



Perspectives on Medical Practice Management

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Can We Help?

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How Healthy Is Your Practice?

Taking time to evaluate how well your practice is performing may seem unnecessary when your waiting room is full of patients and your staff is busy every minute. However, external signs may not be true indicators of how well your practice is doing.

How can you judge performance? In the corporate world, companies frequently use a process called benchmarking. Basically, benchmarking is the process of comparing one organization's practices and performance measures with those of successful organizations in the same field.

Benchmarking can also be used to help medical practices uncover their weaknesses, improve their strengths, and set goals for the future.

Internal Benchmarking

You are probably already using some basic benchmarking techniques. Comparing your practice's current financial data with data from past periods is called internal benchmarking. Reviewing and comparing performance on a regular basis can help you uncover trends and address irregularities before they grow into serious problems.

External Benchmarking

With external benchmarking, you compare your performance data with data from other practices to give you an idea of how your practice compares with others in your specialty. This type of benchmarking provides valuable insights and reference points for improving efficiency and performance.

Data for external benchmarking are readily available from professional organizations and other sources. It's important to note that some data sets represent industry averages, while oth-

ers offer performance numbers for industry leaders. If your goal is to improve performance at your practice, using average data for comparison may be counterproductive.

Getting Started

Benchmarks can be used to evaluate almost any aspect of a medical practice: clinical care, financial management, staff productivity, and patient satisfaction. Although benchmarking may seem daunting at first, begin by focusing on the areas of your practice that you believe are most important and require the most attention.

For example, if you're concerned about reimbursements, start there. Or if you think your staffing levels are high, find out by comparing your figures with those of similar practices.

Much of the financial data you already collect will be useful. However, if you want to measure performance in areas where you aren't currently collecting data, new procedures will have to be established.

What the Numbers Say

Every medical practice is unique, and changes will occur over time. Keep this in mind as you compare your numbers with various benchmarks, and make adjustments where necessary. For example, if your practice recently relocated or you converted to an electronic health record system this year, some data will not be typical.

As you compare your numbers with various benchmarks, a picture of your strengths and weaknesses will emerge. Use that picture to establish action steps and set goals. For example, if you discover that your overhead expenses are twice as high as other similar practices, find out why and take steps to correct the problem.

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Looking Ahead

Benchmarking is not a one-time event. It's a valuable tool that you can use on an ongoing basis to provide your practice with essential performance information. Benchmarks can also provide helpful guidelines when something in your practice changes.

Yes, benchmarking requires an investment on your part and a commitment of time – but it offers your practice the opportunity for substantial gains.

Planning For The Unthinkable

As a physician, you're acutely aware of how disabling an illness or injury can be. That knowledge and the desire to preserve your practice are two compelling reasons to prepare – professionally and personally – for the possibility that you could be sidelined by illness or injury.

The inability to work, even for a short period of time, could cause myriad problems for you and your practice. Without proper insurance coverage, the lack of income coupled with ongoing practice expenses could lead to serious financial problems.

Disability Insurance

As a physician, your ability to earn an income from your practice stops if you become disabled and are unable to work. Disability insurance provides needed protection against such a possibility. There are several features to look at when choosing a policy. The most important one is how the policy defines “disability,” since that will determine whether you'll be entitled to collect benefits under the policy. The percentage of pay (and how that is defined) is also a key factor. Renewability is another important consideration: A noncancellable, guaranteed renewable policy provides the most protection.

As with most insurance, you can customize your coverage by adding riders. Most disability policies have optional riders for residual disability and recovery benefits (these may be bundled), cost-of-living adjustments, future increase options, and catastrophic disability.

You may have a choice between purchasing a disability policy through a group or buying a personal policy. Initially, group insurance may offer lower premiums. But premiums are often

based on the claims experience of the entire group, which could lead to premium increases in the future if there are a number of claims. Individual policies generally offer a wider range of coverage options, and customizing a policy to fit your preferences could help keep overall costs down.

Business Overhead Expense Insurance

If you're unable to work, you may have difficulty covering practice operating expenses. Business overhead expense (BOE) insurance provides protection by paying a monthly benefit to keep your practice operating for up to two years. Proceeds may be used to cover a wide range of ordinary, tax-deductible expenses, including rent or mortgage, employee salaries and benefits, utility bills, property taxes, and interest on debt.

Disability Buyout Insurance for Partnership Practices

Partnership practices should consider purchasing disability buyout (DBO) insurance. Should one partner suffer from a long-term disability, a DBO policy provides the necessary funding for the other partners to buy out the disabled physician's interest in the practice. It is prudent to have a buy-sell agreement in place before your practice purchases DBO insurance.

Summary

The insurance policies discussed here can provide you and your practice with critical financial protection. They are also quite complex. If you have questions or concerns about your insurance coverage, contact your agent at your earliest convenience for a thorough insurance review.

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.

Fighting Fraud

A recent survey conducted by the Association of Certified Fraud Examiners reports that fraud drains roughly 7% from the annual revenues of U.S. organizations. Small businesses, surprisingly, suffer the worst damage.

Medical practices are not immune to losses from occupational fraud. As a matter of fact, they may be easy targets, since physicians often do not have a background in business management. Without proper oversight and internal controls, there are plenty of opportunities for a dishonest employee to steal from a physician's practice. The good news is that there are simple and effective ways to reduce your practice's exposure to fraud.

Strengthen Internal Controls

Effective internal controls help ensure the integrity of financial activities and reduce the opportunity for fraud. For example, avoid having the same person open the mail, post payments, and handle your bank deposits. Dividing duties involving money among two or more employees is a key internal control. Requir

ing a physician's signature on all checks over a certain amount is another.

Take a More Active Role

Providing more oversight of your practice's finances can send a strong message and help reduce the threat of theft. For instance, open the mail every so often. Periodically check daily receipts and deposit slips. Look for irregularities, even small ones. Have a copy of your practice's bank statement sent to your home.

Screen Before Hiring

Perform criminal background checks as part of your formal hiring process. In addition to checking references, verify a candidate's educational record and employment history and run a credit check. Taking these extra steps may save time and money in the long run.

Dividing duties involving money among two or more employees is a key internal control.

Improving E-mail Security

Security is a major concern for medical practices. Keeping patient records and medications in secure areas, installing security alarms, and using cameras to monitor entrances and exits are some of the more commonly used protections. But not all security threats are physical.

The Internet has brought many useful advances. However, it has also introduced new challenges – and new threats, such as identity theft and hacker attacks. Protect your practice and employees by ensuring the security of e-mail communications. Technology can provide protections, but the impact of human vigilance should not be overlooked.

A Matter of Policy

Every practice should have a formal, written e-mail policy. If you don't have one, you can find samples on the Internet and adapt them as necessary to fit your practice. You'll want to have an attorney review your policy and then have each and every employee read and sign it.

While there are no established guidelines or specific tools for securing electronic communications, there are some basic rules:

- o Limit the use of office e-mail to practice-related communications only. This rule will be easier to enforce once your employees understand that it protects them as well as the practice.
- o Adopt a password policy. In addition to requiring passwords, make sure staff members change their passwords frequently.
- o Spell out what kind of information may – and may not – be sent via e-mail. Be specific and indicate whether the information should be encrypted.
- o Allow only authorized, trusted employees to back up and archive your e-mails. No one else should be permitted to export e-mails or access the archives.



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

Short Deadline for New Code Set

ICD-10 (the International Classification of Diseases, Tenth Revision) is coming. Physicians, hospitals, and other health-care facilities, along with insurance companies and claims processors, must fully implement the new, expanded code set by October 11, 2011.

2008 Productivity Figures

According to a Medical Economics' survey, the number of hours primary care physicians spent on professional activities in 2007 was lower than in 2006 (a median of 46 hours per week compared to a median of 50 hours). Two reasons were suggested: more women practicing medicine and working part-time and younger physicians choosing to be employees rather than partners.

Patient Visits Increase

Four visits per person per year. That's the average number of times U.S. patients visited a doctor's office or a hospital's outpatient or emergency department in 2006, up 26% from 1996. The aging of the population may be linked to the increase.

Source: CDC National Center for Health Statistics

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