussions with the physicians associated with the implementation, the difference in the practices' results boiled down to the actions of one physician.

In the practice realizing revenue, one of the physicians was acting as a true champion of the project. He was working to ensure that bone densitometry procedures were being performed by his partners when medically necessary, and he continued to remind them of the importance of this testing. He made it his project to work with the staff and physicians about the necessary patient communications, as well as ensuring that results from these tests were back in the providing physician's charts in a timely manner. He also worked closely with the office manager to do "smart advertising," communicating that the practice now offered this service to its patients.

The second practice, on the other hand, liked the idea of the new service, but nobody within the practice took on the responsibility to ensure its success. Everyone felt that they were already too busy to take on something new and couldn't dedicate the necessary time to ensure its success.

Conclusion

Even if things look good on paper, you must have a physician who implements or champions these ideas. Too many practices look to their office manager or consultants to make things happen, but without the support of the physicians, good ideas often have negative financial ramifications.

BONE DENSITOMETRY – PRACTICE A

Bone Scan Revenue Analysis

Based upon the following Medicare Reimbursement for _____

IVA	Medicare – 76077	\$ 39.41
BMD	Medicare – 76075	131.42

Average reimbursement:	\$ 170.83	
Sale Price:	58,000.00	
60 Month Lease:	1,243.62 – includes sales tax	(60 Month, 7.1%, \$1.00 Buyout,
Technician Expense:	16.00 – hourly rate	One Payment in Advance)
Facility Expense (includes office space):	520.83 – 250 sqft @ \$25/year	
General Expense:	5.00 – hourly rate	

Tests/Day	Average Reimbursement	Monthly Revenue 22 Days/Month	Monthly Lease	Technician Expense	Facility & General Expense	Monthly Net Profit	Yearly Net Profit
1	\$ 170.83	3,758.26	1,243.62	352.00	630.83	1,531.81	18,381.68
2	170.83	7,516.52	1,243.62	704.00	740.83	4,828.07	57,936.80
3	170.83	11,274.78	1,243.62	1,056.00	850.83	8,124.33	97,491.92
4	170.83	15,033.04	1,243.62	1,408.00	960.83	11,420.59	137,047.04

BONE DENSITOMETRY – PRACTICE B

Bone Scan Revenue Analysis

Based upon the following Medicare Reimbursement for _____

IVA	Medicare – 76077	\$ 39.41
BMD	Medicare – 76075	131.42

Average reimbursement:	\$ 170.83	
Sale Price:	58,000.00	
60 Month Lease:	1,243.62 – includes sales tax	(60 Month, 7.1%, \$1.00 Buyout,
Technician Expense:	14.75 – hourly rate	One Payment in Advance)
Facility Expense (includes office space):	700.00 – 300 sqft @ \$28/year	
General Expense:	4.25 – hourly rate	

Tests/Day	Average Reimbursement	Monthly Revenue 22 Days/Month	Monthly Lease	Technician Expense	Facility & General Expense	Monthly Net Profit	Yearly Net Profit
1	\$ 170.83	3,758.26	1,243.62	324.50	793.50	1,396.64	16,759.68
2	170.83	7,516.52	1,243.62	649.00	887.00	4,736.90	56,842.80
3	170.83	11,274.78	1,243.62	973.50	980.50	8,077.16	96,925.92
4	170.83	15,033.04	1,243.62	1,298.00	1074.00	11,417.42	137,009.04

Breakeven: Approximately 13 – 15 studies per month



Controlling paper flow in your practice

While the world around us has become an electronic mecca, the health care industry has only just started entering the electronic realm. Electronic health records, also known as electronic medical records (EMR), are a much needed and demanded innovation to the industry, but implementation is slow.

Until the industry matures electronically, you have to deal with paper, in the form of patient charts, insurance denials, secondary claims, Explanation of Benefits (EOB), and test results and orders. The amount of paper in your practice is abundant and most often overwhelming.

So how do you get a handle on all of this paper flowing through the practice to ensure that all issues are addressed and appropriately filed to reduce misplacement and duplication? The overall timeframe on implementation of your electronic medical records will determine the extent to which changes in processes will be made. However, you can put in place a few systems to assist with managing the mountain of paper you see daily.

Maintain tracking logs

An area that creates a profuse amount of paper flow in the office is the ordering of tests and receiving the results of outside tests. Many practices still write paper prescriptions for outside tests that are ordered. These orders are generally filed in the chart either at the time of ordering or at a later date. The results are then received, reviewed, and filed.

Maintaining a log or a “tickler file” (with a copy of the prescription) that can be matched to the results coming into the practice is very helpful. Log all ordered tests into a manual or electronic log by date. Upon logging, file the order into the chart. Once results for the tests are received, log the date of the receipt.

Alternatively, file a copy of the order in a tickler file (alphabetically by patient last name). Match results to the order to make sure that both are filed at the same time. Once the results are received, match the order and attach to the chart for provider review and signoff.

The log or tickler file acts as verification that all tests that have been ordered have the respective results associated. Any unmatched orders will then require follow up with either the patient or the appropriate facility.

This process reduces the amount of time your staff spends on last-minute tracking down of results (while the patient is sitting in the room), eliminates processing duplicate receipts, and eliminates duplicate requests for test results.

Scan what you can

Scanning technology allows for electronic storage of information. Scanning can be used for various components of a patient’s record, as well as office information. Most medical practices currently scan patients’ insurance cards into their practice management software packages. However, many of the current practice management packages allow other types of information to be stored and scanned into the system.

Signed HIPAA documents, patient demographic information, prescription information, lab results, referral information, EOBs, charge tickets, and patient correspondence can either be directly downloaded or scanned into the software. This information allows for a decrease in paper flow around the office, as well as acting as a readily acceptable database for the entire office to access.

Register them online

Online registration allows patients to complete their paperwork before they get to the office, which speeds up the registration process. The information that is entered is downloaded directly into the patient record in the practice management system, eliminating the amount of printed paper in the chart. It also improves the registration/check-in process by enhancing the information received. Online updating can also assist in obtaining information on a timely basis.

Accept e-mail messages

Allowing patients to access the practice via e-mail is yet another way to help eliminate the mounds of paper in the practice. E-mail systems can be set up within a practice Web site that will be directed to the appropriate area for disposition.

Some practice management systems will then allow the message (via e-mail) to be downloaded into the patient record. Until EMR is fully implemented, a paper copy may still be needed in the chart. However, once the electronic version is resolved, the message and resolution can be printed and included in the chart. It provides for efficiency, reduction of duplication of messages, and decreases in missing messages.

Enter the charges directly

Most practice management systems have an electronic module that will allow the providers to directly input their charges for services provided. Additional hardware may be necessary, such as a handheld device or a tablet. Having the provider input their own charges does allow for more timely entry and elimination of paper charge tickets. The electronic medium ensures all charges have been posted for services rendered. Most EMRs will prompt the physician to ensure charges are captured, however until implementation, developing a more electronic form of charge entry can ease the flow of the patient encounter.

Take the first steps

Implementation of an EMR system will greatly reduce the amount of paper flowing around the office. Until that time, paper records are inevitable and necessary. Eliminating duplication is a first big step in getting the stacks of paper under control. In addition, electronic storage of information through scanning helps reduce those stacks and eliminates the need for as much storage space.



ElliottDavis

Accountants and Business Advisors

For additional information on our services, contact a representative from our Medical Consulting Group.

Aiken 803-649-1500
Bob Wade

Anderson 864-226-9514
Charles Clary

Augusta 706-722-9090
Bob Wade

Columbia 803-256-0002
Bob Wade

Greenville 864-242-3370
Ira Bedenbaugh
Mike McGuigan

Greenwood 864-229-4951
Bubba Fennell
Mickey Young

Laurens 864-984-6618
Bubba Fennell

www.elliottdavis.com

Whether it's a one-doctor start up practice, or a large, long-established health care institution, the Elliott Davis Medical Consulting Group delivers the business solutions needed to flourish in the complex and fast-changing medical industry. Our team has the experience and expertise to help physician practices and hospitals improve how they manage the countless financial and operational challenges they face every day.

Finance • Physician Compensation · Physician Credentialing
Billing · Accounts Receivable · Insurance Contracting
Equipment Analysis · Fee Analysis

Operations • Office Operations · Office Staffing
Policies & Procedures

Human Resources • Practice Administration
Executive Recruitment Policies & Procedures

Compliance • Stark · HIPAA · OSHA · Medicare · CLIA/COLA

Practice Startups • Office Location · Office Outfitting
Staffing Insurance Credentialing · Name/logo Development
Operation/Administration Set-up (fee schedules, accounting,
licensing, advertising, and more)

Governance • Shareholder Agreements
Buy/Sell Agreements · Meeting & Operations Structure
Physician Employment Agreements

Technology • Patient Management System
Electronic Health Record

Strategic Planning • Plan Development
Plan Implementation & Management

Mergers and Acquisitions • Financial Projections
Due Diligence · Integration Services

Project Management • One-time Projects
Electronic Records Implementation
Satellite Office/Surgery Center Openings

VitalSigns

Elliott Davis, LLC
200 East Broad Street
P.O. Box 6286
Greenville, SC 29606-6286

864-242-3370 Phone
864-232-7161 Fax

Plan your retirement exit strategy now!

A generation ago, it was a common perception among dentists that they would retire and have sufficient means for a comfortable retirement. Today's reality is very different. Relying on the sale of your practice to fund, or even partially fund, your retirement is a high-risk strategy. For this reason, you need to set goals for retirement and develop a strategy to meet those goals if you wish to retire successfully.

Life cycle

A dental practice typically has four stages in its life cycle. These stages are the growth or development stage (approximately the first five years), mature stage (the next 20 years), conversion stage (the final 10-15 years of practice), and the exit stage (the final five years).

It is important to begin planning for your retirement and developing your exit strategy sooner rather than later, preferably during the mature stage of the practice. In this article, we discuss two important steps in this process:

- Implementing a suitable pension plan along with the appropriate investments to achieve your goals
- Identifying your successor to ensure a successful transition for your practice

Pension plan

A practicing dentist will need to accumulate between \$1.5 and \$3 million for his or her retirement needs. This can best be achieved by implementing a defined contribution or defined benefit plan for the practice. For 2006, doctors can defer as much as \$44,000 in a defined contribution plan. Many business owners defer \$100,000 or more per year into a defined benefit plan. These contributions are funded with pre-tax dollars, and the practice will receive a tax deduction for the funded amounts.

It is important to determine when you will be able to leave dentistry with enough income from investments to support you through retirement. You or your financial adviser will need to determine the dollar accumulation as well as the annual savings needed to achieve this goal.

Sale of practice

You have several options to consider when forming your succession plan. If you don't have a successor in place, you can work longer and then close the practice, which isn't an ideal situation. Your other option is to sell your practice and retire.

The sale of the practice takes place either as an asset sale or a stock sale. In an asset sale, the purchaser acquires all of the assets and does not assume any of the liabilities, which is preferred by the purchaser. The purchaser is able to write off these assets for tax purposes over differing time periods. Goodwill, which represents all of the intangibles associated with the practice (reputation, patronage, location, name, credit rating, etc.), is usually a significant part of the transaction and is amortized over a 15-year term.

The tax implications will vary for the seller based upon what type of entity the practice operates under. For example, if the practice operates as a C corporation, the sale of the assets results in taxation at both the corporate and the shareholder level. The seller could arguably take the position that the goodwill is a personal and not a corporate asset, and thereby avoid the double tax problem.

For the seller who operates the practice as a corporate entity, the transaction could be structured as a stock sale, which helps to avoid the double taxation issue of the asset sale. Tax occurs at the lower capital gains rate in a stock sale. Prospective purchasers will usually not enter into a stock sale as it does not allow them to write off the assets and could also make them subject to the liabilities of the corporation. The problems, however can be minimized by reducing the selling price to take into account the tax effect for the purchaser and the seller agreeing to indemnify the purchaser from any liability of the corporation prior to the sale.

Keys to success

Planning well ahead, funding your pension plan to the maximum extent you are able to, maximizing the value of your practice by ensuring your practice is well managed, and not having to rely on the sale of your practice to retire are the keys to a successful retirement.