



## Does Your Medical Practice Need a Physical?

By Robert A Ricciardelli JD, CPA Partner  
Whittemore, Downen & Ricciardelli, LLP  
518.792.0918 | 518.743.0882 (f)

The practice of any type of medicine is difficult. The management of a medical, dental or veterinary practice, in addition to practicing medicine can compound the difficulty to the point of being downright exhausting. Long hours, employee problems, billing and cash flow issues, and the myriad of other business management responsibilities can all compound to distract health professionals away from their real purpose—to deliver excellent health care to their patients.

As a CPA specializing in health care professionals over the last fifteen years, I have seen dramatic changes in the business of medicine. Fifteen years ago the trend was clearly toward physician ownership of practices. The dental and veterinary world is still in this mode. Traditional medicine, however, has dramatically changed from this original trend. Many professionals have decided to sell or merge their practices with larger non-profit institutions or larger groups which have in place centralized management and administrative personnel.

While this current trend of institutional ownership certainly has merits, the merits of owning your own medical related practice can not be understated. The ability to control the way medicine will be delivered to the patient base is probably the single most satisfying reason I hear from health care professionals as to why they wish to continue to own their own practice rather than be an employee of a larger institution.

In my experience over the years, I have found that the most successful medical practices are those where the health care professional owners have concluded that it is not possible to manage and oversee all facets of the practice themselves. Health practitioners that do choose to manage all facets of the business themselves often find that time constraints force them to work “in” the business but not “on” the business. Even if time is not the key issue, many health professionals simply

may not have the business background to properly manage the practice. By bringing in professionals to assist with a professional check-up of the key facets of the business, they can often highlight areas of the business that need modification. Following are some key areas that should be monitored by management or outside professionals in any health care practice.

Billing and collections are the life-blood of a health care practice. Many practices have been billing and coding the same way for years under the impression that they are doing it correctly. A good billing specialist is worth his/her weight in gold to a health care practice. Our firm will often recommend that a billing specialist be brought in to review prior periods and make recommendations as to more effective billing and coding. We will also have them review the effectiveness of the employees handling the billing process in the practice. Billing is so vital to a practice’s existence that the practice should periodically seek outside professional guidance as to billing procedures and coding.

The best practices usually have an effective practice manager or an employee who has been trained well for the position and empowered by the owners with this duty. The practice manager has to be empowered by the owners in order to demand accountability from all employees in the company. In most practices the physician owners are simply too busy producing revenue to have the time to handle day-to-day activities with any effectiveness. The practice manager takes on these day-to-day activities and frees up the health practitioners to deliver patient care.

Every health care practice can be benchmarked against the so-called “best practice” financial metrics. Most health care professions have an association or organization where members share their financial data for purposes of determining the normal expense to revenue percentages. The Medical Group Management Association is one such organization that collects and disseminates this valuable

information to its members. The better practices I have worked with set goals based upon the benchmarking exercise and will attempt to meet or exceed that goal. The benchmarking exercise will often very quickly pinpoint weaknesses or revenues and expenses which are out of line with their peer group.

Is the accounting function providing meaningful reports to manage cash-flow, monitor profitability, and to project tax obligations? I have seen many health care practices over the years that had no idea how much money was made until after the year was over. At a minimum, the books should be posted to an electronic bookkeeping system at least once a month. The best practices post daily just as most successful businesses do. The practice owners should learn to read the reports generated from the bookkeeping system and should use the information to make business decisions. Tax professionals should also be reviewing financials prior to year-end to assist in tax planning.

If you own a medical practice you are in the service business. Does your practice know whether the patient experience was good or bad? Ultimately, patients do have a choice as to where they receive their medical care. Poor bedside manner, appointment times that are never met, and poor customer service can all result in a degradation of referral business over time. A simple checklist which addresses various patient management aspects of a medical practice can highlight weaknesses in the system.

Are all of your buy-sell agreements up-to-date or do they exist at all? More importantly, in a multi-owner health care practice are there documents in place which address business continuation in the event of a death of an owner, disability, retirement, or involuntary termination? The best practices have their documents reviewed periodically by legal, tax, and financial professionals to ensure the business continuation in the event of one of the aforementioned events.

The bottom line is that the most successful medical practices do not leave success to chance. They constantly give their practice a check-up and bring in professionals to assist in the process.