

Basics of Allergy/Immunology Business practices!

AAAAI Practice Management Webinar

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Presented by:

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Disclosure

- I'm in a Private 7 physician & 2 extender allergy practice. My E-mail address is:
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- 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

CT. ASTHMA & ALLERGY CTR., LLC.
Profit & Loss Statement
 January through April 2004

	Jan 04	Feb 04	Mar 04	Apr 04	TOTAL
Ordinary Income/Expense					
Income					
4000-00 - TOTAL DEPOSITS					
4110 - PATIENT FEE INC - PCN					
4110-20 - Ins. Payments	34,188.36	3,864.54	3,810.73	1,797.73	43,658.36
4110-50 - E - deposit / Cigna	0.00	123.09	152.88	0.00	275.97
4110-55 - E - deposit / CTC	174.76	377.09	829.87	0.00	1,381.52
Total 4110 - PATIENT FEE INC - PCN	34,363.12	4,364.72	4,793.28	1,797.73	45,298.85
4210 - PATIENT FEE INC - MISYS					
4210-05 - Office Payments	28,946.66	23,741.57	33,292.78	33,569.66	117,550.70
4210-10 - Mail Payments	8,979.71	9,414.64	13,247.33	12,123.81	43,665.49
4210-20 - Insurance Payments	197,379.92	227,161.94	315,466.60	158,077.86	898,086.34
4210-30 - C/C Payments - Fleet					
4210-31 - FL*271161565889/62765...	0.00	0.00	170.00	7,522.76	7,692.76
4210-32 - FL*271161565889/62765...	0.00	0.00	0.00	1,576.12	1,576.12
4210-33 - FL*271161564882/62765...	0.00	0.00	0.00	932.75	932.75
4210-34 - FL*271161561888/62765...	0.00	0.00	661.89	1,816.65	2,478.54
4210-35 - FL*271161562886/62765...	0.00	0.00	0.00	1,330.10	1,330.10
4210-36 - FL*271161563884/62765...	0.00	0.00	75.07	1,266.59	1,341.66
Total 4210-30 - C/C Payments - Fleet	0.00	0.00	905.96	14,443.97	15,353.93
4210-40 - C/C Payments - First Nat.					
4210-41 - FN / WH - 6216827	6,461.66	4,455.56	632.55	0.00	11,549.77
4210-42 - FN / ERI - 6216869	1,350.41	1,182.33	712.72	292.99	3,538.45
4210-43 - FN / Mnc - 6216896	1,526.45	1,219.31	1,720.36	0.00	4,466.12
4210-44 - FN / Midl - 6216843	364.09	303.20	1,156.29	123.07	3,146.65
4210-45 - FN / Avn - 6216830	1,527.35	828.07	1,381.99	0.00	3,737.41
Total 4210-40 - C/C Payments - First ...	11,329.96	8,568.47	5,603.91	416.06	25,938.40
4210-50 - E - Deposit / Cigna	30,320.57	17,043.09	39,159.01	24,582.74	111,105.41
4210-55 - E - Deposit / CTC	53,532.55	49,363.28	65,174.78	64,562.03	232,632.64
Total 4210 - PATIENT FEE INC - MISYS	328,389.37	336,312.99	472,854.37	307,176.18	1,444,332.91
Total 4000-00 - TOTAL DEPOSITS	362,730.49	339,677.71	477,647.65	308,573.91	1,490,629.76
4115 - REFUNDS / NSF RETURNS	144.63	-1,492.87	-30.00	-427.67	-1,785.71
4125 - CREDIT CARD DISCOUNT	-145.17	-214.74	-162.81	-111.62	-634.44
4160 - CHECK-OUT RECONCILIATION	25.00	25.00	0.00	0.00	50.00
Total 4000 - PATIENT FEE INCOME	362,754.95	338,035.30	477,454.74	308,034.62	1,487,279.61
4500 - HMO RISK RETURN INCOME	0.00	3,488.57	0.00	0.00	3,488.57
Total Income	362,754.95	341,523.87	477,454.74	308,034.62	1,490,768.18
Expense					
5280 - BANK SERVICE CHARGE					
5281 - Bank Service Chg - Fleet	265.48	546.98	97.04	294.78	1,204.28
5282 - C/C Processing Fees - Fleet					
5282-00 - C/C Fee*271161563884 - WH	0.00	0.00	0.00	0.20	0.20
5282-01 - C/C Fee*271161566887 - Avon	0.00	0.00	0.00	5.29	5.29
5282-02 - C/C Fee*271161563884 - Avon	0.00	0.00	0.00	0.84	0.84
5282-99 - Merchant Fees*271161560880	0.00	0.00	0.00	0.05	0.05
Total 5282 - C/C Processing Fees - Fleet	0.00	0.00	0.00	6.58	6.58
5283 - C/C Processing - 1st National					
5283-01 - W. H. # 6216827	31.60	32.00	30.20	21.15	114.95
5283-02 - ERI # 6216869	22.00	22.80	22.80	41.85	109.45
5283-03 - MInch. # 6216896	22.85	23.35	23.10	23.75	93.05
5283-04 - Midch. # 6216843	21.75	22.40	22.80	23.15	90.10
5283-05 - Avon # 6216830	22.00	22.70	22.10	22.75	89.55
Total 5283 - C/C Processing - 1st National	120.20	123.25	121.00	132.65	497.10
Total 5280 - BANK SERVICE CHARGE	385.68	670.23	218.04	434.01	1,707.96

Simple Accounting:

Profit =

Income -

Expenses

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

Most Frequently Used CPT Codes	Fee Schedule	Medicare	Blue Cross	HMO 1	HMO 2
99213	60	35	50	50	45
99214	90	56	80	80	75
99212	45	25	40	45	40
99244	200	123	200	200	200
99211	25	15	25	25	25
99204	150	92	125	125	115
99243	140	85	110	115	125
99203	110	62	100	100	90
99215	130	82	115	115	110

Explanation of Benefits

Claim Activity for LINDA GRODOFSKY (SELF)

Description of Service	Your Responsibility						Our Payment
	Amount Billed A	Amount Allowed B	Your Deductible C	Your Coinsurance D	Excluded Expenses E	See Notes F	
Claim Year: 03/01/08 - 02/28/09							
FAMILY MEDICINE CENTER LLC							
Claim was received on 01/23/2009 01/21/2009 ESTABLISH PATIENT OFF/OP	100.00	78.21	70.11	0.00		0100	8.10
TOTALS	100.00	78.21	70.11	0.00	0.00		8.10

PAYMENT SUMMARY:
CHECK # 59199315 FOR \$8.10
WAS ISSUED TO FAMILY MEDICINE CENTER LLC ON 1/28/2009

NOTES:
0100 -THIS IS A PARTICIPATING PROVIDER, THEREFORE, YOU ARE NOT RESPONSIBLE FOR THE DIFFERENCE BETWEEN THE AMOUNT BILLED AND THE AMOUNT ALLOWED.

PLAN PROVISIONS

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

Payer	Services	% of	Payments			Adj.
		Total Svc		Total Svc	Svc / Payr	
Private	-	0%	-	0%	#DIV/0!	-
Connecticare	855,936	24%	697,796	27%	82%	149,271
Blue Cross	1,081,223	30%	753,307	30%	70%	305,500
Cigna	444,334	12%	297,019	12%	67%	142,297
Aetna / US Healthcare	238,690	7%	197,796	8%	83%	36,790
Health Net	391,782	11%	222,805	9%	57%	157,842
United Healthcare	197,731	6%	163,158	6%	83%	27,176
P H N	6,744	0%	5,656	0%	84%	1,088
Hlth. Mngm. Corp.	37,794	1%	21,793	1%	58%	12,534
Medspan	147,700	4%	108,691	4%	74%	38,177
Medicare / Part B	133,707	4%	65,280	3%	49%	56,447
Mngd. Medicare	-	0%	-	0%	#DIV/0!	-
Medicaid	31,396	1%	8,106	0%	26%	21,820
Mngd. Medicaid	-	0%	-	0%	#DIV/0!	-
Other	-	0%	-	0%	#DIV/0!	-
TOTAL:	3,567,037	100%	2,541,407	100%		948,942

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.

Aged A/R by Pat Type as of 03-31-2004

PT Type	000-030	031-060	061-090	091-120	121-150	151-180	181-999	Total A/R
Pt Type: 1		1,426.84		353.35		1,279.30		10112.90
SELF PAY	4,535.30		763.00		1,033.00		722.11	
Pt Type: 2		2,735.24		885.51		2,166.08		21563.75
MEDICARE	12,768.70		1,823.29		1,158.38		26.55	
Pt Type: 3		3,076.00		3,097.90		1,579.00		28410.15
MEDICAID	14,764.25		2,114.00		3,104.00		675.00	
Pt Type: 6		4,625.26		2,348.05		4,585.13		70812.50
COMMERCIAL INS	49,580.57		5,402.66		3,974.66		296.17	
Pt Type: 7		12.00		100.00		97.81		1003.81
PPO INS CO RANGE	766.00		28.00		0.00		0.00	
Pt Type: 8		13,265.86		5,017.44		6,703.98		121893.92
HMO INS CO RANGE	84,744.08		7,603.72		4,455.84		103.00	
Pt Type: 10		956.00		33.00		0.00		3250.00
WORKER'S COMP	1,930.00		321.00		10.00		0.00	
Pt Type: 20		12,322.32		3,634.93		11,875.36		144203.61
BLUE CROSS & BLUE SHIELD	99,808.01		9,624.18		5,900.41		1,038.40	
Pt Type: 99		0.00		145.00		0.00		145.00
QUICK CHART	0.00		0.00		0.00		0.00	
Pt Type: 9997		-1.75		160.00		168.74		10674.98
PRIVATE BAL CONV	971.32		141.90		33.00		9,201.77	
Report Total	269,868.23	38,417.77	27,821.75	15,775.18	19,669.29	28,455.40	12,063.00	412070.62
Age vs. Total	65.49%	9.32%	6.75%	3.83%	4.77%	6.91%	2.93%	100.00%

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!

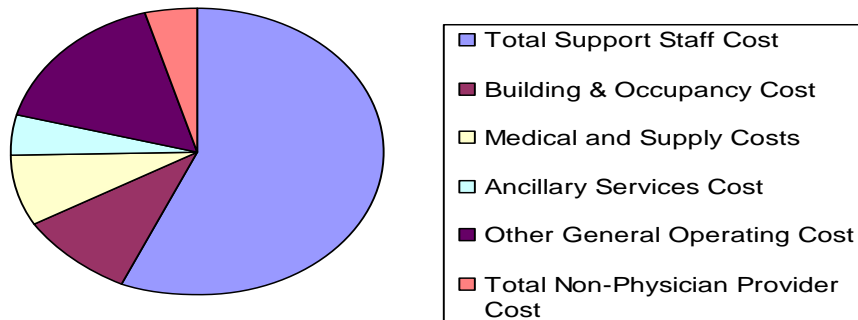
- Fixed Expenses: expenses that do not increase with increased time. (i.e.. Rent, malpractice insurance premiums, etc.)
- Variable Expenses: expenses that are dependent on time of operation. (Staff payroll, medical supplies, etc.)

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?