



Perspectives on Medical Practice Management

Volume 6, Issue 4

Fall 2008

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 Valuations
- Finance Consulting

Inside this issue:

Getting A Good Deal On A Practice Sale	1
Revisiting Your Malpractice Insurance Coverage	2
E-prescribing Standards Finalized	2-3
How To Control Overtime Expense	3
Medical Briefs	4

Getting A Good Deal On A Practice Sale

The sale of a medical practice is a complex transaction. If you are considering selling your practice to a hospital, group, or individual physician, careful planning can help you realize the most favorable outcome.

Address Any Weaknesses in Advance

Start your planning by objectively evaluating your practice's current financial condition. Recognize that a practice experiencing poor collections, weak cash flow, or low physician productivity will have limited appeal to a buyer. Since it may be possible to fix such problems, they should be addressed before you begin a sales effort.

Value the Practice

It will be important to find out up front how much your practice could realistically be worth to an interested buyer. For that, you'll need an appraisal by a qualified professional who will examine your financial statements, tax returns, and other financial data to value your practice's tangible and intangible assets.

Although valuing medical equipment, computers, furnishings, and other tangible assets is relatively easy, tangibles are generally a minor part of a medical practice's total value. Often, a major part of that value is an intangible -- goodwill -- that is more difficult to value. But methods are available to establish a fair estimate of goodwill. Accounts receivable will also factor into the valuation.

Target Potential Buyers

Unless you have received an unsolicited offer, you'll probably want to involve a broker who specializes in selling medical practices to more effectively identify qualified potential buyers. Your personal plans will affect the deal you seek to develop.

If you want to retire, an agreement for a gradual buy-in by a physician who will take over your practice may be the most desirable goal.

You might initially employ the prospective buyer and, after a trial period of a year or two, offer a partnership with a well-defined exit arrangement for you. This might be a buy-out option or a severance package.

If, instead, you are seeking a buy-out that will let you continue to practice without ownership pressures and responsibilities, you may look to sell to a group practice, hospital, or other corporate buyer that will employ you afterwards.

Evaluate Offers Carefully

If an offer is made, you'll need to evaluate it carefully with your professional advisors. If you are retiring, concentrate on the buyer's financial condition and the payment terms. If you will continue working with the buyer, the chief considerations, besides your compensation and benefits package, will include indemnifications, transfer expenses, and malpractice terms. As important, or more so, may be the buyer's business strength and your fit with the buyer's organization. Make sure you will be comfortable in the new culture and that your input will be welcomed and considered.

Consider the Tax Impact

In either situation, the tax implications of your sale need to be carefully considered in advance and the optimum terms included in your sales agreement. For example, it will usually be advantageous to maximize the part of the sale price that can be classified as a capital gain -- rather than ordinary income -- since long-term capital gain is taxed at a more favorable rate, generally 15% through 2010. In contrast, the highest tax rate that applies to ordinary income is 35%.

Let Us Help

Our professionals are experienced in helping physicians exit their practices advantageously. We can help you assess your situation, evaluate a deal, and secure financially beneficial terms. Please contact us if you would like assistance with selling your practice.

Revisiting Your Malpractice Insurance Coverage

Increased stability in the malpractice insurance market has created opportunities for controlling the costs of coverage.

Incentives and Discounts

Your current carrier may be offering attractive savings if you meet the qualifying conditions. Here are some possibilities to explore.

Continuing Education. Complete carrier-approved courses in risk management skills, such as learning to improve documentation and communications with patients. Generally, these courses are free or offered at a reduced cost, and they may also count toward board-recertification credits.

Operational Changes. Make changes in your practice operations to reduce risk. Some examples: Follow risk-management assessment and medical record guidelines. Implement internal risk-assessment reviews and quality assurance procedures. And improve practice operations based on knowledge that you gain from taking a risk assessment course.

Practice Developments. Inform your carrier about developments in your practice. For example, you might have obtained a specialty board certification, become part of a managed care network, or changed your hospital staff privileges.

Premium Payments. A discount on your annual premium may be available if you simply pay it in a lump sum instead of quarterly.

Deductible. Choosing a higher deductible on settlement payments could be another option worth considering. As with any self-insurance decision, you must answer this question: How much could you afford to pay out if you were ultimately held liable?

Looking Around

Of course, you may also be able to obtain a lower premium by switching carriers. This can be a bit inconvenient, but achieving solid premium savings may make it worthwhile.

If you want to identify and examine other choices, including physician-owned carriers, commercial carriers, and risk retention groups, begin searching for alternatives well before your next renewal date. You'll need time to gather enough information to make a well-founded decision.

Check any new carrier's reputation, size, ownership, financial rating and stability, and risk management program. You'll also want to carefully explore the carrier's commitment and willingness to defend against claims, its success history, and the coverage for pre-trial defense costs. Pay close attention to the carrier's settlement policy, including whether a consent-to-settle clause guarantees that no settlements are made against your wishes.

Consider the cost of obtaining tail coverage from your current carrier or nose (prior acts) coverage from the new carrier to protect you if a claim relating to actions during your present coverage period is not filed until after it ends.

E-prescribing Standards Finalized

The Centers for Medicare and Medicaid Services has issued uniform standards, effective April 1, 2009, for electronic prescribing under the Medicare Part D prescription drug program. Physicians participating in Medicare are not required to adopt e-prescribing, but must follow the standards if they do.

The transmission standards are intended to facilitate widespread use of e-prescribing and to help reduce the estimated 530,000

annual adverse drug events among Medicare beneficiaries. The e-prescribing rule covers the following four types of information.

Formulary and Benefits

Prescribers will save time because they will be able to communicate electronically with Medicare Part D sponsors to check a patient's Medicare prescription drug plan benefits, which drugs

The general information in this publication is not intended to be nor should it be treated as tax, legal, or accounting advice.

Additional issues could exist that would affect the tax treatment of a specific transaction and, therefore, taxpayers should seek advice from an independent tax advisor based on their particular circumstances before acting on any information presented.

This information is not intended to be nor can it be used by any taxpayer for the purpose of avoiding tax penalties.

are covered, and which generic drugs might be lower cost alternatives.

Medication History

Physicians and other health-care providers, drug dispensers, and Part D sponsors will use the e-prescribing standards to communicate among themselves about a patient's medication history -- medications currently being taken or previously taken, as prescribed by the present provider or others. By better informing prescribers about their patients' current and past medications, the rule will facilitate making prescription decisions and avoiding harmful drug interactions.

Fill Status Notification

Pharmacies or other drug dispensers will use the e-prescribing standards to notify prescribers when a prescription has been filled and picked up. This information should help physicians track whether patients with chronic conditions are following the prescribed treatment.

Provider Identifier

The e-prescribing rule's identification standard for physicians, dispensers, and Part D sponsors is the National Provider Identifier (NPI) number. Use of the NPI for all e-prescriptions should eliminate callbacks to medical offices by pharmacies to verify an individual prescriber's identity.

How To Control Overtime Expense

For a busy medical practice, some time-and-a-half work is generally unavoidable. But minimizing the need for staff overtime is an achievable goal if you focus on it.

Understanding the reasons for your overtime expense can often lead to better control. For example, physicians may be extending their workdays to accommodate growing patient volume. The result may be overtime for medical assistants and staff who must also stay late. To avoid this expense, you might stagger work schedules so that some employees start their days later and, therefore, stay without overtime until office hours end.

Practical Strategies

Among the many possible strategies for controlling overtime are the following.

Stay with the Schedule. Create a 40-hour work week and follow the schedule by starting and ending each day on time. To facilitate this, require that only today's work be done today. Unless extraordinary circumstances occur, no one should stay late to

finish up work that can be put off.

Use Job Sharing. When a position, such as receptionist, must be staffed during an office schedule that exceeds 40 hours, you might split the job between two part-time employees who will cover the required hours without the need for overtime.

Don't Let Overtime Be Automatic. Never allow overtime without your or your practice manager's express approval.

Don't Allow Mixing Business with Lunch. Instead, require all lunch time to be taken away from desks and phones, because doing any work during a lunch break can recategorize the break as paid time.

Reexamine Workloads and Tools. Making adjustments or reassignments might increase efficiency and save time. If scheduling and recordkeeping tools are not well-suited to your practice's current volume, upgrading your office technology could free up staff time and reduce the need to stay late.



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
Phone: 607-756-0073
Fax: 607-756-0052

Email: info@sciarabbawalker.com

The Active Professionals



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

Medical Briefs

Adoption of EHR Systems

A 2007 survey by the American Academy of Family Physicians measured the growth in the use of electronic health record (EHR) systems. Among the responding physicians, 37% were already using an EHR, 13% were implementing a system, and 26% planned a future purchase. Only about 25% had no plans to use an EHR, 42% of them because of concern about decreasing productivity. Nearly all those implementing an EHR now or planning to implement one want to manage patient medication lists, manage patient problem lists, and access patient summaries.

Business Standard Mileage Rate Increases

In response to rising gasoline costs, the IRS has increased the optional mileage allowance for business travel to 58.5¢ from 50.5¢. The 8¢ increase will be in effect from July 1, 2008, through December 31, 2008. Separate deductions are still allowed for parking fees and tolls related to business driving.

Return Service Requested