The current health care environment has created an increasing need for traditional and specialty medical practices to improve operational efficiencies and enhance the bottom line.

This can be an uphill battle as most physician owners, although highly intelligent and educated, enter the business of medicine without any formal business training and they are often unprepared to manage the practice they have started.

To begin improving operational efficiencies, the first step is to better understand your practice from your own perspective. I know this sounds simple, but it is harder than one would think. You need to ask yourself: What were the reasons that you started the practice? What are your goals and ambitions? And, most importantly, what are the sources of your frustrations, obstacles and profit “leaks?”
During this process, it is imperative that you incorporate two key elements:

1. Write down your conclusions, so that you can reference them and start developing your Strategic Action Plan (SAP);
2. Develop your team with a focus on accountability.

DEVELOPING A STRATEGIC ACTION PLAN

How do you start to develop your SAP? Begin with the end: Define your quality-of-life and income goals, and then work your way backwards. Once you’ve defined these goals, you can create a plan — and set a timeline — to achieve them.

Next, you’ll need to complete an assessment of your practice, during which you’ll no doubt uncover multiple inefficiencies and profit leaks. You’ll soon become aware that to “fix” your business, you’ll need to implement “change.” Change must be embraced not only by yourself, but by other members of your team — and it is human nature to resist change.

Another obstacle you may encounter is the amount of time it will take to implement change. If you have been in practice for many years, it is likely that it took time to develop the inefficiencies within the practice. Accordingly, it will take time to fix them. After you’ve identified the problem areas, you will need to develop a system to correct them and then develop accountability by creating standards of measurement and monitoring.

PLUGGING “PROFIT LEAKS”

Fixing a profit leak doesn’t necessarily mean simply cutting staff or expenses. Profit leaks most commonly occur in billing and collections, fiscal management, human resources, and practice growth. Let’s look at specific areas that warrant a review during the assessment of your practice.

- **Billing and Collection.**
  This is a primary area of opportunity for income optimization. Proper coding practices, documentation, charge capture and efficient utilization of technology, such as patient management systems or electronic medical records, should be analyzed for accuracy and consistency.
  The ability of your front desk to properly capture information and translate this with precision to your internal or external billing department is imperative. Errors occurring at the front desk — or shall I term it the “front lines” — tend to go unnoticed or unaddressed until a patient’s billing has already made its way through the collection process. A system of denial management should also be incorporated: After a claim is denied, you must track why it was denied and look for patterns rather than just resubmit the claim. Monitoring accounts receivable will enable you to keep track of your aged receivables in order to reduce the number of days an outstanding claim remains unpaid.

- **Fiscal Management.**
  Establishing a financial budget for your practice will help you manage your cash flow, and set parameters for your ability to make future investments in new equipment and technology. Tracking and monitoring your financial statements can improve your ability to measure profit centers — and profit leaks — that exist in your practice. Accurate financial reporting will help you to establish benchmarking to compare your practice’s financial health to that of similar practices, or compare your practice’s revenue and expenses with the prior year’s performance to help identify areas of concern.

- **Human Resources.**
  Not all profit leaks are measurable in terms of dollars and cents. Employee turnover can be very costly for a practice in terms of the time it takes to rehire and retrain staff. Creating an organizational chart and incorporating job descriptions, along with specific policies and procedures, into your human resource management function will help you define each employee’s responsibilities. It will also help you communicate your expectations to your employees. Establishing a process of documenting written employee reviews on an annual basis also helps to measure performance and improve productivity.

- **Practice Growth.**
  There are several ways a practice can grow. Providing additional services, improving patient management through physician extenders, creating satisfaction surveys, optimizing patient scheduling and, lastly, effectively marketing the practice to referral sources and the public.

As a leading change facilitator in this era of sweeping health care reform, the Mazars Health Care Group offers health care payors and providers a powerful combination of service and results-oriented strategy to help them meet their business goals, overcome challenges, and improve performance. For more information about their timely, valuable information and insights into policies, best practices and industry developments, visit mazarsusa.com/hc.

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