



## Perspectives on Medical Practice Management

Volume 7, Issue 3

Fall 2009

### *Can We Help?*

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### Searching for Leasing Opportunities

Several years of energetic expansion coupled with a drop in demand have softened the market for medical office rentals in many areas. Depending on your situation, that could mean new opportunities for your practice to save money in the short term and, potentially, lock in long-term savings.

#### *Stay Where You Are*

Even if your lease isn't expiring soon, you may be able to realize some unexpected savings by negotiating with your current landlord. Begin by checking current rental rates for comparable properties in your current location. Then, let your landlord know that you'd like to discuss your lease. If your landlord's vacancy rate is high, that may be to your advantage: He or she may be willing to renegotiate the terms of your lease.

What can you expect? You may be able to negotiate a lower monthly payment on your current lease. More likely, if your practice is well established and you want to stay in your current office space, you may be able to extend your lease agreement at the same (or a lower) rental amount. Your landlord might even be willing to provide additional services, lower your management fee, or offer you more space at a discount.

#### *Mulling a Move*

If you're thinking of relocating, start by checking comparable rental rates in the location or locations you're considering. Commercial rates often vary considerably from one neighborhood to another, so check around. Competition and the soft rental market could work in your favor if you use a real estate broker or meet with more than one landlord.

If you find nonmedical office or retail space you like, there will probably be some unique issues you and your tentative landlord will need to discuss and negotiate. Privacy is one: A landlord's right to "reenter" leased property is in direct conflict with a physician's responsibility to restrict access to certain areas, such as examination rooms and areas where health-care records are stored. Also, special arrangements will have to be made for biomedical waste and hazardous materials. And, depending on the

nature of your practice, infrastructure changes may be needed to accommodate special plumbing, electrical, ventilation, and/or heating and cooling needs. Specialized needs related to imaging and other sophisticated machinery should also be addressed.

#### *If You Build It*

None of these issues is insurmountable, and many medical practices have relocated to retail space and office space. If you're considering it, get started early, since the remodeling phase could take some time. Landlords often have a preferred construction firm that handles their remodeling projects. However, you may want to negotiate the right to hire a firm that specializes in outfitting medical offices. Regardless of who handles the build-out, make sure the construction phase is carefully planned and that you and your landlord are on the same page throughout.

#### *Negotiating Points*

When it comes to a commercial lease, almost everything is negotiable. Some of the items you'll want to pay close attention to are noted below. Naturally, you'll want to have your attorney thoroughly review the lease to ensure that the proper protections are in place before you sign.

- o Review provisions regarding your right to renew, assign, or terminate the lease or sublease the space.
- o Negotiate the lease term, rental amount, escalation clauses (rent and fee increases), exactly what space is involved, and security deposit (including conditions for its return).
- o Establish how any common space and general maintenance fees will be allocated (percentage of your space to the total space leased versus the total square footage).
- o Determine who will pay for any modifications, improvements (including those that are ADA related), and fixtures, and who will own them when the lease ends.
- o Consider asking for a clause that prohibits the landlord from leasing space to a competing tenant.
- o Be wary of a "right to relocate" or substitution clause, which allows the landlord to force you to move to another space in the building.

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## Be Diligent About Denied Claims

Having reliable procedures in place for submitting claims to payers in a timely manner is critical to a medical practice's cash flow. Given that up to 20% of all claims submitted are denied (according to industry experts), it is equally important to have effective procedures for managing denied and underpaid claims.

### *Costly Either Way*

It's understandable that some physicians feel they're between a proverbial rock and a hard place on this issue. Not making an effort to collect on denials means they're missing out on what could be significant revenue. And simply resubmitting denied claims is rarely productive. On the other hand, trying to recoup the lost revenue means that each underpaid or denied claim must be researched and resolved. This kind of robust pursuit will almost certainly add time and create additional expense. However, once an efficient system of follow-up is in place, the result might very well be a net gain.

### *EOBs Tell the Story*

Your billing department is already reviewing insurers' explanation of benefits (EOB) forms as part of your claims management procedure. Ideally, your staff is cross-checking reimbursement amounts with each payer's fee schedule to ensure that your practice is receiving the proper payment. When an EOB shows that a claim has been delayed, underpaid, or denied, it should be marked for immediate follow-up.

### *Claims Management Procedures*

Claims are denied for a variety of reasons, many of which stem from processing errors that occur before claims are even submitted. Late filings, missing Social Security numbers, incorrect coding, and missing supporting documents are just a few examples of in-house errors you can take steps to correct. Eliminating careless errors will decrease the number of denied claims, leaving more time to resolve errors that originate somewhere else in the process. Here are some ideas that may help improve accuracy.

- o Create a reference sheet for codes and have it readily available. Be sure to include the most commonly used codes, including ICD-9-CM and CPT codes.

- o Be familiar with insurers' procedure reporting requirements.

- o Foster good communication between practice physicians and your coding staff.

- o Make sure all claims are carefully reviewed before they are submitted. Consider using "scrubbing" software to spot obvious errors.

- o Create a system for logging in claims that require some type of follow-up. Include the results from the first submission (i.e., payment denied, delayed, paid in part, etc.), actions required, actions taken, and any pertinent deadlines.

### *An Appealing Prospect*

Simple problems can often be handled with a phone call or visit to the payer's website. More complicated situations may call for an appeal – or several, in some cases. If you exhaust the appeals process, you can request an external review. In the end, your persistence may pay off, literally.

Your diligence may have other positive results. It might encourage a payer to change the way it handles certain claims, thus reducing future denials. And it will definitely show that your staff is on the ball and doing what it can to eliminate mistakes.

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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.

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## Taking Control of Your Inventory

How long has it been since your medical practice reviewed its supply costs and inventory management procedures?

If it's been a while, you may be overlooking opportunities to save money and become more efficient. Here are some ideas you may find helpful.

Get organized. A disorganized supply closet inevitably leads to having too many of some items and too few of others. It also means your staff is probably spending more time than necessary locating supplies and deciding what to order.

Consolidate the ordering process. Assign one person to oversee the ordering for your practice (two if you separate office and clinical inventories). This will help streamline the process, eliminate duplicate orders, trim inventory to appropriate levels, and ensure that critical items are on hand. It may save money in another way: The purchaser will be aware of pricing trends and changes and can negotiate with suppliers for better prices.

Devise an inventory control system. This doesn't have to be complicated. A simple system may be preferable, as long as it reliably indicates when it's time to reorder and establishes strict procedures for receiving orders and restocking supplies.

Watch costs, up to a point. Comparing costs for every item and always putting price ahead of quality are two examples of false economy. Comparing costs may not be a money saver once you factor in the amount of staff time it takes. Chances are good that the majority of your supply cost is concentrated in certain frequently used or expensive items. Reducing costs on those key items will create the greatest savings.

Consider joining a purchasing group. Joining an established purchasing group or forming your own with other local physicians is another way to keep inventory costs down.

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## Stimulus Law Aims to Jump-Start EHR Usage

Generally speaking, medical practices have been slow to adopt electronic health record (EHR) systems. However, the situation may soon change.

A preliminary report from the National Center for Health Statistics\* says that 17% of office-based physicians surveyed in 2008 have basic EHR systems, up from 10.5% in 2006. But the vast majority of practices have not embraced EHR. There are many possible reasons, including high up-front costs, a steep learning curve, limited savings, liability concerns, the lack of a software certification process, and the inconvenience and disruption of switching to an electronic system.

To encourage the implementation of EHR systems, the American Recovery and Reinvestment Act of 2009 provides direct incentives to physicians who adopt health IT systems. On the other hand, the law includes Medicare payment penalties for physicians and hospitals that are not using electronic health records by 2015.

### *The Carrot Phase: Incentives*

Under the stimulus law, physicians who have purchased or leased a certified EHR system and are using it in a "meaningful" way by January 1, 2011, may be eligible for an initial lump-sum incentive of up to \$18,000 (or 75% of Medicare charges, which ever is less) for 2010. Additional incentives of up to \$12,000,

\$8,000, \$4,000, and \$2,000 are possible (also subject to the 75% Medicare limit) for years 2011 through 2014, respectively, for a total of \$44,000. Physicians who have Medicare caseloads of at least 30% and meet the health IT adoption standards are eligible for nearly \$64,000.

### *The Stick Phase: Medicare Reductions*

Beginning in 2015, practices that have not adopted EHR systems will be penalized with a 1% reduction in Medicare payments for that year, followed by a 2% reduction in 2016, and a 3% cut in 2017 and beyond (unless certain factors exist beyond the physicians' control).

### *To Be Continued*

At this point, guidelines for software certification have not been finalized, and the term "meaningful use" has yet to be defined precisely, although some guidance has been given. Clearly, there will be much more news to come.

\* Preliminary Estimates of Electronic Medical Record Use by Office-based Physicians: United States, 2008

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## Medical Briefs

### *Tax Incentives Extended*

The American Recovery and Reinvestment Act of 2009 has extended two tax incentives that may be helpful if your practice acquires new equipment. Both the 50% bonus first-year depreciation deduction and the enhanced Section 179 expensing limit generally remain in effect for 2009.

### *The Power of Word of Mouth*

The Center for Studying Health System Change looked at how American adults find a new physician. Of those searching for a primary care physician, half relied on recommendations from their friends and family, and more than 25% used those recommendations as their only source of information. But others also relied on doctor recommendations (38%) and information from their health plans (35%).

### *E-prescribing on the Rise*

Although the percentage may seem relatively small -- 12% of office-based physicians currently use electronic prescribing -- the number of physicians who have adopted this technology more than doubled since last year.

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