

Weathering the Storm

How the Economic Downturn Affects Your Practice — and What You Can Do

BY JAMES T. KRUPIENSKI, CPA

As a country, we are going through some very difficult economic times. We face regular reminders of this as we turn on the news. Executive salaries are being set by the government, layoffs are announced daily by another major U.S. corporation, and housing sales continue to fall.

This is having a direct impact on the patients of your medical practice, many of whom have been forced to tighten their wallets, while they face potential unemployment and the ever-increasing threat of losing their homes.

As a result of this wallet-tightening, your patients might be skipping appointments, or putting off scheduling appointments that they should make. Rather than paying at the time of their visit, they might ask to be billed and then not pay their bill. Many of your patients might stop taking the prescriptions that you have prescribed. Finally, for those that have lost their jobs, they might not be able to afford the COBRA insurance that has been offered to them.

Yet, with all of these occurring, your patients may be more stressed than ever, leading to physical symptoms that might actually require increased visits and medications. As a physician, what can you do?

Patient Management

There are several areas that you can focus on to help manage these risks and to mitigate the impact on your practice. The first involves managing your patients.

Send reminders to them of scheduled appointments — multiple times if necessary — and ask them to call to confirm that they

year for their required medications and office visits, while taking advantage of a pre-tax deduction from their regular pay.



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still plan on arriving. If you have a policy to charge for missed visits, discuss this with them as well. If one of your patients is due to schedule an appointment, don't wait for them to call you.

In the event that you have patients who are not filling prescriptions due to the cost, you will need to discuss the medical consequences of this action with them. However, you should also work with them to find a healthy alternative if one is available. They may be able to take advantage of one of the many discount programs currently being offered at local pharmacies, such as the \$4 Wal-Mart or Target prescription programs. This could also include the use of a generic drug that may have lower co-payments, where available.

During this discussion, it may be a good idea to find out if their employer offers a tax-advantaged flexible spending account for medical expenditures. Properly using one of these accounts could help your patient to budget over the course of a

While many of your patients have these accounts available to them, they may not be used to their fullest potential.

Practice Management

The next step would be to deal with the management of your practice. First, take a close look at the insurance relationships that your practice is currently involved with. Are the payer allowable reimbursements in line with other third-party payers? Are they covering the patient base that your practice is hoping to attract? If not, it might be time to explore other options that are out there. This could also include revisiting plans that you may have declined in the past.

For those patients that you do see and treat, it is essential that you monitor the collections of your accounts receivable. To do so effectively, all policies and expectations must be clearly understood by your staff, particularly the front-office staff. They are responsible for collecting co-

pays, obtaining insurance information, and discussing your practice's credit policies with your patients.

Next, you must ensure that all credit policies are adhered to. If you have a policy of turning overdue accounts to collection after attempting to collect from the patient, then you should do so on a consistent basis. This ensures that there is no confusion by your staff about following your office policy. At the same time, you need to be sensitive to compliant patients who are experiencing unusual, temporary financial hardship. Offering a payment plan may be in order. A slow-paying patient is better than no patient.

Periodically, you should review the outstanding patient balances and aged receivables with your front office and billing staff. There may be instances, based on the cost of collections and the financial hardship of the patient involved, when writing off the deductible or co-pay might be warranted. Before doing so, however, you must ensure that good-faith efforts have been made to collect the funds and that this is clearly documented in the patient's file. Additionally, when writing off co-pays and deductibles, a clear office policy on what situations would qualify is recommended.

Consider the feasibility of maintaining patient credit-card information on file. That way, as a balance becomes due or outstanding, you will already have your patient's billing information on file. This can be particularly useful with patients who have health savings accounts (HSAs).

Before implementing such a program, however, consider these words of caution. First, check with your credit-card vendors and read your contracts to ensure that this policy is not prohibited or discouraged. Second, you will need to have an authorization on file, signed by the patient, allowing you to keep this information. Once authorized, this information must be maintained in a secure location. Finally, best practice indicates that you should notify the patient each time that you intend to charge their card.

This is also a very good time to review your expenses, both variable and fixed. Despite your best efforts, total physician compensation is tied to changes in the volume of your patients. As patient visits decrease, so will your revenues, but many of your expenses, such as rent, IT charges, and insurance, will not fluctuate.

Therefore, it is that much more critical to review those charges that are variable, such as medical supplies, office supplies, and clinical laboratory charges, to find cost savings in those items that you can control. Does your prac-

tice have a purchasing policy? If so, is it being followed? Now, more than ever, is an ideal time to meet with your practice manager or staff to discuss purchasing procedures and ways that they can be improved upon. Additionally, this is an ideal time to review your vendor relationships and the pricing that you have with them.

To the extent that your practice has slowed down, it might be time to consider reducing staffing levels. Rather than eliminating positions, it might be possible to maintain goodwill in the office by reducing the number of hours that everyone works on a daily or weekly basis. On the flip side, laying off one employee and cross-training the remaining staff to cover for that position might make more sense.

Maybe it is possible to close your office, or a branch office, one day per week or more. In the event that you carry office hours only two or three days per week, office sharing might be something to consider. This is where you open your practice to another physician those days that you are not seeing patients. By doing so, you are able to share some of

your fixed costs, such as rent or common-area charges, with another physician.

With everyone monitoring their expenses, advertising is one of the first areas that is typically cut back. So, while your competition is scaling back, move ahead. Meet with a Web site development company to ensure that your site is up to date and, more important, user-friendly. Consider the use of a new and updated newsletter, and send it electronically, where applicable. But if finances are a hindrance that cannot be overcome, there are other avenues of advertising that you could utilize. There are many local agencies looking for speakers at their regular meetings or conferences. Also, many local publications are willing to publish articles on areas or new techniques that you may specialize in.

Taking Care of Yourself

Finally, after you have dealt with your patients as well as your practice, you must take some time to care for yourself. With all that is transpiring around you,

your health, as well as that of your patients, is bound to suffer. Exercise and other relaxation techniques will help to ensure that you don't end up making your own office visit.

Additionally, with the current health, or lack thereof, in the equity markets, this is a great time to meet with your investment adviser to verify that your strategy is aligned to help you weather the current downturn. You might be surprised to find that many investment strategists recommend that this is actually a great time to buy.

Over the coming months, your practice is bound to experience some of the effects from the recent economic downturn. However, it will be the moves you make regarding your patients, your practice, and yourself that will determine how you weather this storm. Those that take the right steps now will ensure their practice's success in the future. ♦

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