

## Managing Overhead Costs Eight Ways to Reduce Staff Expenses

**D**o you know how much your office spends on overhead? Physician practice overhead exceeds 60 percent of billings, on average, and that ratio is growing as the ACA reduces payments to providers.

The bulk of overhead comes in four areas: staff, supplies, purchased services and office facilities. Careful management of these costs can have a big impact on your profitability, so a review of overhead expenses should be a regular practice.

Even if you think there's no more waste left in your office, you may be surprised by the savings a review can turn up.

### Your Biggest Expense: Staff

Office staff is by far the biggest overhead cost in most practices. To get a handle on yours, approach it two

ways. First, look at the big picture – how many employees do you need? Then take a more granular, line-item look at staff expenses to see what you can reduce.

To calculate your practice's optimal workforce, you could start with your present headcount and work down. But it can be more enlightening to start at zero and then, alongside a comprehensive list of necessary tasks, build up from there.

Either way, approach the matter objectively. Analyze roles and tasks, not individuals, and don't jump ahead to worries about layoffs. Outside of an emergency, there are usually other ways to trim payroll.

Here are eight ways to reduce your staff costs:

**1. Let providers provide.** You must know each doctor's "break-even" load – how many patients he or she must bill in order to cover the practice's overhead. Then let that number drive overhead decisions on staff size and deployment. For example, does an MD really need to enter medication notes for each patient, or could an hourly-wage assistant do it – possibly making room for another patient or two in the doctor's day?

**2. Take advantage of attrition.** Whenever someone leaves your employ, take a close look at the position and ask if a full-time replacement is necessary. You might be able to fill the role with a part-time hire,

or leave it unfilled entirely if other staff can absorb the duties.

**3. Cross-train employees.** A receptionist can't replace a skilled nurse, but employees often want to expand their healthcare skillsets or just try out a different job in a familiar environment. Could the practice leverage some training courses for your staff to develop new skills? By doing so you might avoid temporary hiring to cover vacations or illness.

**4. Use salaries and bonuses strategically.** If the duties of a critical position consistently require overtime, consider making it a salaried job with corresponding benefits. But be aware that straight-percentage salary increases mount up quickly, so compensate in other ways as well. Cash bonuses, for instance, are always welcome and can slow the salary spiral.

**5. Control overtime costs.** Regular overtime, when taken for granted, discourages some people from completing their work in a standard workday. Overtime work may be necessary, but get a handle on it by requiring that it be authorized and justified. Over a month or so, review the justifications to assess the real need for it.

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# Create a Disaster Plan *Before* You Need One

**F**rom multiple Category 4 hurricanes to catastrophic earthquakes, this year has seen more than its fair share of disasters. This reinforces the need for disaster planning by all businesses, including medical practices.

You can't prevent a hurricane or earthquake, of course, but your response to one could make the difference between inconvenience, misfortune or disaster.

What should your disaster plan cover? Experts distinguish between natural and technological disasters, the latter referring to human-built systems. But since their damages often overlap, your disaster plan should address both.

Involve your staff in creating the plan by appointing a small committee to gather information and create a draft. And be sure to assign deadlines because disaster planning is easy to put off.

### Start With Your Practice

Your team needs to identify the processes that each department uses. Of these, which ones are critical in day-to-day work? Which systems, supplies and data stores support them? Your staff's insight is invaluable here.

Then assume that each critical process isn't functioning. Use patient and financial records to calculate how soon each breakdown would harm your patients or your practice.

Your ability to use and exchange EHR data will always be a top priority, but conduct a comprehensive review. If a surgeon reviews a hard-bound volume before every procedure, for example, that could be critical. And don't forget patient information that's not in your EHR system.

### Identify the Most Likely Disasters

Government agencies and disaster-planning associations can help you assess the likelihood of different events in your area.

Also, consider disasters that would affect only your office. A flu bug, power outage, damaged Internet

cable or hazardous spill can paralyze a business. Review your insurance policy and poll your physician peers for their experience.

Next, determine how each disaster type would potentially affect your business-critical resources. Most effects will be in five areas:

1. Staff attendance
2. Patient information
3. Communications
4. Medical supplies
5. Physical office space



### Two Way Disaster Planning

A disaster plan consists of two parts: what to do *during* a disaster, and how to prepare *before* a disaster strikes. During a disaster, certain questions will come to the fore, such as:

- Who's in charge and who is the backup?
- If some staff are absent, who will perform their critical duties?
- Who is triaging patients?
- Who is in communication with staff, patients and emergency authorities?
- What does your outgoing message say?
- If you're short on critical supplies such as drugs, where will you get them?
- Where will you set up if your facility is unusable?
- How can staff access EHR records and payment information?
- What's next — how will you go about restoring all your practice functions?

These and other questions will inform your pre-disaster tasks, which may include the following:

1. Assemble complete contact lists for staff, patients, vendors and emergency agencies, including alternate channels if phones are out. Establish a process to keep these lists updated and accessible.
2. Bring your data backup systems up to code. Be certain your information is duplicated and stored — regularly, frequently and automatically. Keep one backup on your premises and store one or more at a location outside your region. Make sure your vendors can deliver data on demand and in a format your staff can use immediately.
3. Inventory your office. Prioritize expensive or hard-to-replenish items, but don't neglect everyday forms. Confirm that your pharmaceutical and other vendors have policies in place to support you in a disaster.
4. Review your practice insurance coverage. Besides disaster damage and expenses, also consider purchasing coverage for loss of income.
5. Keep offsite copies of all financial and legal documents, including deeds, vendor contracts and loan documents.
6. Create and publicize disaster protocols so everyone has them, especially those on chain of command, division of emergency tasks and where to regroup.

### Low Risk, High Stakes

The chances are relatively low that your practice will burn to the ground or be overwhelmed in a major terrorist attack. But without a plan, even a small disaster can damage or close a practice. Your medical office, by its patient-centered nature, has special obligations and vulnerabilities in an emergency.

*Disaster recovery and business continuity are among our firm's specialties. Please give us a call if you'd like to discuss this in more detail.*

# Collection Strategies

## Tips for Boosting Practice Collections

**P**atients today are shouldering more healthcare costs. Between 2005 and 2015, average out-of-pocket costs doubled, and the number of patients enrolled in high-deductible health plans went up six-fold. These cost increases can slow payments to your practice.

### Make it Easy to Pay

Most of your patients probably want to pay you, and that's where your collection program should begin. Here are some tips to make it easier for your patients to pay what they owe.

- *Review debts in advance and advise patients beforehand.* If patients lack specific coverage, carry a balance or owe a deductible, remind them before their office visit.

- *Collect in advance.* Some practices offer advance payment as a convenient option at the desk. Or you could collect a set fee for a procedure, since you can't be sure of the total cost. Depending on the claim outcome, you can bill or refund the difference.

- *Have patients sign a payment policy.* State all terms clearly, including payment rules, no-show fees and available payment methods.

- *Accept different forms of payment.* Making it easy for patients to pay will help you avoid some delinquent bills. More patients will pay if you accept checks, cash, credit cards, money orders and PayPal.

- *Keep patient payment information on file.* Collection is faster when a patient has granted permission to bill a credit card or bank account. Don't court liability, though — let a certified vendor handle the processing and data.

- *Work with patients.* Some practices partner with lenders to offer payment plans, while others finance patient debt themselves and charge interest. Another option is a prepaid deposit, which might be appropriate for chronic no-shows. And as you keep the oath, remember that many practices provide no-pay or low-pay care in some circumstances.

- *Help patients help themselves.* Do you know how much your patients pay for drugs? Be proactive by telling patients about generics, subsidy programs and the pharmaceutical coupons on your shelves.

- *Send payment reminders.* Simple payment reminders can boost collections. Familiarize yourself with different communication channels such as phone, text and email and ask patients which one they prefer. Then make that your primary communication channel with them.

### Steady Effort Yields Results

There's no silver bullet for successful practice collections. However, a combination of methodical work and flexibility can help you recover the most you can.

## Managing Overhead

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**6. Crowd-source your cost cutting.** You'll never glimpse the amount of waste your staff sees, so enlist them in an office-wide initiative. Set goals and reward individuals or departments whose ideas or actions save the practice money. Use contests, prizes and bonuses to make a campaign out of it.

**7. Hire smart and retain good employees.** Turnover is a major staff expense, and you can't fully avoid it. But vet new applicants carefully to help ensure a good fit in your practice, and offer useful training and competitive compensation to remain attractive to your employees.

**8. Manage health insurance.** When was the last time you bid out your insurance? It's easy and it may turn up quick savings. In addition, could you provide your employees certain medical care for free, or at a reduced rate, in lieu of some insurance coverage? (Discuss this with an attorney before offering it.)

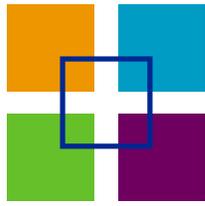
Depending on the urgency of lowering costs, you may also need to consider adjusting deductibles, premiums, copays or coverage to obtain a less expensive policy.

### Don't Go Overboard

Managing overhead can be tricky, and cutting too much is risky. For example, the Medical Group Management Association notes that the highest-income practices frequently pay a greater portion in overhead so they can devote more physician time to revenue activities. Finding the sweet spot takes effort and analysis.

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## Can Physician Autonomy Survive?

**F**or years restrictions on physician autonomy were the leading complaint among doctors, but today paperwork heads the list, with autonomy close behind.

For many doctors, the distinction blurs – for example, lengthy pre-authorization requirements both increase paperwork and limit autonomy. The “fail first” requirement for drugs is particularly demoralizing, since payers often require you to exhaust generic options before prescribing a newer and better medicine. Sometimes such intrusions on physician autonomy shorten lives.

Most patients want their doctor to make these decisions. Like you, they resist the idea that your medical judgment should be limited by rules

and regulations created by people who never touched a patient.

These autonomy restrictions take place in an environment of reduced payments, liability risk, and steady contraction of face-to-face time with patients. Together, they undermine the relationship between doctor and patient – the foundation of most providers’ career in medicine.

Not surprisingly, more doctors are choosing alternatives like retirement, nonclinical duties or a concierge model. Meanwhile, the number of doctors shifting from private practice to hospital or group employment continues apace.

It’s worth noting that employed physicians see nearly 20 percent fewer patients than those in private



practice. These shifts are expected to result in a doctor shortage sometime in the future.

Such a shortage, along with some long-awaited stabilization in health-care reform, could permit the profession to push back. If physicians can regain some of the trust they lost, rightly or wrongly, in pharmaceutical gift scandals, they may be able to eliminate some unreasonable restrictions on their autonomy.



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