



## The Practice Is Bleeding Internally

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### Check Your Practice's Vital Signs

The patient is hemorrhaging; but expresses no immediate signs of distress. Despite daily interventions with the patient, the practice has not determined the cause. It is only a matter of time before symptoms progress with a less than optimum outcome. What would you do?

If this were your patient you would follow evidenced-based clinical guidelines to determine the cause of the bleeding. Various tests would be conducted. You would review all relevant data to assist in your decision-making.

What if the patient is your practice? What if the hemorrhaging is actually red ink? Are you taking the proper steps to insure your practice maintains its financial health? Are you following a treatment plan that includes preventive financial care?

Just as you expect your patients to follow sound medical advice; your practice should follow a therapy regimen for financial health. Listed below are a few preventive measures to assist your practice in monitoring its financial health.

**1. Monthly financial statements.** The financial statements that should be included in your review are the Statement of Operations (Income Statement), Balance Sheet and Statement of Cash Flow. A timely review of these statements will provide a snapshot of the practice's operations. When compared to previous month's account balances and to your monthly budget, unfavorable trends may be adjusted before they become a major problem.

Most business owners are familiar with the Income Statement and Balance Sheet. Less familiar to some, the Statement of Cash Flow, may be the most important report to review. It shows the sources and uses of cash and details the changes in the cash position. If your accountant is not providing this report on a routine basis; suggest they begin and ask for a brief tutorial. The Statement of Cash Flow is not a difficult report to generate from the monthly financials.

**2. Accounts Receivable.** An Accounts Receivable Aging Report is essential for your monthly review. This report will show the dollar amount of all current and past due balances summarized by aging categories. Aging categories are usually listed as Current, 30 days past due, 60 days past due and 90+ days past due. A comparison of the current aging report to previous months will show trends in the balances.

Of course, any review of Accounts Receivable is not complete without a detailed review of balances by customer. The Aging Report can quickly show unfavorable trends, however, without the details by customer you won't be able to focus on the problem accounts. This detailed report should be the major working document for your collection activities.

**3. Monthly Metrics Reporting.** Measuring productivity is necessary in all industries, health care included. TransforMED recommends a minimum number of measures to be reported on a monthly basis. These measures should be reported for each provider in the practice. Important provider metrics may include; hours scheduled for patient visits, number of patient visits (Relative Value Units may be an alternate metric) and revenue generated by provider. When you compare these metrics on an hourly or per patient basis across providers you get a picture of the revenue generation of the practice.

While many metrics focus on the provider, don't overlook metrics for other key personnel and processes. No show rates, percentage of filled appointments, claims processed, co-pay collection percentages, completed phone responses and test/referral completion rates are a few other metrics that may be considered. Incorporating these metrics into annual performance plans is also a good idea.

**4. Coding Review.** A monthly review of CPT code distributions by provider is recommended to determine potential revenue issues. Large variations among providers with similar patient morbidities could be a red flag.

If you are up for constructive criticism, a periodic self-audit of coding is also helpful. In fact, if a red flag is raised during the monthly review of code distributions, an audit is the usual next step. In a self-audit a sample set of charts (10-20) from each provider are peer reviewed within the practice. Providers will evaluate both proper coding and documentation in support of the coding.

A consistent pattern of review and acknowledgement by leadership of these preventive measures, including a few well placed "thank you" to the staff, will go a long way toward keeping your finger on the pulse of the practice. "An ounce of prevention is worth a pound of cure."

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