

TOP TEN STRATEGIES TO LOWER OVERHEAD EXPENSES

Cooperative of American Physicians

October 11, 2023

Presented by:

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www.practiceconsultants.net

- 
- I have no financial interests or relationships to disclose

Learning Objectives



- Outline the top ten strategies to lower overhead costs in your practice
- Analyze the most common staffing mistakes affecting your costs
- Determine how to eliminate inefficiencies and make your practice more productive

Medical Group Management Association (MGMA)

Three options for reducing medical practice overhead:

1. Increase productivity: Get more bang for the buck
2. Reduce costs: Get the same bang for fewer bucks
3. Improve business operations: Get more bucks for the bang

PE ownership worsens quality, raises costs, according to BMJ review

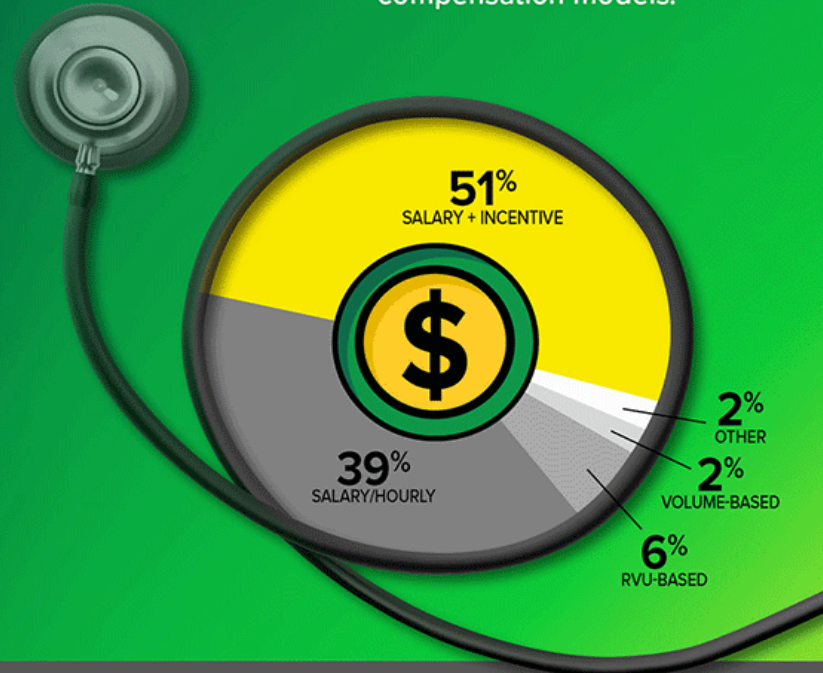
Published July 24, 2023 [Sydney Halleman](#)



- Nine out of 12 studies that analyzed cost found higher costs to patients or payers at care sites owned by PE firms — the “most consistent pattern” in the review, researchers said.
- Of the 27 studies looking at healthcare quality, 12 found harmful impacts as a result of PE ownership. Just three found beneficial impacts. PE ownership’s impact on health outcomes and costs to operators was mixed, and the review couldn’t draw definitive conclusions as a result, researchers said.



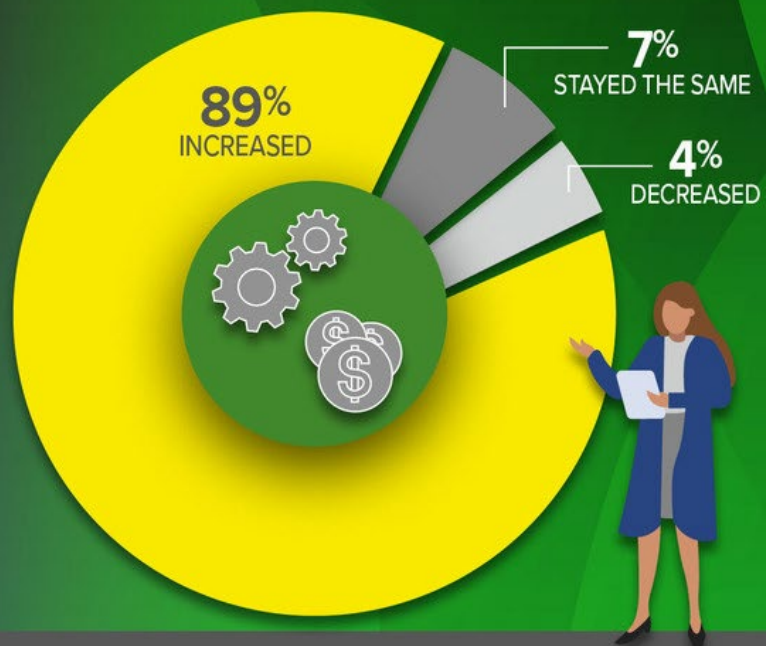
59% of medical groups use productivity or incentives in their APP compensation models.



MGMA Stat poll. August 1, 2023 | How are your APPs compensated?
553 responses. [MGMA.COM/STAT](https://www.mgma.com/stat), #MGMASTAT



89% of medical groups' operating costs increased in 2023.



MGMA Stat poll. July 12, 2023 | How do your org's operating costs this year compare vs. 2022?
461 responses. [MGMA.COM/STAT](https://www.mgma.com/stat), #MGMASTAT

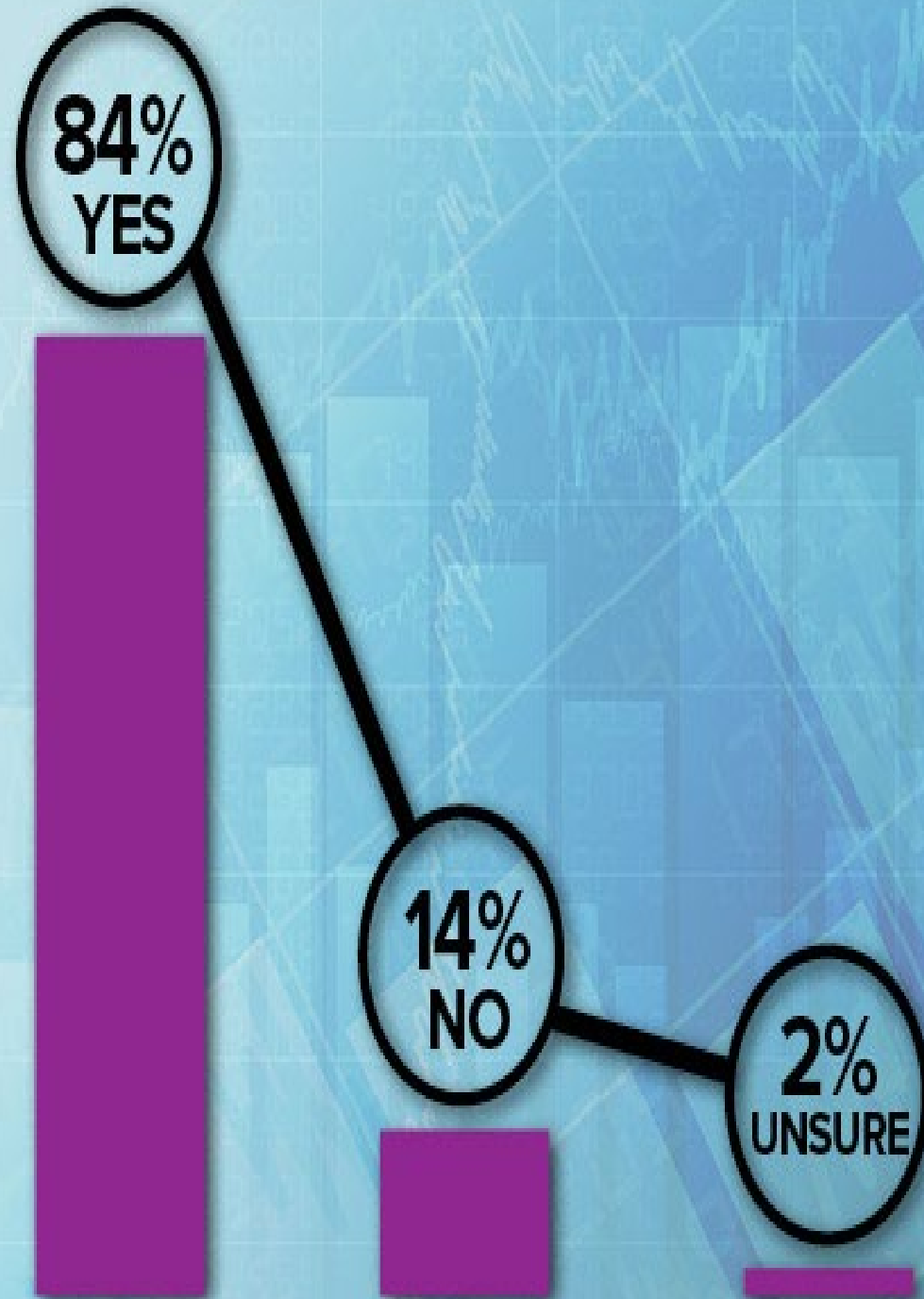
- 
- *“You will either step forward into growth*
 - *or you will step back into safety.”*

- *Abraham Maslow*

DO YOU USE BENCHMARKING DATA TO IMPROVE PRACTICE OPERATIONS?

MARCH 19, 2019 POLL
1,287 RESPONSES

MGMA.COM/STAT
[#MGMASTAT](https://twitter.com/MGMASTAT)





37%

of healthcare leaders analyze their physicians' compensation with productivity monthly.



Better-performing practices use benchmarking and patient surveys, study finds

- According to a recent report from MGMA, better-performing medical practices use formal surveys to gauge patients' satisfaction with their practices.
- More than **30%** of these practices benchmark the results to other practices, and more than **60%** educate physicians about behavior. In addition, better-performing practices spend more on information technology operating expenses and reported less bad debt to fee-for-service activity per full-time-equivalent physician

1 Reducing Staffing Costs

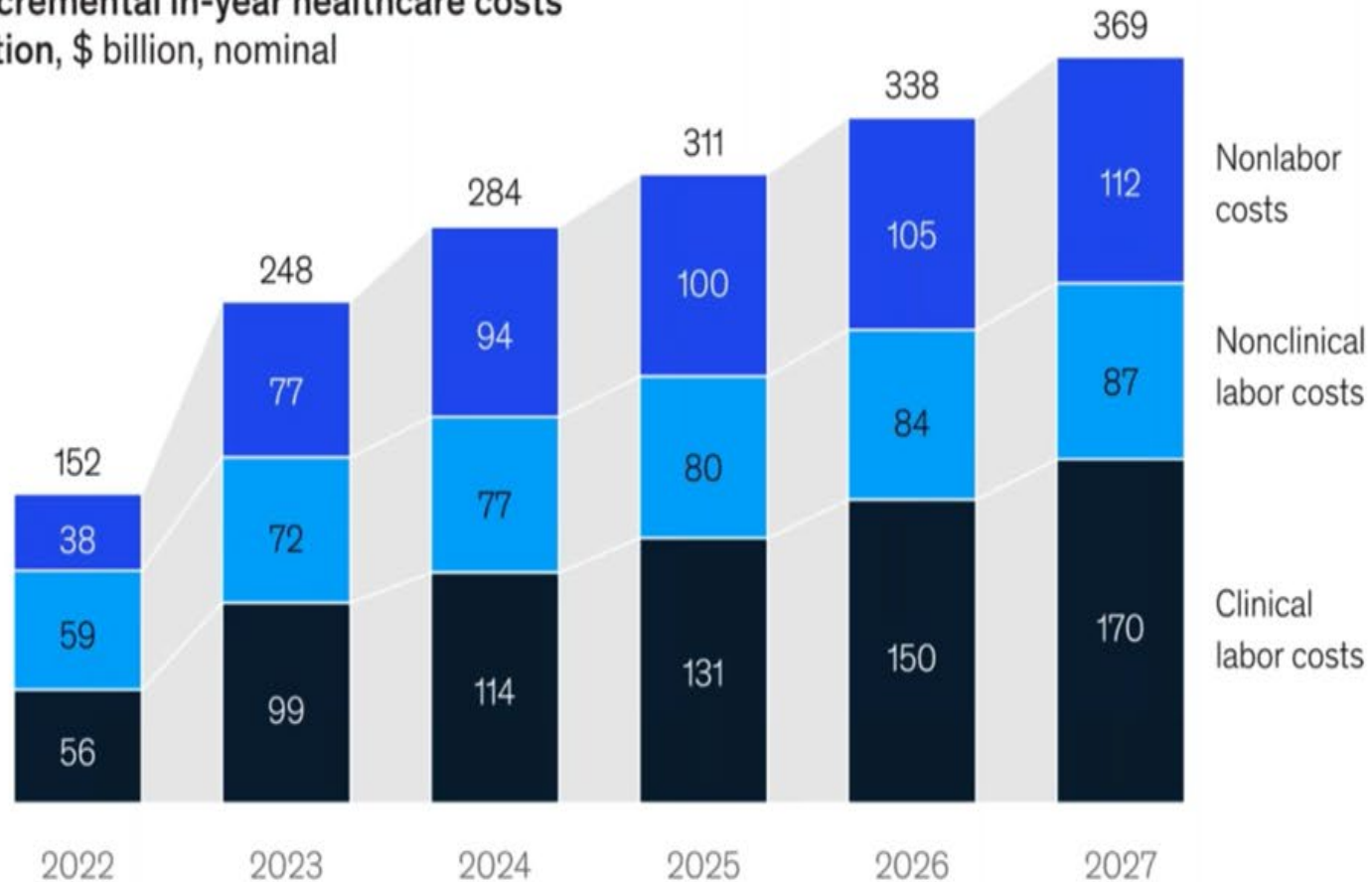


- **Mergers/ Expense share**
 - Reduce FTES per MD by sharing staff
- Use Per Diem staff esp. MAs
 - Train well
- Scribes
 - Potential Medical Students
 - Outsourced e.g. ScribeAmerica

The Cost of Healthcare Labor & Wage Inflation*

The largest portion of potential extra healthcare costs are introduced to the system in 2022–23.

Potential incremental in-year healthcare costs due to inflation, \$ billion, nominal



- 6-10% clinical labor wage inflation forecasted*
- Wage inflation will be 3-7% higher than inflation rate*
- Wage inflation will outpace CMS & commercial rate increases, thus putting negative pressure on operating margins & profitability

Virtual Services – Mine since last year

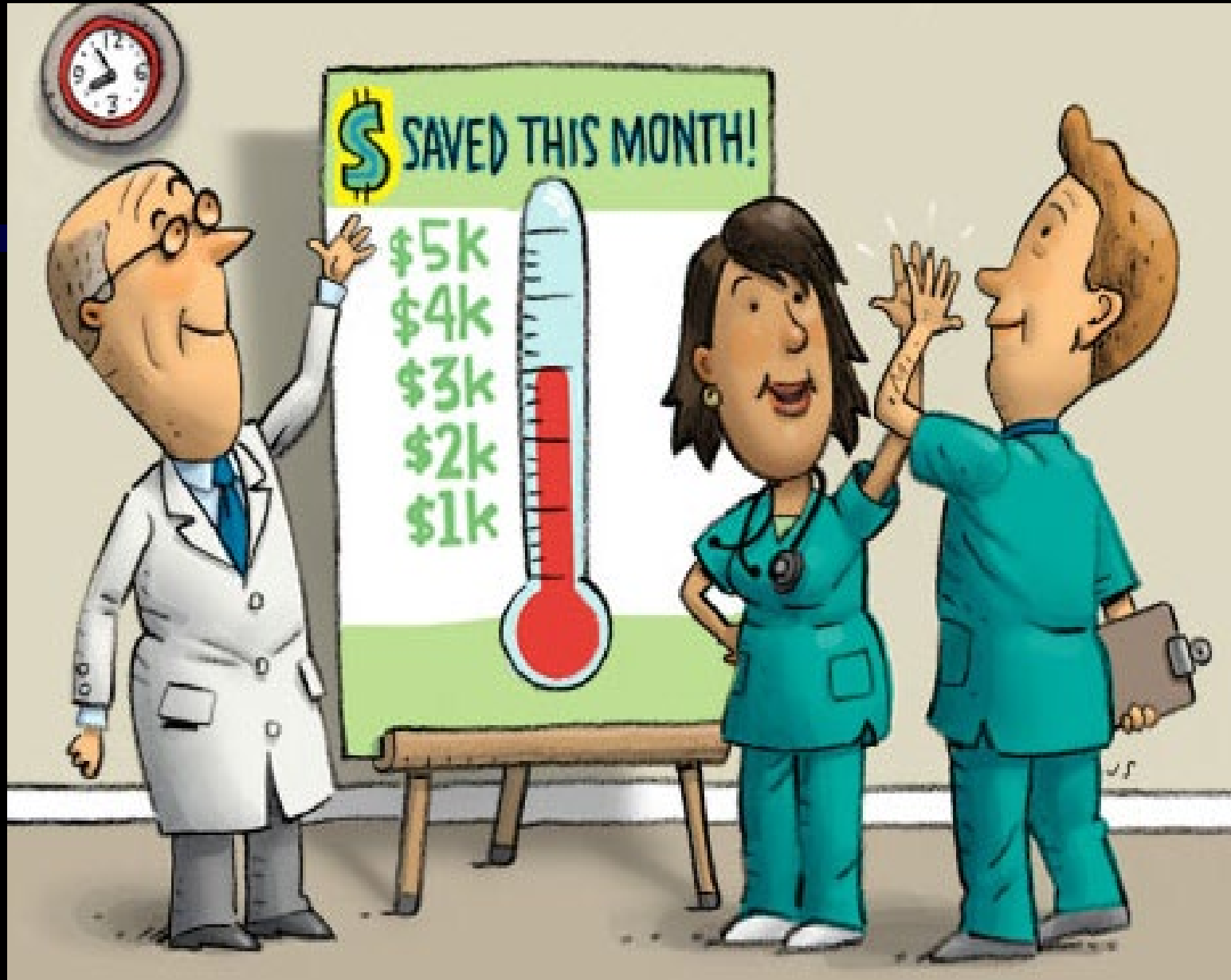
- www.Poweredbooks.com Bookkeeping AP, and reconciliation = QuickBooks experts
- www.Prialto.com – Virtual assistant
 - No Work Comp
 - No Payroll taxes
 - No ADP fees
- www.hellorache.com – excellent medical office staff

Reducing Staffing Costs



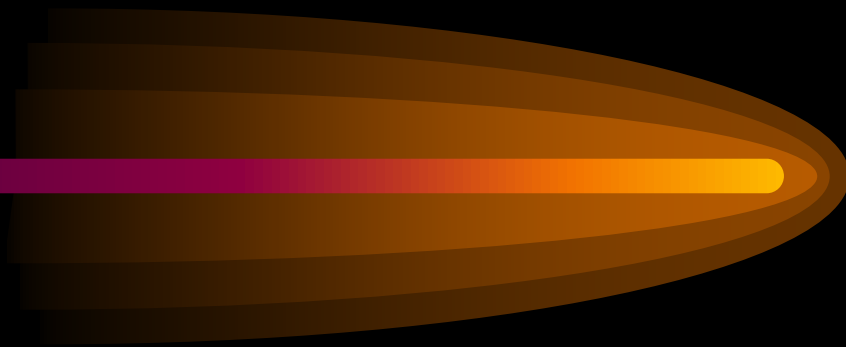
- Create job descriptions
 - hold staff accountable, e.g., A/R ratios

- Create incentives
 - reward staff for ideas that make or save the practice money



AMA News 1.9.12

*Peter Drucker's brilliant
47-year-old idea could
transform healthcare*



“The most successful organizations will cultivate a culture of decision making on the front-lines, by instituting processes and methods that support and encourage it.”

Control Overtime

Non-Exempt - Entitled to Overtime

- **Usually Non- Exempt**
 - **RNs, LVNs, Medical Assistants, X-Ray/Techs**
 - **Billers**
 - **Receptionists, Surgery Schedulers**
 - **Medical Records**
 - **Physician Assistants now non-exempt in CA**
- **Overtime must be authorized by Supervisor**

IMPORTANT NOTICE



Employees dying on the job are failing to fall down. This practice must stop, as it becomes impossible to distinguish between death and the natural movement of the staff. Any employee found dead in an upright position will be dropped from the payroll

Bountiful benefits

KATHLEEN
PENDER
Net Worth



Tech workers' ample perks may help firms as well

Bay Area tech and social media companies are engaged in an arms race to see who can offer the most — and most unusual — benefits to employees.

While most Americans would be happy to get a job with health coverage, tech workers are being



wooded with napping stations, unlimited vacation, free housekeeping and errand-running, yoga classes, on-site doctors and masseuses, and

gourmet cafeterias.

Tech companies "don't want to hear about health care, 401(k), life

Pender continues on D6

"You can take as much vacation as you like. ... It's about freedom and responsibility and treating people like adults."

*Joris Evers,
Netflix*

#2 Evaluate Benefits Yearly



- **Cost Sharing**
- **High Deductible Plan with Health Savings Accounts**
- **Set amount per Employee**
- **PEO – Employee leasing**

3 *Office Space*



- Rent
 - Extend hours
 - Share space - cost per MD goes down
 - Billing/ A/P move to less costly space
 - Medical Records Room still have charts? Move off site to storage and repurpose the space
 - Negotiate leases carefully

*#4 Analogy - MDs & Advanced
Practice Clinicians (NP, PA,
& RNs, Estheticians*

“Physicians performing all work is similar to
automotive engineers changing sparkplugs”

Frees up MD to perform more difficult work,
expand the practice, increase net income

The business case for expanding hours

By Keith Borglum, CHBC

ONCE THE FIXED OVERHEAD

of the practice has been met, every additional patient seen represents profit.

If typical overhead is \$20,000 per month, or \$1,000 per work day, it takes approximately 12 patients at \$90 average reimbursement per patient to pay the office overhead prior to the first dollar of income to the physician. Every patient beyond 12 only incurs a variable cost, mostly for medical supplies and billing costs.

The annual statistics report of the National Society of Certified Healthcare Business Consultants shows that these variable costs run about 12% to 18% of collections on subsequent patients, or about \$80 per patient. Therefore, a practice averaging four patients each hour nets at least \$320 per hour on those extra hours, prior to paying for the providers.

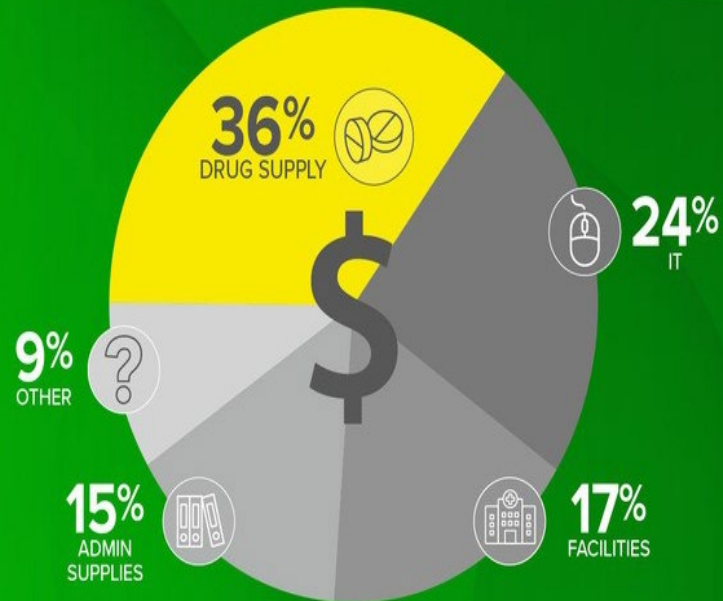
Physician labor costs at \$100/hour (\$180,000-\$220,000 per year) show that it is financially worthwhile to extend hours, even if a part-time additional physician is employed to see the patients. That's an \$880 per day, pre-tax net income each day above-all-costs by staying open from 5 p.m. to 9 p.m., assuming there is patient demand.

If a nurse practitioner or physician assistant is employed, the provider labor costs are halved, and profitability increases even further, even if subject to "incident-to" non-physician Medicare billing penalties. Those penalties are easily avoided just by not seeing Medicare patients during those non-traditional hours that are most popular with employer-insured patients.

How ever you do the math, nontraditional hours can work for both the patient and for the practice.

36%

of medical groups report drug supply had the largest increase among non-labor expenses in the past year.



#5 Injectables, Medical & Office Supplies



- “Just in Time” Inventory
- Use Inventory Control Systems
- Play vendors off each other for better prices
- Don’t overstock – may expire

Inventory Tracking Form

Supply Items	Inventory Standard	Supplies to Order	OK'd	Date Arr./ Backorder	Invoice No.	Date Paid	Check Number
cotton balls	3 cases	1 case	DP	7/21	071715	8/1	1724

Some things are painful.
Managing supplies *shouldn't* be.



Esurg Corporation takes the pain out of managing supplies. Our primary source solution combines leading Internet technology with superior customer service. Fast, easy, and reliable. You get what you need. No pain.

Esurg technology empowers practices with powerful, easy-to-use tools. Select from thousands of supplies at your fingertips and, with one click of the mouse, we do the rest. And, with support for multiple users, full reporting, and competitive pricing, Esurg delivers the flexibility and control that even today's most complex physician groups require.

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Take advantage of our innovative and secure
mobile payments platform.

See reverse.



Bank of America 

Merchant Services

MGMA
Medical Group Management Association
AdminiServe® Partner



An Amazon custom-built for healthcare organizations

Amazon Business is improving the way healthcare organizations source and purchase products. We're making supply chains more efficient, simplifying contract administration and bringing comparison shopping to healthcare.

Product selection

Amazon's marketplace makes it easy to compare prices and find the best deals. Whether it's IT equipment, office and janitorial supplies, or restricted medical products, Amazon has what you need. And we're adding new suppliers and products every day.

Exclusive prices

Get access to exclusive prices and volume discounts. Move your currently negotiated prices to the Amazon marketplace and comparison shop to choose the best price and selection available.

Flexible delivery

Power your supply chain with Amazon's world-leading fulfillment and logistics network. Get FREE Two-Day shipping on orders of \$49 or more. We offer same-day delivery and bulk shipping to ensure critical items arrive on time and in whatever quantity you need.

Improve compliance

Add as many users as you need, create approval workflows and spending limits, and access our new analytics tools. Large organizations can integrate Amazon Business into their purchasing systems and enable direct data transfers for PO, inventory, and shipping information.

Discounts



- **Pay bills on time - 2% net**
- **Malpractice insurance**
 - Negotiate group rates
 - Take advantage of any discounts offered by your malpractice carrier by completing risk management surveys, attending seminars or on site audits
- Local/State Medical Association discounts for insurance/services/Purchasing Groups

Go Green



- Reuses envelopes received in the mail for daily deposits
- Use the back side of old faxes
- Pens, fax paper and receipts are less expensive if purchased in bulk

#6 Legal/Accounting



- **QuickBooks – Train managers**
 - **prepare profit loss reports internally**
- **Maximize Your Tax Deductions within the law**
- **CPA Motto –**
 - **“Pigs get fat, Hogs get slaughtered”**

7 *Eliminate Clutter*



- Cross Cut Shred all unnecessary paper
- Organize files neatly, saves staff time looking for things

Organization saves Labor Costs



As demands such as flexibility and efficiency shape the future of medical office design, adaptive design solutions like Compass System, created by Continuum and Herman Miller Healthcare, enable a better patient experience and greater efficiency.



Storage



- Cost Benefit – Selling and getting rid of storage versus the cost
- Repurpose Medical Records Room
 - Exam room or med spa
 - Scan and shred records
 - Contact malpractice carrier for advice on length of retaining records.

8 *Implement Financial policies*

- **Collect Copayments and Deductibles Before Seeing Patients**
- **Charge patients for completing forms**
- **Charge for missed appointments**
- **Add patient payment option to website**

Implement Financial policies



- **Copy the patient's insurance cards** at every visit
- **Scan patient insurance cards and driver's licenses into your practice management (PM) system**
- **Load contract allowables** in your PM system so you know when you are not being paid correctly by contract
- **Post charges daily**
- **Have providers submit charges within 24 hours or institute financial penalties.**

**ADVANCED PAIN MANAGEMENT &
REHAB MEDICAL GROUP, INC.**

Excellence in Pain Management



**UNDERSTANDING
YOUR
INSURANCE
&
FINANCIAL
RESPONSIBILITY**

*Ravi Panjabi, M.D. is
Board Certified Pain Medicine Specialist*

**Healthcare Information
&
Patient Responsibility**

It is the patient's responsibility to immediately communicate any change in their healthcare information to the front office. Healthcare information includes the following:

- Insurance information / coverage
- Responsible financial party(ex: adjuster/ attorney)
- Address
- Telephone number
- Fax / Email
- Emergency contact
- Change of referring and, or primary care physician
- An additional injury to same or different body part since last visit or referral

What To Expect At Each Visit

Please note that regardless of the status of your insurance, each time you arrive for your scheduled office visit, you will be expected to sign in and to show your insurance card to the front desk before being seen by your provider.

Please contact the front desk if you have any questions or concerns. We are happy to assist you in any way we can.

19850 Lake Chabot Road / Castro Valley, CA / 94546

Office 510.582.8555 • Facsimile 510.581.8686

www.bayareapaindoc.com

Financial Policy

**APMR Has a 24-Hour Minimum
Cancellation Notice Policy**

If you must cancel your appointment, please notify us promptly. We will do our best to reschedule at a time that is convenient for both you and your provider.

▪ **Payment is Due At The Time of Service**

Deductibles, Co-Payments (co-pays), and Coinsurance must be paid at the time services are rendered. This arrangement is part of your contract with your insurance company. Failure on our part to collect co-pays and deductibles from patients can be considered an act of fraud on our part. Please provide your payments at each visit so we are not forced to refuse our treatment services.

▪ **Late Cancellation or "No Show" Fees**

If you cancel less than 24 hours, or fail to show up for your appointment, you will be charged a "missed appointment fee" which must be paid before rescheduling. You will be charged as follows:

Office Visit - \$100.00

Office Procedure - \$200.00

Surgery Center Procedure - \$400.00

(additional charges may apply if medication was ordered and cannot be returned or stored.)

▪ **Service Fees**

Late Pay: A fee equal to 10% of any late co-pay, coinsurance, or deductible, will be added to the payment and must be paid before or by your next scheduled appointment.

Returned Checks: A service fee of \$25.00 will be charged for a first-time returned check and \$35.00 for all subsequent checks.

▪ **Self-Pay Patients**

Services provided are expected to be paid in full at each visit.

▪ **Dismissal From Practice**

After three missed appointments, you risk being dismissed from the practice. You will not be permitted to reschedule without approval from management and Dr. Panjabi.

Message To Our Patients

Thank you for choosing Ravi Panjabi, M.D. and his staff of clinicians for your health-care needs. We all are committed to enhancing the quality of your care and overall experience with us. One way of achieving this is by establishing clear communication regarding our policies and clear expectations of compliance with them.

The following information is provided to help you understand how your insurance works, what your responsibilities are in relation to our financial policies, and some of the reasons for them.

We encourage you to contact the front office with any concern you may have.



"Our practice is guided by the values of compassion and respect for the dignity of every patient."

Ravi Panjabi, M.D.

Terms and Definitions

Deductible: A deductible is the initial amount of money an insured has to pay (out-of-pocket) before any benefits from the health insurance policy can be used. Most deductibles renew on an annual basis and begin in January with services covered under the calendar year. However, there are others that renew mid-year, in July. Some insurance carriers allow for a "last quarter carry-over" whereby services during the last quarter of a year can be carried over and applied to the next year's deductible. If you are unsure which you have, contact your insurance agent.

Co-Payment: A co-payment is a fixed amount you are required to pay for each medical service you receive, regardless of the cost of the service. Unlike a deductible that's usually paid once a year, a co-pay is paid each time a healthcare service is used.

Co-Insurance: Unlike the fixed amount of a co-pay, coinsurance is a percentage of the provider's cost of service after the deductible has been met.

(Terms and Definitions continued)

Co-insurance continues to be paid until you reach your "out-of-pocket" maximum. After that, the insurance company will pay for all covered services up to the policy's maximum, for the remainder of the year. Out-of-pocket maximum's have a wide range of possibilities depending upon the insurance - from \$1000 to \$5000 or more.

Out-of-Network: A provider who has not contracted with your insurance company for reimbursement at a negotiated rate, is referred to as an "out-of-network" provider.

Some health plans (example, HMOs) do not reimburse out-of-network providers at all, which means that as the patient, you would be responsible for the full amount charged by your doctor.

Other health plans offer coverage for out-of-network providers, but your patient responsibility would likely be higher than it would be if you were seeing an in-network provider.

YOU MAY ALSO CONTACT OUR
BILLING DEPARTMENT FOR MORE
DETAILED INFORMATION.

510.259.9421

• APMR respects & protects the privacy of all our patients

• Federal law - Health Insurance Portability and
Accountability Act (HIPAA) - protects the handling,
storing, and release of your healthcare information.

• For more information regarding your privacy rights,
please contact the Office Manager.

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9 *Office equipment*



- Buy Used Reconditioned Equipment and Furniture
 - EBAY, DOTMED.com. Laser Co.
 - Used Furniture Stores – Tech companies that go out of business.
 - Evaluate Copier/Fax/Scanner needs – used equipment EBAY.com, Amazon

#10 *Telephone Management*



- Automated Systems for Text Reminders, Callbacks
- Website Maps for directions
- Telephone
 - Negotiate reduced cell phone/long distance
 - Review telephone bills – controls on long distance

Telephone Management Scheduling



- On-line scheduling – Patient Portal
- Hires outside pooled secretarial service to answer phone and schedule patients – e.g. Ruby Receptionist www.ruby.com
- Hires at home staff person to carry cell phone and schedule

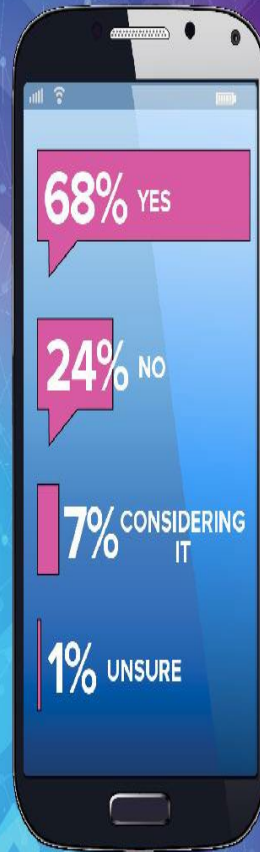
Software to Reduce No Shows



- [Lumahealth.com](https://lumahealth.com)
- [Phreesia.com](https://phreesia.com)
- Fills cancellations with waiting list

Text messaging

DOES YOUR ORGANIZATION
USE TEXT MESSAGING TO
COMMUNICATE APPOINTMENTS
TO PATIENTS?



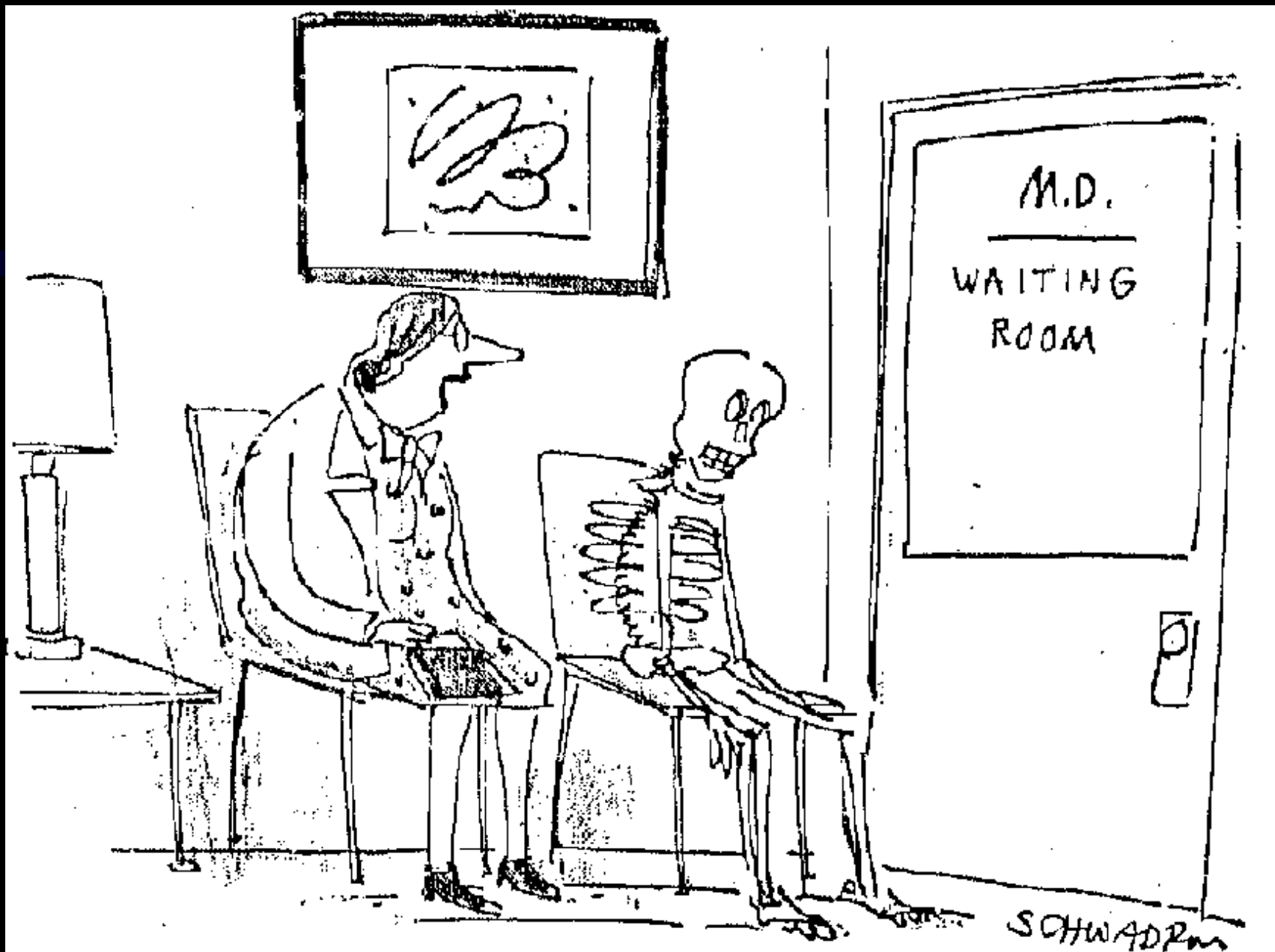
MAY 22, 2018 POLL
1,569 APPLICABLE RESPONSES
OUT OF 1,615 TOTAL RESPONSES
MGMA.COM/STAT
#MGMASTAT

SAVE TIME, MAKE MONEY



Practice Patterns that Contribute to Higher Overhead

- Coming in late, running staff into overtime
- Stay on time, can see another 2-3 patients per day




"Have you been waiting long?"

Patient Waiting times

Which cities, states have the shortest physician wait times? Beckers Hospital

review March 24, 2016

- **Wait time and patient ratings are correlated.** Physicians with higher ratings on Vitals' website had shorter patient wait times. Here is a breakdown of the wait time from the highest rated physicians (**5 stars**) to the lowest rated physicians (1 star).
- 5 stars — 12 minutes and 56 seconds
- 4 stars — 18 minutes and 19 seconds
- 3 stars — 21 minutes and 40 seconds
- 2 stars — 26 minutes and 11 seconds
- 1 star — 33 minutes and 1 second

- 
- How have you reduced overhead expenses??
 - Group Discussion



QUESTIONS?

- Email Debra Phairas

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