



# **GIVE PROFITABILITY A SHOT IN THE ARM**

## *Physicians' Top 10 Guide to Strategic Spending*



**By:**  
*Kathleen Hargreaves, CPA  
(Shareholder)*

*Kerkering, Barberio & Co.  
Certified Public Accountants  
1990 Main Street, Suite 801  
Sarasota, FL 34236  
and  
6320 Venture Drive, Suite  
203  
Lakewood Ranch, FL 34202*

**Phone:**  
*(941) 365-4617*

**Email:**  
*khargreaves@kbgrp.com*

*www.kbgrp.com*

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**About the Author:**  
*Kathleen Hargreaves joined Kerkering Barberio in 1992 and was admitted as shareholder in 1997. She leads the firm's Healthcare Advisory Services practice and specializes in individual and business tax consulting. Kathleen and her team provide best practice service solutions to healthcare industry organizations, including all physician specialties, laboratories, hospitals and ambulatory surgery centers.*

Reeling from painful efforts at legislative overhaul and still awaiting answers on Medicare reimbursements, many physicians are experiencing a healthcare-sized headache these days.

As these matters play out on the national stage, doctors are also worried about the health of their own practices. It's a justifiable concern, and, unlike healthcare policy, it's an area where you can actually make a difference.

I've developed a top 10 list of expense-cutting strategies that can help boost the profitability of your practice regardless of decisions (or the lack of them) in Washington.

1. **Don't leave Medicare money on the table.** A good example is Medicare's Physician Quality Reporting Initiative (PQRI), which offers financial incentives for reporting quality measures under the Physician Fee Schedule. Also beware of insurance company and provider "down-coding," which can cost you significantly over time. Consider hiring a consultant to review your coding practices.
2. **Understand your expenses.** A good manager is intimate with overhead and understands each component as a percentage of collections or revenue. Make sure your financial statements are structured in order to readily reveal your non-physician overhead or other practice expenses.
3. **Get a grip on salaries.** Staff salaries make up the largest single expense category in any service business. Consider these steps to boost productivity and prevent waste.
  - ✓ Make sure your staff is properly using technology you've acquired, and make sure they're leveraging the features and benefits of your practice management system. Invest in training and cross-training to ensure more capable, productive employees.
  - ✓ Seek out efficiencies and new ways of working. Don't get trapped in the potentially costly "we've-always-done-it-this-way" mentality.
  - ✓ Find the right person for the job and offer competitive pay and benefits. Sure, the dollars are important, but for many employees, intangibles like a family-friendly workplace matter just as much.
  - ✓ Implement seasonal hiring if appropriate to cut down on overtime and prevent burnout during your busiest periods. Also consider asking staff to take non-paid/voluntary leave during your slow period. You may be surprised at the response; many working parents and older employees are eager for time off.

4. **Survey your space.** After personnel, occupancy is likely your biggest expense. Take the time to closely review your lease. In many parts of the country commercial rents are at their lowest point in years. Consider re-negotiating your lease with more favorable terms and updating your current office. A professional space planner can help determine if it's being used to maximum benefit in terms of productivity and patient appeal. For example, some practices are eliminating individual physician offices to create more comfortable exam and waiting space.
5. **Pull out those equipment leases.** Do you know the buy-out date for your leased equipment? The vendor may not inform you, which means you may continue to be charged the monthly lease rate until you exercise the buy-out option. Also be cautious about pouring money into costly durable devices unless you are relatively certain of the return-on-investment. Track referrals, survey patients and learn all you can before you buy.
6. **Review warranties and maintenance agreements.** Trimming expenses in this area is a function of committing the time to review existing agreements with an eye to cost vs. value.
7. **Audit your insurance policies.** When's the last time you or your business manager comprehensively reviewed your insurance policies? At Kerkering Barberio we brought in a consultant to review our health insurance approach and expenditures. It was a valuable step that saved us thousands of dollars.
8. **Review bank fees and services.** Here, too, a few hours with a consultant could potentially save you quite a bit. Many services that were once fee-based are now free, and you may not be taking advantage of these. Our firm has saved considerably with on-line bill paying for clients and direct-deposit of paychecks. Ask your banker about services like remote capture and get a second opinion about credit card and swipe fees.
9. **Pay with plastic.** I recommend establishing a dedicated business (not personal) credit card for practice-related expenses in order to take advantage of cash back and air miles.
10. **Tackle taxes.** Talk with your accountant to be sure you're benefiting from new tax law changes. An example is the HIRE (Hiring Incentives to Restore Employment) Act of 2010. It provides incentives for employers who hire people who have been out of work for 60 days or longer. HIRE delivers an initial payroll tax exemption, plus an additional \$1,000 credit if the worker remains employed for a year.

### **It All Adds Up**

For the average medical practice, every dollar of increased fees yields fifty cents or so, a margin not possible by cutting expenses. But I believe you will be pleasantly surprised at the increased profitability that is possible by strategically reviewing and reducing expenses.

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