



Perspectives on Medical Practice Management

Volume 6, Issue 2

Spring/Summer
2008

A How-To For Your Business Side

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

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Finding anything starts with knowing where to look. If you need help with the business side of your medical practice, look to our accounting firm's experts for solutions to your financial, business, and tax problems.

Financial Support

To manage your practice's finances, you need to monitor your cash flow -- both expenses and the collection of receivables. If you lack enough information to track your practice's performance, we can design statements that summarize your practice's financial condition and help you quickly identify any areas that require attention.

We also can review all of your practice's financial operations -- including the integrity and efficiency of your claim/payment system -- to identify why you have collection delays (or other cash flow problems) and suggest solutions. Or, gaps in controls for collections, deposits, credit cards, and/or disbursements may be causing financial difficulties. We can help you create and implement more effective income and disbursement controls. And, when ancillary services and other initiatives are an issue, we can measure their profitability and identify strategies for improvements.

Business Support

Growing medical practices increasingly depend on computer systems to help manage their business side. However, identifying suitable systems can be time intensive and requires specialized knowledge. We can help you select appropriate technology that will meet your needs affordably.

Our business support services also include expert advice on:

- Structuring and implementing a practice merger or acquisition
- Financing the acquisition of equipment and offices
- Creating realistic budgets and business plans
- Valuing a practice
- Structuring buy-ins, buy-outs, and buy/sell agreements
- Distributing physician income

Tax Planning and Preparation

Many planning opportunities are available for controlling a medical practice's federal and state taxes. Our firm's tax experts can help you to limit your practice's tax liability. For example, the timing and financing of capital expenditures and the management of year-end income and expenditures might substantially impact your taxes. We also can make tax projections during the year that help prevent costly surprises at year-end.

Medical practices often need assistance choosing a retirement plan that is appropriate for their physicians' ages and financial situations. We can help you assess available plans and their tax impact.

In addition to expert tax planning, our firm can prepare timely federal and state tax returns for your practice and for your physicians -- and take advantage of any tax-efficient choices that are appropriate to the filers' circumstances.

Rely On Us

The range of our firm's capabilities is wide, but they are easily summarized: We are a trusted business advisor for many clients and are always ready to help solve your business-side problems.

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Preventing Financial Fraud

Some simple safeguards that can help prevent financial misconduct from hurting your practice:

- Give patients an immediate receipt for all cash payments.
- Segregate accounting functions as much as practical.
- Never presign checks or use a signature stamp.
- Require every employee to take five or more consecutive vacation days a year while another individual does the same job.
- Always check job candidates' job histories and references.

Considering Practice Debt

A short-term loan may solve a medical practice's temporary cash flow problem. And longer term financing of an investment in equipment, services, or office space may help fund practice growth. But before you borrow, carefully evaluate your need plus the terms offered by several different lenders.

Financial Health

Don't let debt financing be the first answer to a financial need. Simply keeping your practice's finances in good shape could make financing unnecessary or reduce the amount you have to borrow. Regularly monitor your practice's financial performance. And make sure you have effective controls and procedures in place to accelerate cash flow and prevent disbursements from overrunning receipts.

Even with financial discipline that ordinarily allows you to "pay as you go," financing may be necessary for an expenditure that current cash flow cannot support. For example, you might require short-term credit in an emergency or to smooth seasonal cash flow variations. And you might need long-term funding to purchase equipment, expand or renovate your office, or acquire a business property.

Funding new equipment or a new service may require borrowing only during the start-up period – until profits from the investment cover the ongoing costs. A secured commercial loan will typically offer the most competitive interest rate. But whatever terms you seek, a strong overall financial condition generally makes it easier to qualify for financing and afford the payments.

The bank or other financing available to you may take many forms, including a line of credit to meet short-term needs or fixed-rate, fixed-term loans that can spread equipment acquisition costs over many years.

Even without a specific need, you may want to prearrange enough short-term credit to cover a substantial percentage of your operating budget for some weeks, just in case. However, note that many lenders charge continuing fees for an unused credit line.

Collateral?

Financing terms often require pledging collateral as security. Acceptable collateral may consist of practice equipment, accounts receivable, or a personal guarantee from you and/or your partners. Instead of outside financing that requires such guarantees, some physicians choose to loan personal assets to their practice, backed with a formal loan agreement. Besides avoiding personal guarantees, internal financing may be achievable at a lower interest rate than a bank would require.

Shopping Around

With any financing situation, the types of loans and terms that lenders offer will differ. So, talking to three or more possible financing sources is desirable. Obtain their proposals and carefully compare fees, interest rates, and all other terms. Remember, continuing to talk to the lenders with the least desirable terms may result in an attractive counteroffer.

If you are considering borrowing, we can help you evaluate terms and your practice's financial ability to carry the debt.

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.

Creating An Employee Handbook

A smoothly operating medical practice depends on employees who know their responsibilities. Putting together a short and simple handbook that's customized to your practice can help your office function cohesively and cooperatively.

Operations and Expectations

An employee handbook isn't a procedures manual. Rather, it's a guidebook explaining practice operations to your staff, your expectations for them, and their place within the practice. Typically, an employee handbook contains information for new and current staff members covering the practice's mission, benefits, vacations, work schedules, job descriptions and other expectations, performance reviews, and grounds for termination. Additional information that might be included: an organization chart, attendance rules, dress requirements, rules for personal phone and computer use, patient confidentiality requirements, and guidelines for using office equipment and supplies.

A handbook should also include a few disclaimers. For example, it should state that it is not intended to be all-inclusive and is

subject to revision at any time. Other statements may be needed for your legal protection, such as that you retain the right to terminate employment at any time for any reason. For these, consult your attorney, who should review your handbook to ensure that it is in keeping with federal and state law before you present it to your staff.

Helpful Tools

Books and software packages are available to help you put your manual together. And, if you can borrow the manual of another practice or a company, much of it may apply to your practice. It's a good starting point. Recognize, however, that no general template can serve as a complete model for your handbook. You'll need to cover the specific operations and policies of your practice without becoming overly detailed. Aim for a "big picture" perspective that will allow some management flexibility in administering the handbook's policies. Keep the language both short and simple. And plan to periodically review the content and update it as necessary.

Evaluating An EMR

Success in migrating your practice to an electronic medical records (EMR) system will depend on the architecture of the system you select and the implementation choices you make. Besides cost, here are key features to examine before you commit to a new system.

Type of Interface

Many of the hundreds of EMRs on the market use a graphical interface. Others are text-based, which some users find easier and faster. Graphical interfaces are memory intensive and, therefore, may run slower than a text-based interface. Will the EMR you're considering require more than your present computing power? Your networking configuration and Internet connection will also be an issue. Are you satisfied with the interface's overall feel and look? Make sure you see a demonstration that shows how the EMR would work in your office.

Ease of Data Entry

Check how well and how quickly you and your staff will be able to enter data using the type of input you plan -- PC workstation, laptop, personal data assistant, etc.

Fit with Present Workflow

Look at the EMR's ability to improve workflow. What problems do you hope to solve? Taking advantage of the EMR's capabilities will probably require some changes in how your office operates. Project the adjustments and how difficult implementing them might be.

Internal and External Compatibility

An EMR that can't readily communicate with your practice's other software or share data externally -- with laboratories, for example -- would be much less useful than a system that is capable of interfacing easily. You need confirmation of needed compatibility -- not generalized claims.

Reporting Quality

An EMR should be able to easily generate reports that fit your requirements. Besides available report choices and formats, check the system's search function and its ability to extract specified information by patient and other criteria.



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Medical Briefs

Expensive Information Gap

Ignoring pension plan details recently cost one physician plenty. A U.S. District Court assessed a civil penalty of \$179,960 against a doctor who failed to provide pension plan information and documents to a former practice associate. The penalty amounted to \$110 for each day the documents were not provided. According to the court, the physician ignored his fiduciary duties under ERISA, failed to maintain the required records and bond, and erroneously informed his associate that she had no vested account balance in the practice's retirement plan.

Physician's Pay Lagging Inflation

According to the Medical Group Management Association's latest Physician Compensation and Production Survey: 2007 Report Based on 2006 Data, the median annual compensation for primary care physicians increased by 2% to \$171,519 and for other specialists by 1.7% to \$322,259. During the same period, the inflation rate was 3.2%.

Return Service Requested