MPC, Inc.
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Increasing Cash Flow

CELEBRATING 21 YEARS OF EXCELLENCE

MEDICAL PRACTICE CONSULTANTS, INC.

"It is spring again. The earth is like a child that knows poems by heart."
— Rainer Maria Rilke

Increasing Cash Flow

Recently a PVN Consultant improved cash flow in a number of medical practices. One practice will have an increase in revenue over $1.0M, another $400,000 and yet another $200,000, a year. Improving cash flow was not difficult; it was relatively easy considering the opportunities presented by the practices.

Managing The A/R

Every practice had a large balance over 90 or 120 days. This presented two major opportunities. One was to collect old balances and the other was to not let the situation repeat itself. To "stop the hemorrhage" a new Sign-In sheet was introduced which allowed the front desk to create a record of how many patients paid cash. The goal, which was achieved after a brief training session and an effective financial policy supported by the doctors, was and is 100%.

To see how accurate and how quickly insurance was billed an Insurance EOB Review was conducted. One practice had an 18% Rejection and Denial rate, another 11% and another 8%. The top Rejections and Denials included lab and x-ray services which were denied for "not medically necessary – CO-50s". Then came Rejections and Denials for unbundling, services billed too frequently and claims submitted with inaccurate demographic information.

After some training and gathering Medicare's LCD materials the Rejection and Denial rates are going down to less than 2%. Or in other words over 98% of all claims are clean and paid within 25 days. Key to getting paid within 25 days was filing insurance in a timely manner, 48 hours, filing clean claims and follow up on any insurance claims which made it beyond 30 days.

The second opportunity was collecting on old balances. A "Four-Option Letter" was sent to patients with balances over 120 days. Option one was to pay in full with a discount, option two was to pay in three payments with a lesser discount, option three was to have the practice send the account to a collection agency and option four was to have the practice write off the balance (where bookkeeping errors occurred).

While the amount collected on over 120 day patient balances was relatively small never the less some patients paid. Also the large balance over 180 days was cleared out after 90 days which made the rest of the A/R easier to manage.

On the insurance side every appeal that was outstanding and every contract that was needed were made in a short space of time (about a week). These efforts brought the receivables down to 25 days in receivables with less than 3% over 90 days.

Next came a variety of revenue increasing opportunities:

- Ancillary services were not being billed when warranted and in accordance with quality of care guidelines.
- Providers were "down-coding". That is they were billing levels of services lower than what was documented in the medical record and in every case, below "Medicare's Bell Curve". Lost revenue.
- Employed providers, mostly mid-levels, were

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not utilizing effective appointment schedules. Some providers were seeing one to two patients an hour and their revenue was so low the owner physicians were subsidizing their salaries.

- Effective methods were not in place to improve patient recalls. Once an automated system was put in place providers who previously read books were now looking for a salary increase because they are so busy.

Managing The Payables

Spreadsheets were completed on a monthly basis for the past two years. What was most noticeable from a review of these numbers was the cost of the "big items" – lab supplies, medical supplies, marketing, advertising, staff salaries, and etcetera. In one practice $25,000 a month was saved in expenses simply by shopping for better prices and using "purchasing programs."

Here are some items to look at:

- Review costs of cable, internet, combine services
- Bid out supply costs and/or join a group purchasing organization
- Review present dues and subscriptions for potential cancelling
- Reduce marketing expenses
- Eliminate overtime
- Replace MD with Extenders (NP, PA, etc.)
- Examine Cloud Computing
- How much is being spent on website design / maintenance
- Potential losses through under coding

Organizational Chart

An Organizational Chart of staffing was prepared for each practice. This showed where staff was assigned and provided the information for a FTE per provider analysis. A lot of situations showed up on the Organizational Charts. Providers with two MAs, Providers with one MA who only took vitals and took patients to exam rooms with no effort being made to complete a history.

Some practices had staff incentive programs where incentives were given regardless of performance.

Making A Profit

Many of the practices looked like they had very high overhead when in fact "Revenue" was low. Once the revenue was increased to where it should be the overhead percentage looked a lot better. Also the profit looked better. There is now enough profit after paying the operating expenses to pay providers salaries and create a sizeable fund for the owner physicians.

Retirement Planning

Looking at the financial statements for both business and personal many of the doctors were not on course to have a retirement fund that would generate 80% of their current salary at retirement. On the contrary, many of the financial statements showed large loans and lines of credit.

With some basic financial planning many of these doctors are on the way to being able to retire at an age they have determined for retirement. Cash flow from the practice improvement opportunities is now making retirement possible.

Comments

By now you have determined that this is not the usual or common type of newsletter. Nor is it the usual or common type of providing medical practice management services. It is not. It was written by a PVN Medical Practice Management Consultant who has helped doctors for 40 years and continues to do so. These are examples of real life opportunities that were addressed in real practices in 2012.

The extent of the opportunities that exist in each medical practice depends on the uniqueness of the practice. Some present with major opportunities. While many practices already know they have problems they do not know how to fix the problems. Some have problems they know nothing about. Take Meaningful Use for example. Some have not received any incentive to date and it is now too late for this year. Next will come penalties and then other action will take place. Some practices are not knowledgeable in handling "Meaningful Use."

What Do You Do?

Take a look at your Collection Percentage and compare it against "the norm". Look at your Aging Accounts Receivable and evaluate the opportunity to do a better job. Look at Overhead, Staffing, Coding and Documentation.

If there are opportunities to improve make those opportunities your goal for 2013. Now is the time to:

- Look at the amount of receivables in the over 180 day category for Patient and Insurance.
- Look at overhead. Are bills being paid or are the Payables being managed?
- Look at coding. Are the levels of service for your providers below "Medicare's Bell Curve"? Is there a major difference in coding patterns between providers and why is that?

"I glanced out the window at the signs of spring. The sky was almost blue, the trees were almost budding, the sun was almost bright."

— Millard Kaufman, *Bowl of Cherries*