STEPS TO THRIVE IN AN ENVIRONMENT OF DECLINING REIMBURSEMENT

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Note: This article will present ideas to reduce expenses and increase revenue in your medical practice to offset potential 2023 CMS Medicare physician payment reductions.

On July 11, 2022, CMS proposed a decrease to the Medicare Physician Fee Schedule conversion factor, which would lead to significant cuts to physician reimbursement in 2023. The CMS conversion factor is slated to be lower next year due to the expiration of the 3% increase in Physician Fee Schedule reimbursements in CY 2022 as required by the Protecting Medicare and American Farmers from Sequester Cuts Act.

CMS is obligated by federal statute to implement a 0% conversion factor in FY 2023 and ensure payment rates for individual services do not significantly impact estimated Medicare spending. There are numerous efforts underway advocating for CMS and Congress to expand and increase physician reimbursement. Many groups have suggested that the proposed cuts to physician reimbursement threaten patient access to care.

CMS & Congress year after year fail to recognize inflation and increasing costs to operate a medical practice, as well as the devastating effect Medicare payment reductions have on independent medical practices. CMS policies and Congress continuing to kick the can down the road create long-term financial instability in the Medicare Physician payment system. Failure to fix the Medicare Physician payment system presents a serious risk to patients during a time of declining access to care and rising prices for physician's providing services and treatments.

Reimbursement cuts have concerned independent practices for years. In 2022, with the added resources needed to address COVID and the difficulty in staffing, rising supply costs, and inflation, physicians need to be more proactive than ever and develop long-term strategic plans for the viability of their practices. An independent practice cannot run optimally with constant uncertainty. From equipment to supplies to staffing, expenses continue to rise while reimbursements are stagnant. Independent practices have the ability to provide the best care for their patients, and to adapt to changes quickly and effectively.

A critical component of effectively managing an independent practice is ensuring adequate profitability. There are a variety of ways to reduce costs and improve profitability. Cost reduction strategies are practices and principles designed to optimize operational efficiency. They cover all aspects of running a medical practice (administrative & clinical protocols, staffing, marketing, revenue cycle management, group purchasing, etc.). Successful implementation works by streamlining processes, allocating resources effectively, and eliminating waste.

What makes a medical practice exceptionally good at what it does? How does it stand out from the competition and attract top talent? Great clinical care, solid strategic plans, and exceptional employees all make a difference, but what top notch medical practices have that mediocre practices lack is a culture of excellence – beliefs and behaviors demonstrated day in and day out that enable and inspire everyone in the practice to do their very best.

Culture can be defined as the "set of shared attitudes, values, goals, and practices that characterizes an institution, organization, or group." Culture is not a "goal" to be mandated, but rather the outcome of a collective set of behaviors. Leaders can influence those behaviors in several ways and, in so doing, shape the culture of their firms.

Follow these (3) steps daily to enable a new culture to be ingrained into your practice:

1. **Convey your vision of a winning culture.**
   Define your aspirations, what will be different, and how these changes make a difference for the success of your medical practice.

2. **Demonstrate how new cultural behaviors advance your practice.**
   Nothing reinforces new behaviors more than success. Once you define these behaviors, work with your staff to apply them to a project that needs improvement.

3. **Reinforce the new culture by integrating it into personnel management processes.**
   Staff tend to focus on what's measured and rewarded. The third step for building a new culture is to use the desired behaviors as criteria for hiring, promoting, rewarding and disciplining staff.

As the owner of your medical practice, when was the last time you made the effort to understand, really understand, what the people you work with are thinking and how they're feeling about their jobs? Despite the dismal stories we hear on the news regarding workplace engagement, there are many successful leaders who do one simple thing: They frequently ask their employees how they feel about their job and what could be done differently or better to make them happier. When this dialogue takes place, they receive priceless information that helps them retain their best employees and optimize their productivity.

Throughout my career, I have gained an understanding of the value of employee feedback. I'm talking about a sincere, consistent effort to make your staff's workplace the best it can be. Ask employees how happy they are at work and what you can do to make them happier. These two questions indicate to your staff that your care about them and that they have your support. Furthermore, these discussions will provide you with a clear understanding of their concerns so you can provide your staff with meaningful direction. By knowing what motivates your staff, you can boost their performance and their satisfaction at work. These discussions also serve a purpose by allowing you to proactively head off issues before they become larger problems.

Six Sigma – Pursue A Culture of Excellence

Embracing clinical and administrative process improvement throughout your practice will cut down on waste, encourage collaboration amongst your employees, and significantly increase the efficiency of your practice. Six Sigma is a management tool used to improve business processes by reducing the likelihood of errors occurring. Six Sigma in healthcare helps to improve the quality of care provided, patient satisfaction, expense reduction, increased revenue … all leading to sustained profitability.

- **Define-** Who are our patients and what are their expectations?
- **Measure-** What will improvement look like?
- **Analyze-** Collect data and analyze using proven tools.
- **Improve-** Implement modifications to improve the process.
- **Control-** Monitor performance in order to maintain improvement.

Six Sigma focuses on teamwork, brings efficiency, eliminates waste, cuts down on variation, and will encourage a cultural change in your practice. Your employees' mindsets will shift to one of continuous clinical and administrative process optimization for sustainable growth. Six Sigma may be a tool for your practice to address post-pandemic uncertainty. Cost savings should be a byproduct of meaningful employee engagement.

Assuming your staff is made up of several high-performing, highly motivated individuals whom you want to retain, here are a few ideas for monitoring and improving their work performance.

1. Schedule a recurring appointment, monthly or quarterly on your calendar and ask your employees whether they are happy at work and what you can do to make them happier. Don't wait for an annual wage or performance review to have this conversation.
2. Maintain open lines of communication so that you can offer support and address issues before they become large scale problems.
3. Keep the dialogue going. Don't assume that you have all the information you need if you've asked people once whether they're happy. Circumstances inside and outside of the workplace change over time, and feelings can evolve accordingly.

Remember, relationships are built on a series of little moments that create big impact over time. Sending someone home from work early to attend their child's school performance is not an earth-shattering event on its own. But it is an affirmation that someone's personal needs are important and to be honored. Taken as a whole, many small actions can strengthen someone's foundation, or they can tear them down. Be someone who builds others up rather than tears them down. Little things matter in a big way.

Open and honest communication with your employees is a cornerstone for employee retention. By communicating regularly with your employees, you will understand what motivates them and the challenges they need to overcome, to do their best at your practice. This knowledge will help you reward your most talented staff in ways that are meaningful to them, which can change over time, depending on what is happening in both their personal and professional lives. Your efforts will be rewarded in the form of a highly engaged, productive and, yes, happy group of employees.

What should you do to shift a culture from the behaviors of decline to the habits of success?

1. **Keep communication open and information flowing.**
   Foster widespread problem-solving dialogue. Face issues openly and honestly.

2. **Emphasize personal responsibility.**
   Ask each staff member to take responsibility for their part of a problem.

3. **Demonstrate respect for talent & achievements at every level.**
   Offer frequent public thanks. Praise those who meet high standards while helping poor performers improve (or weeding them out if they don't).

4. **Convene conversations among departments.**
   Involve departments in problem solving.

5. **Stress common purpose.**
   Communicate inspiring goals that transcend any individual or group. Find a challenge to unite staff.

6. **Strive to reduce inequities.**
   Require experienced staff to mentor others. Provide opportunities for learning and growth.

7. **Raise Aspirations.**
   Use small wins to show the potential for bigger successes. Encourage realistic stretch goals and offer staff the help to reach them.

8. **Reward Initiative.**
   Make brainstorming a habit.

Group Purchasing

Independent medical practices are finding their profit margin shrinking with every decrease in payor reimbursement. The opportunity to save money on the operations and clinical side of your practice will offset declining reimbursement rates. A group purchasing organization (GPO) leverages the power of numbers to secure lower prices for its member practices. GPOs also bring balance to the negotiating equation because they already have relationships and contracts in place with vendors and suppliers.

The most obvious benefit of joining a GPO is volume purchasing power. Vendors & medical suppliers will be much more likely to provide discounts to a group of physicians collectively making large purchases than to an individual practice. The GPO gives each of its members leverage to negotiate other concessions outside of pricing as well. For example, payment terms on invoices may change from net 30 days to net 60 or 90 days.

Aside from price, the leverage of a GPO improves the insight of its members. Managed volume offers a better perspective into market data & the GPO may be able to predict better pricing based on trends. Small offices may have issues getting certain products at the scale that it needs them, because vendors may not consider a smaller order worth filling. A GPO may be able to help with these kinds of procurement issues, ensuring a steadier inventory and a lower per unit cost on each order.

All GPOs have one thing in common, they enable medical practices to use group acquiring to obtain the best products at the best prices. The main benefits of a group purchasing organization are **improved cost savings, efficiency, and consistent pricing.**

Key Performance Indicators (KPI)

With a typical day packed with new appointments and procedures, it is no surprise that most physicians have little time to focus on the details of running a successful practice. Understanding your KPIs and comparing them to previous months, enables you to make strategic decisions, and plan for the future. Introducing operational analytics into your practice will usually result in improved efficiency, profitability, and yield better results across your entire practice. Choosing what to measure and what to report is as important as deciding to start tracking KPIs in the first place.

I have spent the better part of my career helping physicians understand the KPIs that they should be looking at, as well as understanding what actions, when implemented, will bring a improved result. Understanding that every practice is unique, below is a brief explanation of performance indicators that every physician should be looking at. The list of KPIs worth analyzing and observing can seem endless, so the key is to start with a set of indicators that will have the greatest impact on your practice.

Start With The Basics...

KPIs to be monitored and reviewed frequently — on a daily, weekly or monthly basis. Take the time to incorporate historical data for comparison.

1. **Month-End Reporting** It is important to review each prior month's performance and examine any indicators that affect your current or future position. You should receive practice performance reports from your office manager each month, within (5) days of the month-end close. These reports should be reviewed with the office manager upon receipt. At a minimum, the reports should include monthly and year-to-date production activity (charges, receipts, and productivity by CPT code); payer and patient accounts receivable; monthly, year-to-date and historical expense analysis; marketing analytics (patient acquisition cost and avg. revenue per patient trends); and a monthly, year-to-date and historical summary of patients who scheduled appointments as a result of a referral from established relationships with PCPs in your service area.

2. **Daily Charges** The total value of all services provided by your office each day are important. Here's what you should track: a) The total dollar amount associated with services each day; b) The total amount billed each day; and c) The total amount collected each day.

3. **Days in AR** The average number of days it takes for your office to be paid for services. This measurement is also known as AR Days. A low AR days measurement means cash flow is consistent. If your AR days start trending up, expect a reduction in cashflow in the near future.

4. **Denials by Category** If you don't track information about your claim denials, it's almost impossible to improve your billing process. Tracking claim denials by reason codes lets you see where your office is making similar mistakes repeatedly. If you're seeing denials for uninsured patients, you need to improve your insurance verification process. Numerous denials for timely filing could mean your billing department is understaffed or is unorganized. Review claim denials monthly to identify areas for improvement.

5. **Cash Receipts** Revenue is what feeds your practice, so payer and patient payments should be monitored daily. Fluctuations in charges should also be watched closely, as this directly correlates with fluctuations in receipts. Have your office manager prepare for you spreadsheets or graphs that show you the numbers and trends of Charges, Contractual Adjustments, Receipts and Outstanding Accounts Receivable (Payer & Patient Balances). When you see a sudden increase or decrease that is not predictable based upon historical benchmarks, take a closer look. A sudden increase in adjustments could be an indication that your A/R is not being followed-up or balances are being written off rather than worked. If payer balances are shifting into the 60+ day aging, staff may be focused on other areas of the practice or perhaps one of your payers has become delinquent. Payers frequently deny claims initially knowing that many are never resubmitted by small practices, despite the fact that 70-80% of appealed claims eventually get paid. Be proactive and get what you deserve!

6 **Accounts Payable** A practice can't operate without overhead; therefore, having knowledge of your unpaid invoices, when they are due and how much cash is readily available to pay those expenses, is critical. Monitoring your unpaid expenses weekly allows you to determine the cashflow of the practice and helps you ensure that you have enough cashflow to cover expenses. If overhead percentages are increasing and revenue is decreasing, it's a possible indicator of poor financial management and/or decreasing provider productivity. Start by reviewing prior monthly, quarterly, or annual financial statements to identify contributing factors to this trend. A more detailed overview of the entire practice will require the assistance of your accountant or a practice management consultant.

7 **Patient Visits** Historical patient data is usually a strong predictor about the number of patients you can expect to treat each month in your practice, both new and established. If the number of visits is dropping, you will want to know why and whether the drop is from PCP referrals or self-directed patients. A decline can be a sign of scheduling inefficiency, poor office management, a reduction in marketing activities, or attrition due to poor patient satisfaction. It may also be an indication that patient volume is greater than you are able to schedule in a timely manner and patients are looking elsewhere for treatment.

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9 **Wait Time** This measurement reflects your commitment to patient satisfaction. No one likes to wait and it's your job to ensure patient wait times are no greater than 5-10 minutes of their scheduled appointment times.

10 **No Shows and Patient Cancellations** This indicator allows you to determine opportunities to improve capacity management, optimize your schedule, and reduce missed opportunities. Calling or texting patients with an appointment reminder the day before or day of the appointment, as well as improving your appointment scheduling templates, is an investment that pays off. Most practices find that a well thought out strategy for patient reminders helps cement the patient's commitment to keep the appointment. An automated system can reduce no shows by as much as 40-45%. The cost to automate is easily recuperated when there are fewer holes in the schedule.

11 **Payroll Costs** If overtime costs are suddenly rising, your office manager needs to explain to you why. Examine the hourly wages for each position to be sure they are in line with your wage scales. You'll also want to look at overtime trends. Sudden increases in overtime can identify absenteeism or staffing issues, which in itself can be an indication of a bigger problem.

In less than four hours a month, a physician & office manager can review practice performance reports & make data-driven decisions that are prudent for the stability & growth of your practice. If you aren't doing this now, it's time to get started. If you are experiencing signs of trouble, start investigating the causes now. Work with your office manager, they should be able to provide insight & may help you understand the reason for the problems. However, if the problems seem to require more aggressive action, you may want to turn to outside advisors.

Personnel Management

Avoid The High Cost of Employee Turnover

There is no way an employer can eliminate employee turnover. There is nothing you can do when people move, change careers, or retire. However, there are certain steps you ***can*** and ***should*** take to minimize employee turnover. ***Focus on factors that are in your control.***

Personnel management is concerned with the effective use of the skills of people. In a medical practice, personnel management starts with the recruitment and hiring of qualified people and continues with directing and encouraging their growth as they encounter problems and tensions.

Personnel management is a balancing act. At one extreme, you hire only qualified people who are well suited to the practice's needs. At the other extreme, you train and develop employees to meet the practice's needs. Most practices land somewhere in the middle - they hire the best people they can find and afford, and they also recognize the need to train and develop both current and new employees as the practice grows.

Job Descriptions. Formulate your job descriptions based on the work that needs to be done. If your practice changes significantly, so might your staffing plan. You likely will need to adjust your job descriptions to ensure that everyone is doing work that must be done and no one is doing work that has become irrelevant.

Job Specifications. The job specification describes the person expected to fill a job. It details the knowledge (both education and experience), qualities, skills and abilities needed to perform the job satisfactorily. The job specification provides a standard against which to measure how well an applicant matches a job opening and should be used as the basis for recruiting.

Orienting New Employees to Your Practice. An employee handbook communicates important information about your practice to the employee. The handbook should cover topics such as expectations, pay policies, working conditions, fringe benefits and the practice's philosophy toward patients. Once an individual is hired, he or she should receive a comprehensive orientation on the general policies of the practice and on the specific nature of the job. Job expectations should be explained in detail and agreed upon, as well as questions answered before the new employee begins work.

Staff Training & Development. The quality of employees and their development through training and education are major factors in determining long-term profitability of a practice. If you hire and keep good employees, it is good policy to invest in the development of their skills, so they can increase their productivity. Training often is considered for new employees only. This is a mistake because ongoing training for current employees helps them adjust to rapidly changing job requirements.

Identifying Training Needs. Training needs can be assessed by analyzing the practice - the job characteristics required of staff, and the needs of individual staff. This analysis will provide answers to the following questions:

- Where is training needed?
- What specifically must an employee learn to be more productive?
- Who needs to be trained?

Staff respond well to adequate praise and feedback. Managers must take time to give frequent words of approval and continuing comments to those whose work they oversee. The operative word here is to give praise and feedback on the "work" employees do. Appreciation for efforts and accomplishments should be plentiful, as well as offering insight into where improvements can and should be made. These remarks are fundamental to generating productive responses. Keep comments work related and not personal.

Having a tension-free workplace where employees peacefully coexist should be the goal of every employer. However, considering that we all fall short of perfection, getting to a place of perfect harmony is at times difficult. Nevertheless, striving to implement these principles will improve your staff dynamics and deselect those employees who like to stir the pot and create chaos.

Best Practices to Convert Patient Inquiries into Appointments

How much money are you losing because your staff can't make appointments?

Understanding your Patient Acquisition Cost (PAC) is crucial for the growth of your practice. This single number can guide you through your marketing efforts and help you reduce expenses by eliminating ineffective marketing campaigns. Many practices I meet with have no idea what their PAC metric is. Most practices fail to consider the PAC metric. Instead, they scramble to acquire more and more patients, oblivious to the amount of money being paid out to reel them in. When you repeatedly spend money on marketing, regardless of whether it is on print ads, digital marketing, direct mail, or community education seminars, and you have no idea what your PAC is, it's bad for your business.

It is not surprising then that a practice that doesn't take the time to figure their PAC and Revenue Per Patient (RPP), is unwilling to spend money on marketing because they look at this as an expense, not something that generates revenue. In many business models, both within and outside of healthcare, many experts believe that failure to determine customer acquisition cost and revenue per customer and its impact on business, is a major reason why businesses fail. But that's not all there is to it. PAC and RPP is also an important metric for determining where and how to distribute your marketing dollars to maximize your return.

Calculating Your PAC

Determining your patient acquisition cost is quite simple if your staff is trained to identify exactly where each and every patient found out about your practice and is committed to accurate documentation within your EMR. It all boils down to following these steps:

1. Track your expenses for every marketing campaign initiated to create patient appointments.
2. For each marketing campaign, categorize and track the number of patient appointments you acquired in the same timeline for which you tracked the expense.
3. Divide your expenses per marketing campaign by the number of acquired patient appointments and you have the PAC for this specific marketing campaign.
4. Now track the revenue generated (payor and patient payments) by each marketing campaign and you can identify the RPP.

Calculating Your PAC. Let's say you spend $15,000 in 4 months on a digital marketing campaign (SEO, Social Media, Paid Search) and you gain you gain 32 new patients. Your PAC for your digital marketing campaign is $468.75. ($15,000 / 32 = $468.75.) Repeat this process for all of your marketing initiatives.

Calculating Your RPP. In the PAC example above, we spent you spent $468.75 to acquire

a new patient. Now we track all (32) patients through treatment and payment. If the (32) patients generated $110,000 in revenue, your RPP would be $3,437.50. ($110,000 / 32 = $3,437.50).

The relationship between the two metrics is easy to see. You spent $15,000 to gain $110,000 in revenue and your profit exceeds your cost for acquiring the new patient. In marketing, you always want your PAC to be less than your RPP. We generally look for a minimum of a 5:1 ROI for every dollar spent. The above example would generate a 14:1 ROI.

Decision Time. There's magic in the numbers. By examining the average PAC and RPP for each marketing initiative, you can decide the best places to put your marketing dollars to work. When you identify a marketing initiative in which you have an ROI greater than 5:1, it's time to invest more money in that initiative, but only if your practice has the capacity to support a growing patient base. I have concerns as to the number of new patients each month that the practice can absorb due to the limited # of exam rooms and cramped staff workstations.

If you find that some marketing initiatives have a PAC that is higher than your RPP, you might want to do some due diligence. It might possibly be that patient appointments were not properly assigned to the correct marketing initiative or revenues were not tracked to the conclusion of treatment.

Understanding the cost of patient acquisition is vital for success. Now is the time to start tracking your PAC and RPP.

You may be surprised to learn what impact effective phone skills can have. In nearly every case, the way phone calls to your practice are handled can decide whether callers schedule appointments! When prospects or loyal patients call your practice, how are these phone calls handled? Are all callers treated with exceptional warmth and care? The way your staff members handle these calls determines whether prospects become new patients. The tone of all phone calls can set the stage for the entire patient experience.

Get Team Buy-In. If you want to make a real success of converting more of your telephone inquiries into actual bookings, the first step is to get the whole team on board. Communicate the importance of investigating the effectiveness of practice telephony to the whole front desk team. Explain to them that this review will benefit the ongoing development and sustainability of the business. Otherwise, you may find that some team members take it as a personal affront, making them unlikely to cooperate fully in the accurate monitoring of the data you need them to be recording.

Be Available All Day. Don't make it difficult for potential patients to contact you. The lunch break is the most convenient time for most people to call you and that's when most practices are closed! To get around this in your practice, stagger the front desk team's lunchtimes to ensure that there is always someone available to cover this potentially busy time and pick up those all-important calls, so you're not missing out.

Provide Training to Front Desk / Reception Staff. Your team needs to be able to confidently sell a consultation appointment by promoting the benefits to the potential patient, rather than being drawn into clinical conversations. Providing your staff with techniques to help them develop the verbal skills required to sell the consultation appointment will boost their confidence and convert more inquiries into appointments.

Visual Verbal Vocal. 70% of communicated meaning is visual, but when talking on the phone, the opportunity to observe facial expression and body language is lost. This makes the verbal (words) and the vocal tone (how words are said) much more important. Work with your staff on key phrasing and encourage them to consider attitude and mood before the phone is answered. This will positively impact their phone conversations.

Prepare Your Staff. Many of the questions your staff will be asked will be ones you've heard every day. To ensure consistency in the way these questions are answered as patients interact with different staff members, develop a Q & A training document for your practice. Get your team together and write down all of the questions they are asked on a regular basis, and as a team, commit to writing the appropriate responses. The Q & A data will boost staff confidence and result in a positive impact on patient conversations.

Why MDmanagement?

> **"Our success is measured by the success of the practices we support."**

MDmanagement is a Management Services Organization (MSO) that supports Endovascular and Interventional practices nationwide. We partner with physicians who are respected in their communities, who are enthusiastic about improving the way Endovascular and Interventional care is delivered, and who want to participate in building significant enterprise value over the long term.

We offer an extensive range of solutions for Endovascular & Interventional practices, while providing more flexibility, value, and support than a traditional Management Services Organization.

MDmanagement helps physicians focus on their core skills - delivering high quality care to their patients. The daily hassles of running a business, managing personnel, RCM, tracking inventory, marketing, personnel management & navigating regulatory issues will no longer be the sole responsibility of the physician. We understand the complexities and difficulties of running a successful Endovascular or Interventional practice.

When your partner with MDmanagement, we take care of managing the lifeline of your business so that you can focus on the health and well-being of your patients.

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