Why Some Practices Thrive and Others Don’t

Top-performing physician practices don’t achieve their success by accident. Outstanding results are the product of regularly measuring financial and other practice performance and taking action to continually improve. By staying on top of your practice’s numbers, you’ll be better able to make good decisions that can correct problems and enhance competitiveness. Following are several concepts to consider.

Charges and collections
If a practice’s market is expanding and its fees are increasing, its charges should steadily increase over time. To see where you are, track charges, payments and adjustments both monthly and annually, and calculate the gross and adjusted collection percentages for the same periods. By tracking the trends of this data regularly, you can monitor the health of your accounts receivable and work toward steadily improving your collections.

Patient flow
Significant increases in charges must come from new patients. So make sure you record the number of patients that visit your practice — both monthly and annually — and break out the numbers of visits from established vs. new patients. If your practice is striving to increase the number of patients and the revenues they produce, patient flow data will serve as a measure of your progress.

Referral sources
Depending on your practice’s specialties, referrals from other physicians in the same specialty, referral hotlines or health plans on whose provider panels your practice sits can be important sources of new patients. So monitor referral activity by identifying regular referral sources. Then determine your net gross charges and collection percentages for each one.

Fee schedule
Review your fee schedule at least annually to ensure it’s set at optimal levels. To get a better handle on what those levels should be, compare your schedule to Medicare’s fee schedule and then compare the percentage of its resource-based relative value scale (RBRVS) to the schedules in your contracts with physicians in the same specialty, referral hotlines or health plans. This will help you anticipate any changes they are planning and then calculate the gross collection percentages per payor. First, determine how dependent your practice is on its top one or two payors. You may have few options if there are only a few payors in your market. Where choices do exist, however, the practice can seek acceptance on other payor provider panels or solicit patients covered by other payors. Second, identify payors that pose collection problems. Similarly, determine which payors’ reimbursements most inadequately cover the costs of providing services. With this information, you can decide whether to cease participation with certain plans or stop accepting new patients from other plans.

Proven principles
Don’t make the mistake of thinking that simply providing good medicine will result in a healthy practice. HMWC CPAs & Business Advisors can help you. Contact us with your questions.

Divide that number by the total FTE physicians or clinicians to determine the support staff-to-physician ratio. Then benchmark that ratio against comparable practices to get a sense of overall work productivity.

Payors
The health plans and programs that pay the practice’s claims should also be systematically watched. Keep records of all charges, payments and adjustments for each of your top payors, and then calculate the gross collection percentages per payor. This will help you anticipate any changes they are planning in provider relationships, contract terms or reimbursement fee schedules.

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OCMA selects HMWC CPAs & Business Advisors: We are pleased to announce that HMWC has been selected by the Orange County Medical Association as a “Preferred Business Partner” for physicians who need accounting, tax and business consulting services. The strategic business partnership with HMWC reinforces OCMA’s commitment to bring added-value to its members by aligning with companies who offer specialized services for physicians, allowing physicians to focus their attention on patient care.

Healthcare Practice Managers Education Series: Mark your calendar for the next session, Thursday, September 16, 2010. The topic is “Navigating the Credentialing Maze: Practical Tips and Common Errors to Avoid.” The seminar will be held at the HMWC offices at 17501 East 17th Street, Tustin, CA 92780-7924.

Questions: Contact Lori Stodd, (714) 505-9000 ext. 127 or MES@hmwccpa.com.

SUMMER 2010
Incentive Payments for “Meaningful Use” of EHR

CMS is eager for physician practices to deploy electronic health record (EHR) technology as soon as possible. It has proposed two incentive-driven programs — one through Medicare and the other through Medicaid — to encourage “meaningful use” of EHR systems. Physicians are required to participate in one of the programs, and most are expected to choose the Medicare program. For group practices, if several doctors use a single billing number, the entire practice generally must choose to participate in the same program.

Meaningful use requirements

Beginning in 2011, physicians acquiring an EHR system may qualify for financial payments totaling $44,000 over five years; $48,400 if practicing in a health professional shortage area. (Hospital-based physicians aren’t eligible.) The next step is to put the system to meaningful use. CMS has proposed that meaningful use requirements be implemented in three stages: Stage 1 begins in 2011, and Stages 2 and 3 start in 2013 and 2015, respectively.

Stage 1 requirements

This stage requires that all practices:

• Capture electronic health information in a coded format,
• Use that information to track key clinical conditions and communicate them to other physicians or other providers involved in a patient’s care for coordination purposes,
• Implement clinical decision support tools to facilitate disease and medication management, and
• Report clinical quality measures and public health information to health plans, regulators, patients and other interested parties.

Clinical quality measures that must be reported include three core measures (tobacco use, blood pressure, drug avoidance by elderly) and three to five other measures that vary with the physician’s medical specialty.

Practices also must report on their performance of 25 functionality measures, including using computerized physician order entry, enabling drug screening, checking insurance eligibility electronically for 80% of all patients, and providing clinical summaries for 80% of patient visits.

By satisfying these requirements, the practice qualifies to receive incentive payments capped at 75% of total Medicare fee schedule compensation up to a maximum of $18,000 in the first year, and $12,000, $8,000, $4,000 and $2,000, respectively, in the next four years.

Disincentives to start in 2015

The CMS proposal also calls for disincentives beginning in 2015. Physicians who don’t demonstrate meaningful use by then will see a 1% reduction in their total Medicare payments. That reduction gradually increases until it levels off at 5% in 2019 and thereafter.

Keep in mind that these requirements may change before being implemented. Both the American Academy of Family Physicians and the MGMA have urged CMS to relax the criteria to avoid discouraging physicians from making the necessary investments in EHR systems.

Healthcare Practice Leader

Steve Williams, CPA, is HMWC’s Managing Partner and Healthcare Practice leader. He has worked extensively with physicians and other high income taxpayers for over twenty years. He specializes in consulting services to medical practices, as well as tax and financial planning. He is a member of the American Institute of CPAs, the California Society of CPAs, the Medical Group Management Association, and Affiliated Healthcare Advisors. Steve is a frequent speaker on medical consulting and tax issues.

Our clients include primary care physicians, specialists and dentists throughout Southern California. As a member of the Affiliated Healthcare Advisors, we are continually up-to-date on the issues facing the healthcare industry and have access to the Association’s resources to develop solutions to our clients’ challenges. Our active membership in the Medical Group Management Association provides access to current medical practice data, as well as ongoing professional education.

For Further Information

To learn more about any of our services, see our website at www.hmwcpa.com or check the boxes below and complete the name/address information on the right and mail this cut-off form. Or fax to Steve Williams at (714) 505-9200.

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