Managing Podiatric Medical Office Cash Flow

These tips will help keep you in the black.

BY MARK TERRY

While having brunch with friends recently, a few of us mused on what the restaurant business would be like if it was healthcare. When we came in, none of us would know which foods we would be allowed to order, we wouldn't know how much they cost, and even though we would pay for some of it when we left, we might pay more later depending on if our insurance company covered what we ordered. Or if what we ordered was justified. And, one of my friends said, "If the three of us ordered the same thing, we'd all pay something different."

This is a way of saying that healthcare is weird and doesn't operate like other businesses. And for podiatric physicians operating their own practices, this presents significant complications in terms of managing cash flow.

Rem Jackson, president and CEO of Top Practices (Las Vegas, NV), says, "There is an old cliché that cash is king. I'll tell you something—I think of cash as oxygen. You can live for about a month without food, about a week without water, but you can only live a couple of minutes without oxygen. And that is what cash is to your practice."

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What's Coming In?

First, you need to know how much money is coming into your practice. As the introduction to this article suggests, however, that can be tricky. So, the first broad advice might be: Don't make assumptions.

Jackson suggests, "Number one is receipts, your collections. If you review them daily, that's excessive. But someone should be telling you how much you collected this week. At the very minimum, you should know what your collections were for the month that you just concluded. And you should know that within the four or five days of the report being concluded and given to you."

A corollary to that is to make sure you know how much is coming into the practice by looking at the correct metrics. There is a tendency, Jackson points out, for physicians to realize there is something wrong with their cash flow when they don't have enough money in their checking account. By the time that happens, you may be four months into the problem.

"Maybe Medicare stopped paying you and you do not know that Medicare stopped paying you. Or

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you had some other payer say, 'This asterisk is in the wrong spot, so we're going to stop paying them, let them come and ask us about it.' By then you have an enormous reconstruction job to do while you're running at top speed in the practice now. It's one of the worst thing I've seen happen."

So, stay on top of cash flow. Either you or someone in your practice, or in your billing company, needs to alert you on a weekly basis how much money came in.

Understand Who Pays What and How Much

Barring the possibility that you're running a cash-only medical practice or some version of a concierge medical practice, your practice has a business relationship with several different insurance companies. Those insurance companies have a variety of different policies that have different-sized deductions, copays, and coverage. As a result, predicting how much you will receive from that patient on the day of the appointment (if any) is difficult and sometimes impossible.


Rem Jackson

Jane Andersen, a podiatric physician with Chapel Hill Foot and Ankle Associates (Chapel Hill, NC), says, "The hard part is in order to collect what's appropriate, you would have to know exactly what the reimbursement rate is for that procedure or that visit. That's the hard part, when someone has a big deductible and they're getting orthotics and the Blue Cross reimbursement is XYZ. Sometimes we will try to collect that ahead of time, but we have to tell them, it may be a little bit more or a little bit less, but if it's okay you'll pay it now and we'll bill you for the rest. We try to do that."

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Jackson says, "Have someone in the practice who knows the person's benefits when they come in and you are paid upfront for the portion the patient is responsible for. That is especially important in January, February, and March, when nobody has deductibles that are met."


Jane Andersen

That's a point Andersen also makes. "One of the hardest times of year is early in the calendar year because there are Medicare deductibles and people say their secondary is going to pay it and sometimes they do and sometimes they don't. Cash flow is always a little bit tricky in January because of that, so we try to collect what we can when people are leaving."

Collect it even if you have to pay them back the difference. Jackson notes, "It's so much more fun to cut a check for someone than to have a great big accounts receivable for services done four, five, six, seven, or eight months ago and try to collect for that. It is very, very difficult and often that's where a lot of write-offs occur."

Look at Accounts Receivable

Accounts receivable are typically split into time frames, usually zero to 30 days, 30 to 60 days, 60 to 90 days, 90 to 120 days, and 120-days-plus. Jackson says, "When you're looking at your A/R and you're a podiatry practice, you want it to be gigantic in 0 to 30 days, because that means you're going to get paid; that's great. You want your A/R from your patients to be zero because you already collected it. In the second month, this is where you start to see it dropping off, no more than 25% of total A/R. For the 60-to-90-day period, it should be under 10%. At 90-days-plus, should be trending to zero; at 120-days-plus it should be zero, because if it's going past 120 days, the odds of getting paid are poor."

Try to stay on top of your patients to make sure they're paying their co-pays and any co-insurance as quickly as possible when they're at the office."—Andersen

Have a Safety Net

Things go wrong. Unexpected expenses occur, or you may suffer a string of denials. Andersen mentions the acquisition of a new electronic medical records system, as part of belonging to a supergroup, which took a while to recover from. "I think part of it is that you anticipate something that's going to happen. We have been in that situation, so we've made sure we have a line of credit available to us just in case. We try not to use it. You try not to be in that kind of a situation, but you have to pay your staff, pay your rent, and things that need to be handled to stay in business."

So a line of credit is a good idea. So is some sort of sizable cash reserve, which can be a much a more difficult thing to achieve. Andersen says, "Try to anticipate issues as much as you can and know that if you're going to have a big change in your situation, such as a new EMR or practice status, it may take a while to recover from, two or three months at least. Try to stay on top of your

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patients to make sure they're paying their co-pays and any co-insurance as quickly as possible when they're at the office."

Jackson also suggests a three-month buffer of cash at all times, if at all possible. "That's your emergency fund. That's another way to protect your cash."

Manage Overhead

Although something of a secondary subject to cash flow, keeping your overhead under control will help with cash flow. Many physicians don't operate with a real budget, so they not only aren't completely sure of how much money they should have coming in, but don't know what it's going towards.

Hal Ornstein, DPM, president and CEO of New Jersey Podiatric Physicians and Surgeons (Howell, NJ), says, "It would be a beautiful thing if doctors did create a budget, but they don't. So the second best is run reports. Most people have Quicken or QuickBooks, so it's easy to run a report and monitor expenses. We suggest every quarter running a report and looking at what your expenses are and compare them to the previous month to get a handle on them before they get out of control."

Dr. Ornstein

A secondary point is to focus on specifics. Ornstein says, "Medical supplies are a great example. Doctors always think they're getting the best deal, but they lose control over identifying that. They depend on office staff. I hate to say this, but staff sometimes takes the easiest route out, oftentimes not the least expensive. That's unfortunate, so get a hold of where some of these expenses are for medical supplies and durable medical equipment… two large expenses."

He also suggests looking at staff costs. "People don't realize when it comes to staff what it costs them for one extra hour for staff. If you take a staff member with 1,500 hours, an extra hour a week, say 60 hours a year, that's an extra $720 just for one staff member. Everybody works overtime, but forget about overtime. Do you really need that number of people to stay busy? Are people taking the time for lunch they're supposed to be taking? These are things you should be looking at."

Another thing to look at is a Professional Employment Organization (PEO). Your staffers are still your employees that you have control over, but if there's a lawsuit against them, it goes against the PEO, not you. "Instead of the benefits of five people," Ornstein says, "you're collectively getting bids from the PEO. We found that was a significant way to reduce overhead. They also offer employee manuals and other things, too."

Tips for Improving Collections

- ***Educate Staff:*** Everybody should understand that improving collections benefits everybody, and should know how and when to ask patients for monies owed.
- ***Use Technology:*** Electronic Health Records (EHR), automated billing programs, and accounting software can be a big help in tracking who owes what, and when and how much money is coming and going. Use it.
- ***Use a Clearinghouse:*** This can act as a liaison between your practice and insurance companies, and can often help in maximizing collections.
- ***Monitor Claim Rejections:*** Clearinghouses usually reject ineligible claims before sending them to an insurer. Monitor rejections, and if they are for recurring reasons, fix those problems.
- ***Track Denials:*** Understand why insurers and payers deny particular claims. Identify any trends and work to reduce your denial rates.
- ***Manage Accounts Receivables and Patient-Responsible Accounts:*** The end of the road is not sending invoices for services and filing claims with payers. Because the process is shifting toward the patient paying more money directly, it's important to create a process for collecting monies from patients at the point of service and after the insurers handle their part.
- ***Create Metrics for Measuring Productivity:*** Some of these productivity metrics include coding measures, claim follow-up times, and charge entry measures. Evaluate them to determine your practice's productivity.

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Jackson offers one more tip. "A great way to take care of your cash flow is to make sure your marketing is filling up your waiting room with returning patients, with referrals from those patients and from new patients generated from your other marketing efforts. Because if you don't have a full waiting room, you're not going to produce enough cash to manage." **PM**

Mark Terry is a freelance writer, editor, author and ghostwriter specializing in healthcare, medicine and biotechnology. He has written over 700 magazine and trade journal articles, 20 books, and dozens of white papers, market research reports and other materials. For more information, visit his websites: www.markterrywriter.com and www.markterrybooks.com.