Basics of Allergy/Immunology
Business practices!

AAAAI Practice Management Webinar
December 3, 2020

Presented by:
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  West Hartford, CT

Disclosure
• I’m in a Private 7 physician & 2 extender allergy practice. My E-mail address is: grodoc54@gmail.com
• I’m old. Retiring from Medical Practice in 27 days
• I’m still very active in AAAAI Practice Management Committee
Disclosure

• I have no special business background! (Like most MDs I know)
• Views expressed here are my own, and do not reflect any official position of the AAAAI (but the leadership REALLY wants everyone to succeed professionally!)

Keys to “Financial Management”:  

• Make sure you have cash to operate your business.
• Have “loans” or lines of credit to allow you to finance your business while building up a practice.
• Know how to track and maximize revenue production.
• Don’t spend extravagantly if you can’t afford it.
What Have We Been Trained To Do Well, That Will Serve Us In Understanding Business?

• Be Analytical !!

How to Analyze Practice Performance?

• Need to create “benchmarks” to allow for comparison.
• Most important comparison should always be internal- Always check against yourself.
• Need to Budget
Need to Budget:

- Allows for Analysis.
- Modern technology makes this process easy and efficient for anyone.

Advantages of Budgeting

- Allows you to compare and analyze how you’re doing weekly, monthly or annually.
- Compares current performance with past performance, or from expected performance.
- Allows you instant knowledge of “where you stand!”
- Allows monthly cash flow analysis
# Simple Accounting

**Profit = Income - Expenses**

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**In this table, we have a Profit & Loss Statement for CT. Asthma & Allergy CTRL., LLC for January through April 2004.**

<table>
<thead>
<tr>
<th>Category</th>
<th>Jan 04</th>
<th>Feb 04</th>
<th>Mar 04</th>
<th>Apr 04</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total 1010</strong></td>
<td>36,511.72</td>
<td>6,350.72</td>
<td>4,783.28</td>
<td>7,797.73</td>
<td>43,343.05</td>
</tr>
</tbody>
</table>

**Income:**
- **Petitton Fee:** 36,511.72
- **Other Income:** 6,350.72
- **Adjustment:** 4,783.28
- **Total Income:** 43,343.05

**Expenses:**
- **Petitton Fee:** 36,511.72
- **Petitton Fee:** 6,350.72
- **Adjustment:** 4,783.28
- **Total Expenses:** 43,343.05

**Profit:** 0.00

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Sources of Income:

- See more patients (increase patient care hours)
- Maximize billing for testing or procedures
- Accurate coding & Documentation!
- Quality care payments
- Selling durable medical equipment
- Clinical research participation
- Invest cash reserves
- Sublet unused space

Seeing patients is Primary Revenue Source

- Major cause for concern regarding newly trained physicians by older physicians.
- Concern about “work ethic”.
- In private practice you have to patients in volume & efficiently.
- 1 Hour New visits max. Follow up visits 15 minutes (15-20 patients)
Maximize Patient demand for your time

- BE A GOOD PHYSICIAN!!
- Get credentialed in as many 3rd party payers as you can

Learn how billing and collections work

- Make sure Copayments are paid at time of visit
- Understand that the “paper charge” is not equal to what you expect to collect.
- Learn the correct ways charges need to be sent out so they will be handled efficiently
Pathway is NOT SIMPLE

- Charge you generate usually goes to a billing “clearing house”
- Who in turn send the accepted electronic format to the insurance companies for review

Waiving co-payments routinely

Waiving co-payments on a case by case basis for financially needy

Providing free or discounted services to uninsured patients
How fees get paid:

- Patients with insurance coverage: payers determine allowable amounts for each service. Physicians are generally contractually obligated to accept these discounted amounts. The differences are “adjusted” or written off.

Understanding Revenue

<table>
<thead>
<tr>
<th>CPT Codes</th>
<th>Fee</th>
<th>Medicare</th>
<th>Cross</th>
<th>HMO 1</th>
<th>HMO 2</th>
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<tbody>
<tr>
<td>99213</td>
<td>60</td>
<td>35</td>
<td>50</td>
<td>50</td>
<td>45</td>
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<td>99214</td>
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<td>99215</td>
<td>130</td>
<td>82</td>
<td>115</td>
<td>115</td>
<td>110</td>
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</tbody>
</table>
Explanation of Benefits

**Issue regarding large deductible plans**

- New HSA plans and insurances with very high deductibles has lead to the patient again being responsible for paying for the bill. Physicians again need to aggressively collect fees from their patients.
Understanding Revenue

- Collection ratio
- Collections divided by total charges
- Financial Data Survey results = around 70% ratio.
- Might be necessary to bill higher, to insure you capture revenue from all payers

Quality Measures

- Still not particularly clear.
- Threat that “fee for service” will be eliminated and replaced by something else.
- Make sure you follow the rules of your PHOs
Payer Analysis

- Breakdown what percentage of your total charges each 3rd party payer is
- Includes collection ratio for every 3rd party payer
- Forces you to consider HMO participation diversification. Also, do you need to participate with every HMO???

Payer Profile Analysis

<table>
<thead>
<tr>
<th>Payer</th>
<th>Services</th>
<th>% of Total Svc</th>
<th>Payments</th>
<th>Total Svc</th>
<th>Svc / Payr</th>
<th>Adj.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>#DIV/0!</td>
<td>-</td>
</tr>
<tr>
<td>Connecticare</td>
<td>855,936</td>
<td>24%</td>
<td>697,796</td>
<td>27%</td>
<td>82%</td>
<td>149,271</td>
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<tr>
<td>Blue Cross</td>
<td>1,081,223</td>
<td>30%</td>
<td>753,307</td>
<td>30%</td>
<td>70%</td>
<td>305,500</td>
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<tr>
<td>Cigna</td>
<td>444,334</td>
<td>12%</td>
<td>297,019</td>
<td>12%</td>
<td>67%</td>
<td>142,297</td>
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<tr>
<td>Aetna / US Healthcare</td>
<td>238,690</td>
<td>7%</td>
<td>197,796</td>
<td>8%</td>
<td>83%</td>
<td>36,790</td>
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<tr>
<td>Health Net</td>
<td>391,782</td>
<td>11%</td>
<td>222,805</td>
<td>9%</td>
<td>57%</td>
<td>157,842</td>
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<tr>
<td>United Healthcare</td>
<td>197,731</td>
<td>6%</td>
<td>163,158</td>
<td>6%</td>
<td>83%</td>
<td>27,176</td>
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<tr>
<td>P H N</td>
<td>6,744</td>
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<td>5,656</td>
<td>0%</td>
<td>84%</td>
<td>1,088</td>
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<tr>
<td>Hlth. Mngm. Corp.</td>
<td>37,794</td>
<td>1%</td>
<td>21,793</td>
<td>1%</td>
<td>58%</td>
<td>12,534</td>
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<tr>
<td>Medspan</td>
<td>147,700</td>
<td>4%</td>
<td>108,691</td>
<td>4%</td>
<td>74%</td>
<td>38,177</td>
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<tr>
<td>Medicare / Part B</td>
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<td>85,280</td>
<td>3%</td>
<td>49%</td>
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<td>-</td>
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<tr>
<td>Medicaid</td>
<td>31,396</td>
<td>1%</td>
<td>8,106</td>
<td>0%</td>
<td>26%</td>
<td>21,820</td>
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<tr>
<td>Mngd. Medicaid</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>#DIV/0!</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>#DIV/0!</td>
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<tr>
<td>TOTAL:</td>
<td>3,567,037</td>
<td>100%</td>
<td>2,541,407</td>
<td>100%</td>
<td>948,942</td>
<td></td>
</tr>
</tbody>
</table>
Understanding Revenue

“When Do I Get Paid?”

Aged Trial Balances

• How much outstanding charges are present?

• This analysis tells you if you are collecting your fees.
Understanding Revenue

- Accounts Receivable Aging
  - 80% should be under 30 days
  - Over 120 should be less than 10%
- Number of Days in A/R
- Calculate by dividing the A/R Balance by daily average charges (YTD Charges/365 days)
- Goal should be under 30 Days
Understanding Expenses

“Of Every Dollar that Comes in, How Much Goes Out for Expenses?”

Understanding Expenses

“Are expenses systematically analyzed?”
Understanding Expenses

• Overhead ratio
• General & administrative expenses (not including physician salary and perks) divided by gross collections
• MGMA survey on 2010 data: mean 57.8%
• Past PM survey suggests mean & median ratio of around 57%.

Regularly evaluate Expenses!

• Fixed Expenses: expenses that do not increase with increased time. (i.e.. Rent, malpractice insurance premiums, etc.)
• Variable Expenses: expenses that are dependent on time of operation. (Staff payroll, medical supplies, etc.)
Regularly evaluate Expenses!

- Constantly analyze Discretionary versus Necessary Expenses. These are subjective, but constant re-evaluation will allow for efficient cost cutting.

Understanding Expenses

Operating Costs for Multispecialty Practices
Payroll Is Biggest Expense

• Very subjective! Depends on needs and wishes of physicians
  • Impact of Outsourcing (transcription, billing, etc)
  • Lower not necessarily better!
  • Determine your own standard, and watch out for “FTE Creep”

Manpower Needs: PM Surveys

• Dramatically varies

• Mean result 6.0434 FTE/physician with S.D. of 4.0704 (Median: 4.9458 FTE/phys).
  For FTE physician correction Mean = 6.9843 FTE/phys.

• 2006 Data results= Mean result 5.2671 FTE/physician with S.D. of 2.1528
  (Median: 4.850 FTE/phys)
Staff Salary Structure

• Varies from region to region
• Market forces can vary - supply & demand major factor
• YOU GET WHAT YOU PAY FOR!!!!!

Evaluate Technology

• Computer systems: Medical management (Billing & Scheduling); EMR
• Phone systems
• Spirometry
• Interoffice communication
Evaluate Debt:

“How much outstanding loans are present, and what was it borrowed for?”

Any Other Questions?