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## **The ABCs of Building a Financially Healthy Medical Practice**

As changes continue to occur in the healthcare industry, physicians are taking a hard look at the numbers of a medical practice and gauging whether the year at hand will be economically successful. To analyze the productivity of the practice, physicians depend on accurate and timely information. However, with the focus of every practice on delivering quality health care, the financial side often becomes neglected or ignored.

Frequent signs that a practice may not be paying enough attention to its financial side include: a lack of documented billing procedures; lack of internal controls involving accounting and cash; lack of timeliness; no accountability for staff; missing or outdated records; and the lack of targeted benchmarks.

In order to run a practice profitably, a physician should review weekly financial and cash flow updates to calculate overhead and determine how much to collect and how many patients are needed to cover those costs. These updates also allow physicians to determine the level of patient visits, frequency of procedures, trends in expenses and changes in activities.

Develop a simple accounting system. Creating a dependable and user-friendly accounting system is the key to successful financial reporting. By engaging an accounting professional, practices can create a system that works for them. The system needs to be able to generate weekly and monthly reports on the status of the office and must be kept up-to-date.

Buying easy-to-use accounting software is the first step. Staff also must also be properly trained so data input is timely and correct.

It's also important that a professional accountant frequently review the activity in a practice's accounting records, especially if the practice is growing, adding doctors, expanding or is new. This review will allow a practice to properly report financial conditions and timely tax planning. The last thing a physician wants to find after months of recording the books are surprises in regards to gains, losses or tax liability.

Implementing and documenting medical billing procedures is critical in today's environment. Accurate medical billing (especially CPT coding) is extremely important to the success of any practice. Creating processes that ensure data is captured properly and timely should become a top priority. Staff should be aware of what is expected of them and how to get it done effectively.

The best way to establish these procedures is to place productive but reasonable practice goals with each staff member. Goals could include daily charges input, daily payments input, acceptable lag time days, number of claims that have received follow-up, number of patient calls to make, zero lag time on correcting claims transmitted, compliance with credit balances and compliance with coding and documentation.

Several areas that should be closely monitored in the billing process include regular follow-up on claims and appropriate attention to denials, zero EOBs and transmission rejections.

Next, make sure to create a continuous communication cycle. Because of the pace of a physician's office, formal communication between doctors, management and staff often is fragmented, neglected or postponed. Animosity can develop between management and staff because of inaccurate assumptions.

Management must take ownership of this responsibility and strive to communicate with staff. Key issues such as turnover of personnel, additional hiring of personnel to support practice functions and new processes needing implementation should be communicated timely. Staff meetings with specific agenda items and formal memos documenting new policies and decisions seem to work well for physician offices.

Finally, establish your benchmarks – this I have preached to you in the past. Benchmark all practice statistics and most importantly, see how you are doing this year compared to last year. If the year is flat or declining, investigate immediately and develop an associated action plan of attack.

Through planned and integrated accounting, medical billing, communication and benchmarking, a physician's office can run smoothly and continue to care for patients while being up-to-date on the economics of the practice.

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