

# The Business of Medicine Newsletter

## “Leave the Business of Medicine to Us”

### Inside DoctorsManagement: Message from the President

#### Leadership—You Make the Difference

With the first quarter of the year completed, you should have a very good idea of where your practice is headed for the remainder of the year. Are costs up or down? Are revenues up or down? Is staff productivity up or down? Is morale up or down? Lots of questions to answer but if you have managed your numbers during the first quarter; these questions are relatively easy to answer.

While most practices continue to struggle with keeping their heads above water, there are many that are thriving and experiencing significant growth and success in their respective markets. What do you have to do to turn things around in your practice? The answer is simple; you have to know where to start looking, what to look for and how to develop implementation strategies to set you on a course for success.

In this issue of “The Business of Medicine” Mr. John Burns, Senior Consultant, helps guide you through the importance of performing a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis, the steps involved and what you can expect as outcomes of completing the study if you take the time and do it right.

DoctorsManagement focuses on the Revenue Cycle for the practice to ensure it is functioning at an optimal level and that the practice is collecting all it's entitled to.

DoctorsManagement has multiple departments at your disposal including (Auditing and Compliance, Education, Billing and Revenue Cycle Management, Production Coding, Accounting, Practice Management, and Human Resources). Any or all of these departments are used month after month by our clients and customers to ensure they are effective, efficient and always striving to take their practice to the next level.

To understand how your practice is performing is to understand the different reports and tools at your fingertips within your Practice Management System (PMS) or tools provided by your payors.

#### Unpaid claims report

- Pull by type of service, department, provider and payer to identify unpaid claims—claims past 45 days are problematic
- Identify the cause—it could be anything from a missing zero in a provider number to errors with the electronic claim format

#### Electronic claim exception report

- Electronic claim submission produces a report that identifies claims that didn't go through. This allows you to monitor your claim batches and to make sure they are corrected and resubmitted

#### Explanation of benefit (EOB)

- The EOB includes explanations of what claims were and were not paid and the reasons. Audit a sampling of EOBs when performing the coding audit to identify denials to be fixed internally or with the payer

#### Are you reviewing these reports to ensure all funds have been captured?

- Day-end reporting
- Week-end reporting
- Month-end reporting

Another area to focus on is charge capture and coding controls. Some ways to ensure better control is using sequential encounter forms and open items report integrated into day-end reporting. These are great first steps to integrating strong controls into your practice and ensuring your charge capture and coding controls are at an optimal level.

Keep reading beyond this opening page, as DoctorsManagement's team of expert professionals share their knowledge to benefit you and your practice.

As always, should you have questions or desire assistance in your practice, we are on standby and ready to serve your needs. Leave The Business of Medicine to Us!

Yours in Success,



Paul King  
President  
DoctorsManagement, LLC



### Special Features

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Let Us Show You How to Get Back to Being a Doctor



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### Hidden Tax Increases

Now that the 2012 tax season has passed, it is time to think about your 2013 taxes. There has been extensive coverage regarding the tax rate increases and new taxes in 2013. Specifically, the top marginal tax rate is now 39.6%; a 4.6% increase from the top rate in 2012. Also, the new Medicare Surtax can apply as much as 3.8% to certain passive income which traditionally was free from Medicare taxes. As a result, a taxpayer in the top marginal bracket could pay as much as 43.4% federal income tax on some earnings. What has received less attention is the reinstatement of certain phase-outs. Phase-outs have the same effect as a direct tax rate increase except they are well hidden and complex.

The phase-outs that apply in 2013 are not new; they were part of the Tax Code until the Economic Growth & Tax Relief Reconciliation Act of 2001, more commonly known as the “Bush Tax Cuts.” These phase-outs were set to come back in 2010 but were extended through 2012 via the Job Creation Act of 2010.

There are two major items to discuss; the first is the phase-out of exemptions. An exemption is a direct decrease of your taxable income for each person on your return (i.e. taxpayer, spouse and dependents). In 2013, you are allowed exemptions of \$3,900 for yourself, your spouse, and any dependents. For a family of four that is \$15,600. However, if your income exceeds \$300,000, you will not receive the full benefit of those exemptions. In fact, if your income exceeds \$422,500, you will receive no benefit. For example, a family of 4 with \$500,000 of income and \$30,000 of itemized deductions would pay tax of ~\$127,500 if they received the full benefit of the exemptions. However, the exemptions are now phased-out and they therefore will pay a tax of ~\$133,500. That’s an increase of ~\$6,000 in tax, or ~ 4.7%.

The other phase-out is of itemized deductions. Similar to the exemption phase-out, itemized deductions (mortgage insurance, charitable deductions, state taxes) are reduced 3% for every dollar that your income exceeds \$300,000. On our example above, the taxpayer with \$30,000 of itemized deductions would only receive a deduction of ~ \$24,000. This would result in a tax increase of ~ \$2,500 or ~ 2.0%.

If we look at both of these phase-outs together, the tax would increase from \$127,500 to \$136,000, a difference of \$8,500. This is solely due to the phase-out of itemized deductions and personal exemptions.

When discussing your 2013 tax plan with your CPA, be certain that these phase-outs are taken into consideration. That way you can avoid any surprises in April, 2014. If you would like help with your tax planning or have any questions regarding these phase-outs, please call us at 800-635-4040.



*T. Blake King, CPA, MAcc, CVA  
Partner, DoctorsManagement, LLC*



**DoctorsManagement is pleased to announce that our Power Buying Department can assist small and medium sized practices in saving thousands of dollars each month. There are no upfront costs or long-term commitments. Call Craig King at 800-635-4040 ext 113.**

### Providers’ Audit Tip of the Month

#### EHR Templates

Medicare continues to scrutinize the use of templates with EHRs due to inappropriate use by some providers. It is best to be on the defensive and prepare to be analyzed. Here are some tips and guidance:

- Be sure that the HPI and Plan of Care are patient specific
- Review of Systems and examined systems may be the same from visit to visit or may even be the same from patient to patient with the same conditions, BUT if your EHR has a laundry list of specific signs/symptoms/findings then it is expected that the provider actually reviewed/examined each and they know what the template auto populates with a “normal” click.
- Be cautious of EHRs that show in bold the changes the provider made to that template for that encounter. Some auditors contend only that information should be allowed.



*Shannon DeConda  
Partner, DoctorsManagement, LLC  
President of NAMAS*



**DM University has launched new courses. For more information log on to [www.dmuniversity.net](http://www.dmuniversity.net)**

## Performance of a SWOT Analysis and Its Benefits

Every day that I am working in medical practices it seems as though more managers, administrators and physician leaders are asking me, “How do we take our practice to the next level?” This is not an off the shelf question and will really depend on each practice and what it is they consider taking things to the next level to mean.

Before you can get to the next level you have to understand where you currently are and where you began. To really know whether to add ancillary services to your provider mix, build a new satellite location, or consider increasing your operations; strategic planning and understanding of what it will take to get your business to the next level is critical. Why do so many small practices fail? It is because they fail to plan and use business tools at their disposal such as the SWOT to ensure that before they make a move they have done all the necessary research to make educated decisions.

### The SWOT analysis

First, determine what you believe to be your own strengths and weaknesses. The second step is to assess what external opportunities and threats exist which may impact your current strengths and weaknesses, favorably or unfavorably. Identify factors you believe are relevant in each of the four areas. We'll give you examples below.

The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive and negative, into one of the four categories. You can then look objectively at the practice and develop and confirm your goals and strategies to build revenue.

Below, I have provided the textbook approach to conduct a SWOT analysis and examples of each aspect of the analysis and outcomes.

### Strengths

Strengths are the things you can quantify within your organization that you believe you do very well and advantages you have in the eyes of your patients over other healthcare providers. You control your own strengths. Use categories such as physician productivity, patient mix, accounts receivable and your staffing level.

Strengths include the size and stability of your patient base, the experience and reputation of your physicians, the diversity of your payment mix, your ability to effectively collect amounts owed and negotiate payment rates. Strengths also include your financial position, such as whether you are able to

access capital if you decide to expand the practice, either by adding physicians, locations or equipment.

### Weaknesses

You ought to have a sense of your internal weaknesses and how they impede your ability to be as competitive or successful as you know your potential will allow. Maybe too many of your patients leave without paying their bills, even though they just saw the provider that day.

You could know that you have an outlier physician who doesn't see as many patients or bill at the same productivity level. Your turnover could be too high, or you could have too large a percentage of your business with one payer, making you too obliged to that payer's contract whims.

Perhaps your claims don't get filed as fast as you would like or your denial rate is unsatisfactory without a good process for follow up. You need to be candid with yourself because these factors place you at a competitive disadvantage and by identifying them, you can begin to implement a process to fix them.

### Opportunities

Next, identify the opportunities in your market that could result in a potential benefit to your practice. Perhaps patients are waiting too long for certain types of tests and you could buy the equipment needed to offer them at your practice. Investment in new technology could make your practice quicker and more nimble than others.

With the increased emphasis from Medicare and other payers on cost containment and accountable care organizations, you may be able to partner with another hospital or other provider to enter into a savings program. Investments in EHR still make you eligible to earn bonus payments from CMS and other payers.

Note that in order to be an opportunity, it has to be outside of your business. If you feel something internal is an opportunity, you are either doing it well (make it a strength) or not well (make it a weakness).

### Threats

Finally, your practice isn't guaranteed to be highly successful forever. Big businesses that once seemed infallible – remember Woolworths – were beaten out by swifter, smarter competitors.

You face threats, some of which are beyond your control. Maybe payers will cut payments for services you perform on equipment you own. That's a huge problem for imaging services. There remains much payment uncertainty and patient uncertainty related to health

reform that could tilt your patient mix toward unprofitable patients.

One of your staff members could lose protected patient data, subjecting you to defending yourself in a costly lawsuit.

The more able you are to identify, anticipate and be prepared to react to threats based on your established strengths, the more likely you are to be the practice that survives them.

### The Outcome

When you put your established strengths and weaknesses against opportunities and threats in the market, it changes the way you look at your business. You will gain new insights into how you can pivot your identified strengths to take advantage of opportunities that play to those strengths.

You can implement a plan, with milestones, to minimize or eliminate weaknesses that expose you to external threats. You can also use your known strengths to minimize the harm of threats.

You will face internal resistance because you are promoting change, but with payments and revenues being as flat as they are – with no signs of favorable change anytime soon – you need to take stock of where you stand and take risks to grow in the market place. Don't fail to act!



*John Burns  
Senior Consultant  
DoctorsManagement, LLC*



**NAMAS will be visiting cities  
across the U.S. with their  
Certified Professional Medical  
Auditor (CPMA®) training. Visit  
[www.namas-auditing.com](http://www.namas-auditing.com) for a  
full schedule of the classes  
and more information.**

## Do I need a Practice Valuation?

***I am an Independent Solo Practitioner. Do I need a Practice Valuation, and if so, how do I identify a qualified professional to perform this service?***

A solo practitioner may need a valuation of his/her practice by a Certified Valuation Analyst (CVA) for a variety of reasons.

- In the event that you decide to sell your practice, the bank financing the transaction for your potential buyer would typically contract for a valuation (much like in a real estate transaction, they require a Certified Real Estate Appraisal) one that evaluates the current market by reviewing comparable medical practice sales transactions. The CVA will also vet the transaction against healthcare regulations and guidelines. A CVA is expert in delivering a valuation report (often 20-30 pages is length) that meets these standards in sufficient detail.
- In the event that you seek to add a new associate or partner to your practice, you need to determine the market value of your practice, and the corresponding "buy-in" for your fixed and intangible assets. The terms you set for such a "buy-in" and whether they are realistic and appropriate for your practice may result in your selling off part of your practice "too cheaply." Conversely, you may be asking too high a price, and never get a potential partner to accept your offer. A valuation will document an independent appraisal of your practice and remove the perception that your asking price was arbitrary.
- In the event of your death, your estate must place an official value on what could be your MOST valuable asset--- your practice. The valuation would be necessary to determine the value to be

for distribution of its value to heirs, for calculating estate taxes, etc. The valuation should be an important part of your overall estate plan and long-term strategic plan of your practice.

- In the event of marital divorce or dissolution of the practice, a valuation would assess the value of the practice as an ongoing enterprise for equitable distribution among the partners.

A valuation should be performed by an Accounting Professional who has had additional training beyond the CPA, that ideally includes Corporate Practice of Medicine laws, Medicare rules, Valuation of Intangible Assets (such as the goodwill of a practice or value of patient "charts"), among other areas. The Certified Valuation Analyst credential and its certification examination distinguishes that professional as having specific knowledge of business valuation techniques. One may locate a CVA by logging on to the National Association of Certified Valuation Analysts ([www.nacva.com](http://www.nacva.com)) to see a list of those with this credential. DoctorsManagement does have a CVA on staff. A partner and head of Accounting of DoctorsManagement, T. Blake King, has earned the CVA credential, as well as his CPA and a Masters Degree in Accounting. He has performed medical practice valuations for more than 6 years.



*Valora Gurganious*  
Senior Consultant  
DoctorsManagement, LLC

## New DoctorsManagement Clients

- Pain Management Practice—Jonesboro, AR
- Cardiology Practice—San Luis Obispo, CA
- Management Group—Pulaski, FL
- Orthopaedics and Nuerology practice—Vero Beach, FL
- Family Practice—Conyers, GA
- Urgent Care Practice—Morgantown, KY
- Psychiatric Practice—Morganton, NC
- Pain and Rehabilitation Practice—New Jersey
- Vascular Surgery Practice—Worthington, OH
- Multispecialty Practice—Athens, TN
- Internal Medicine Practice—Dayton, TN
- Neurology Rehabilitation Practice—Knoxville, TN
- Rheumatology Practice—Milwaukee, WI



**DOCTORS<sup>®</sup>**  
**MANAGEMENT**  
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## King's Corner

DoctorsManagement offers medical practices significant discounts on products you use every day. You can keep your current vendors and medical supplies and simply save money!

In this day and age of stagnant and decreased reimbursement, practices should be looking for opportunities around every corner to conserve dollars.

According to Craig King, Department Director/Partner "Just this past month DoctorsManagement's Power Buying Department saved a client over \$28,000 per year on their Sestamibi purchases, which frees valuable capital up for

the practice to reinvest into other areas where funds may be a bit limited." King went on to say, "We were able to do this by performing a supply audit and getting the client connected to the proper contracts; it's that simple." The practice will continue to purchase the exact same way they always have, but they will be receiving the discounted price.

To learn more about these discounts or have our Power Buying Department perform a supply audit on your purchases at no cost to you, please contact Craig King in the powerbuying department via email at

[cking@drsmgmt.com](mailto:cking@drsmgmt.com) or call 1.800.635.4040.



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