

# Practice Management

A D V I S O R

**Bring it on**  
*Adding an associate or partner to your practice*

**5 ways to plug revenue leakage**

**What's the best insurance coverage for your practice?**

**Prescription for an ailing practice**

 **DAENEN HENDERSON**  
& COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

[www.dhc-cpas.com](http://www.dhc-cpas.com)

3818 Bayou Rapides Road  
Alexandria, Louisiana 71303

(318) 445-4585 ■ 1-800-738-6800 ■ FAX (318) 442-1138

# Bring it on

## *Adding an associate or partner to your practice*

Is it time to bring on an associate or partner? There are many reasons you might consider it. For example, your practice might have become so busy that you have little time with your family — or for yourself. Perhaps your practice volume has grown so much that you need help managing it, or maybe retirement is around the corner and you're thinking about eventually selling. In any case, it's important to look at the pros and cons before taking this important step.

### What are your goals?

Bringing on an associate is a significant decision — not unlike hiring an employee, but with higher stakes. Before beginning the process, ask yourself:

- ▶ What do you hope to achieve?
- ▶ To achieve that goal, what credentials do you expect a partner or associate to hold?



- ▶ If the plan is to increase overall patient visit volume, what effect will the increase have on total expenses?
- ▶ What patient volume level is necessary for the practice's optimal profit margin?
- ▶ Can your office infrastructure (that is, office, examining room, reception room and office staff) handle additional patients?
- ▶ Can your office location and community accommodate your practice's growth?
- ▶ Are you prepared to manage another physician?

Finally, are you willing and able to give up a portion of control and decision making in your practice?

### How will you find a good match?

After answering these questions to your satisfaction, it's time to think about where to find a partner or associate. You already may have someone in mind. If not, resources include journals in your specialty, online information and recruiting firms that specialize in physician practices.

Of course, it's a given that you'll want to bring on an experienced physician with excellent technical qualifications. But, just as in hiring an employee — and perhaps even more so — personality is a huge factor. You want to get along with your partners. In addition, it's important to ensure that the partner or associate understands what your goals are.

For example, if part of your plan is to spend less time in the office, it's important that the doctor you're adding to your practice understand that. If the goal is to increase patient volume, he or she needs to know that as well.

Another consideration similar to personality is your practice's culture. This is the philosophy on which

your practice is based. Culture can manifest itself in many ways — for example, whether your interactions with patients and office staff are formal or informal, how staff customarily handles daily operations, and whether staff is willing to extend themselves to assist patients and ensure their satisfaction.

*It's often useful not only to conduct a traditional interview but also to meet the potential associate in a social setting with your staff.*

To get a better sense of this, it's often useful not only to conduct a traditional interview but also to meet the potential associate in a social setting with your staff. Do you and the candidate approach patient care with the same philosophy? Can the candidate meet the goals you've set? Is he or she willing to do so? Is the candidate comfortable living and working in the community where your practice is located?

### What about compensation?

How the partner is to be compensated likely will involve negotiation. Generally, you can take the following three approaches to associate compensation:

- 1. Pure salary strategy.** This places all the risk on you. The question becomes whether the associate will generate enough income to warrant the salary.
- 2. Pure percentage of production strategy.** With this approach, the associate takes on more of the risk. But it's difficult to predict if or how volume will increase or shift. This method, which is probably the least common, can run afoul of antikickback laws, so you'll need to seek legal advice if you consider this a viable option.
- 3. Base salary plus an incentive.** This is the most common approach. The associate is paid a base salary and receives a bonus based on a negotiated level of income generated. The risk is shared between the senior partner and the associate,

and an income threshold of approximately three times the associate's base salary is common. For example, if the agreement holds that the associate's base salary is \$50,000 a year, a bonus will be awarded when he or she has generated \$150,000 of practice revenue. Typically, the bonus consists of 15% to 25% of each dollar made above that threshold payment. And the agreement might also stipulate that, after the associate generates \$150,000 of practice income, he or she is to start earning 15 cents to 25 cents on every dollar he or she brings in, to be paid out monthly, quarterly or annually.

Other factors to be negotiated include:

- Vacations,
- Malpractice insurance,
- Health and disability insurance,
- CME allowances,
- Dues and subscriptions,
- Vehicle/gas and other allowances, and
- Fees for licenses and boards, managed care privileges and hospital applications.

It should go without saying that any contract should be in writing. These types of employment agreements fall under several state and federal regulations, so consult an attorney familiar with medical practice agreements.

### Does it stop there?

After you make the new associate or partner part of the practice, it doesn't stop there. It's important to integrate him or her into the life of your practice. Make an effort to introduce him or her to patients as well as local colleagues. Review practice procedures and protocols together and agree upon them. Educate staff on the associate's role and how his or her specialties and relationship with the practice should be presented to patients.

Obviously, any associate you agree to bring on will have a stake in the success of the practice. Stay open-minded, and provide him or her with clear and consistent feedback. ▶

# 5 ways to plug revenue leakage

It isn't always a major problem that causes a medical practice to lose money. Sometimes a steady drip of small losses — a little bit here, a little bit there — adds up to a big problem. Of course, you need to empower your staff to work on accounts receivable and to handle billing issues. But physicians often lose track of what's actually going on in their medical practices' business operations — and when that happens, problems can occur.

## A few tips

Before taking any major steps, consider these tips for staying on top of your business processes:

- ▶ Meet regularly with your staff to review reports.
- ▶ Have financial benchmarks.
- ▶ Compare what's happening this year to what happened last year.
- ▶ Determine what's normal in other practices.
- ▶ Audit patient charts regularly.
- ▶ Look at 10 charts a month (per provider) to ensure they're entered appropriately.

You also may want to hire a professional billing service to occasionally spend a day auditing your charts and receivables.

## 5 steps to take

Even when you engage in the best possible business practices, losses might still occur. Here are five plugs for revenue leakage:

**1. Ask for your money.** If a patient owes a co-pay, ask for it. Collect as much up front as is feasible. Create processes and procedures that make it easy to collect fees owed, such as accepting cash, checks and credit cards. You can and should make exceptions, but the bottom line is that a medical practice is a business. Make every effort to ensure



no one leaves the office without paying what's owed — whether it's a bill or a co-pay.

### **2. Educate patients on estimated expenses.**

When discussing an expensive and complicated procedure, such as a surgery, develop a financial agreement ahead of time so you can educate the patient on the procedure's cost. Put it in writing and make sure the patient agrees to it by signing it. Both the practice and the patient should receive a copy.

**3. Audit your computer systems.** Computer systems are remarkably reliable, but they're not necessarily 100% reliable. It's imperative that you understand what your computer system is actually doing. Sometimes, practice management software features can cause inadvertent problems. For example, one type of software required someone to hit "print claim" after a transaction was saved. The claim was then sent electronically. But if staff failed to hit the "print claim" button, the claim wasn't sent. Instead, it showed up as an outstanding balance, even though the insurance company had never received it. Clearly, staff needs to be trained in the correct use of your practice management software.

**4. Offer more services.** Offer medically appropriate services that could bring in additional revenue. If a patient comes in with a specific ailment, this is a potential opportunity to offer a more thorough

checkup, resulting in more targeted services and care. In addition to creating better results and more comprehensive care for the patient, it will generate more revenue.

**5. Badger the insurers.** As most physicians know, filing an insurance claim and getting exactly what you expect to receive is rare. Update your insurer contracts on a regular basis. Review your price lists and send them to insurance companies. From time to time, insurance carriers change their reimbursements, and — even more rarely — increase

their reimbursements. Appeal claims and get to know your state Medicare liaison. Join your state's specialty medical association to pool resources when dealing with insurers.

### The sixth step

The worst revenue loss often is embezzlement. After that, it's losing patients. By keeping your patients happy and satisfied, you'll avoid a major source of revenue leakage. Our experts can help with any questions you have about plugging your revenue leaks. ▶

## What's the best insurance coverage for your practice?

All medical practices carry insurance policies to protect them against risk. Foremost among these in many physicians' minds is medical malpractice insurance coverage. While important, this isn't the only insurance you need to protect your practice. It's key to assess where your practice lacks coverage — and whether your current coverage is worth the price.

### What you should have

Every practice should carry policies that cover general liability — for equipment, furnishings, autos and so forth. In addition, your practice should have insurance policies for nonowned auto, workers' compensation and bond for ERISA fiduciary liability. It's important to carry employment practices liability insurance to cover management decisions related to employees, and you'll need policies for directors and officers' liability to cover decisions by board members. Last, but not least, your practice should carry professional liability insurance for various forms of medical malpractice.

You also may want to consider other coverage, including:

- ▶ Life insurance for your key officers or as an employee benefit,
- ▶ Long-term care,
- ▶ Short- and long-term disability,
- ▶ Privacy violations coverage, and
- ▶ Umbrella insurance for both personal injury and property damage.

Whether you choose one or all, each of the above is designed to protect your practice — and its key physicians.

### Take inventory

First, take inventory of current coverage, and compare your desired coverage with the list

above. Identify where your practice has too much, or too little, protection.

Ask yourself: What are the policy deductibles? What share of a claim would the practice be willing to pay? Do current policy limits fit the potential for loss? Are policies keeping up with the practice's evolving technologies? Last, do any policies have overlapping coverage for the same risk?

*Don't take the risk of losing your practice because your insurance policies haven't evolved with your business.*

### Prepare a matrix

Once you understand the coverage you have, work with your financial consultant to prepare a matrix of coverage tailored to your practice's current and future *needs* and its owners' *wants*. Pay special attention to what's essential for the practice, what's required by law or contract, and what should be offered as a benefit to employees or owners.

Describe what's covered by each policy, the term of coverage, dollar limits and deductibles, and current carriers and potential alternatives.

### Evaluate the most cost-effective coverage

With an idea of the protection needed, solicit bids from highly rated insurance carriers. Evaluate the bids that offer the most cost-effective coverage.

If your practice can't afford the entire package of policies at one time, rank them according to the level of risk that they manage. Then, purchase the highest priority packages first and other types of policies as you can afford them.

### Avoid risk

It's easy to put insurance coverage on the back burner, allowing it to lapse or become outdated. Although this might not appear dangerous, a lapsed policy can cause severe damage in the event a claim isn't covered. Don't take the risk of losing your practice because your insurance policies haven't evolved with your business. Cover all the bases — assess your practice's insurance needs with the help of a financial consultant on an ongoing basis and make adjustments as needed. ▶



~~RISK~~  
INSURANCE

# Prescription for an ailing practice

Managed care, Medicare and Medicaid reimbursements, and the Affordable Care Act (ACA) all present challenges for a medical practice. On the other hand, many problems that arise are self-inflicted. Is your medical practice not performing as well as expected? Are revenues dropping? Are you having problems covering costs? Take a hard look at your practice and diagnose the problem. To help put you on the road to recovery:



**1. Improve cash flow.** Follow three basic steps to improve cash flow: First, make sure you're collecting outstanding accounts receivable. Second, prioritize your disbursements, with mandatory expenses first, such as payroll and payroll taxes. Third, ensure your cash reimbursement projections are realistic.

**2. Cut costs and control expenses.** It's time to be tough. Are there unreasonable overhead expenses or unnecessary luxuries? Can you renegotiate leases?

**3. Discharge unprofitable patients.** Review your pricing strategy. Do you have an unusual number of unprofitable, nonpaying or "pro bono" patients? If possible, it might be time to let them go.

**4. Turn around debt/cash flow.** Make sure your practice has the necessary cash to finance a turnaround. This can be a combination of "turnaround debt" and equity capital. Clearly define requests for turnaround funding in terms of amount, what it will be used for and the repayment plan.

**5. Work with creditors.** If you're bleeding cash, stop it as quickly as possible. If you have unpaid debts to creditors that will hurt the practice, deal with it. Work with creditors — they also want customers to be solvent rather than declare bankruptcy. Share a comprehensive turnaround plan and reschedule payments.

**6. Find partners.** You might need to hire a turnaround professional. He or she will be able to unemotionally assess the problems and spot issues that you may not see.

**7. Measure the turnaround.** Early turnaround is usually about correcting problems. The later stages are about profitability and restoring equity. It's imperative that you evaluate each of these steps to determine how well it worked, or is working.

**8. Rebuild credit.** Pay bills promptly. Make sure creditors consistently report your practice's payment history to the credit bureaus. Contribute to your practice's credit profile.

**9. Work with your local bank.** Your local bank — the one that receives your deposits from patients and insurance companies — is a good resource. They want to help.

**10. Develop a new plan.** Think about the old saying: The definition of insanity is doing the same thing over and over again and expecting a different result. The best prescription for an ailing practice is to take a look at your business plan, identify the processes that got you into trouble in the first place and try something new. ▀

Daenen Henderson & Company Accounting firm is something different...we're management and business consultants who happen to be accountants. Our firm has six CPAs and five other support staff. Our CPAs have more than 100 years of combined experience in all areas of business.

We serve a broad range of clients and have a large concentration in the health care field. We recognize that healthcare is unique and have the experience to assist you with special needs. We are members of the National CPA Health Care Advisors Association (HCAA).

HCAA is a not-for-profit association of accomplished CPA firms committed to providing high-quality financial and consulting services to health care professionals. The association's principal objective is to enable its member firms to enhance their abilities to serve the health care industry. This goal is achieved via:

- Continuing Education and Training
- Resource Sharing
- Industry and Member Surveys
- Joint Ventures
- Marketing Assistance
- Newsletters and Publications

Membership in HCAA is granted to select CPA firms on a territorially exclusive basis throughout the United States. This national network of firms results in extraordinary collection of expertise available to health care professionals.

---

**Please contact us if you have any questions or if we can provide additional information.  
Go to [www.dhc-cpas.com](http://www.dhc-cpas.com) to learn more about how we can help you manage your business.**

---



***[www.dhc-cpas.com](http://www.dhc-cpas.com)***  
3818 Bayou Rapides Road  
Alexandria, Louisiana 71303