

Boost your earnings without working harder



By juggling staff assignments and handling insurance claims more carefully, an FP sharply increased his profits.

By Gregory J. Mertz

When Martin Lawson (not his real name) asked me to find ways to increase his solo practice's profits, I thought we were talking nickels and dimes. After all, the practice already seemed prosperous, and Lawson's \$120,000 annual earn-

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ings were only slightly below the national median for FPs. That seemed reasonable, since he spent plenty of time with patients, listening to every complaint. How much more could we squeeze out of his small practice—especially since he wasn't willing to change his leisurely style or work longer hours? The answer surprised us both.

My first goal was to raise revenues. Examining Lawson's routine, I discovered that he made hospital rounds each morning and then arrived at his office up to an hour late. To avoid angering patients, the staff never filled the first appointment slots. When I asked Lawson about the wasted openings, he pleaded guilty to lingering at the hospital, where he often tried to recruit specialists for the town's free clinic. According to my calculations, he could earn \$10,000

Illustration by David Klug

more each year by showing up promptly and scheduling earlier appointments.

Next, I examined reports from insurance companies and found that Lawson wasn't charging the maximum permitted. He hadn't reviewed his fees in years and wasn't taking advantage of recent changes in the Medicare schedule. By raising fees slightly, he could increase revenues another \$16,000.

Besides charging too little, Lawson was cheating himself with coding errors. He'd gotten into a habit of circling "Established Patient" codes on charge slips of people he hadn't seen for years. According to the rules, those who haven't visited in the past three years should be labeled new patients and billed at higher rates. By correcting the errors, the doctor could bring in \$2,500 more.

Lawson was also lax about collecting late payments. He'd instructed his staff to let him review overdue patient accounts before sending them to a collection agency. Over time, the staff learned that the doctor never approved any effort to collect. So they stopped notifying him about late payments. They also stopped following up on insurers' accounts. When I mentioned the problems to Lawson, he refused to crack down on the deadbeats. The doctor hated to pressure people who might be facing hard times. But he did instruct staff members to call carriers. That would add another \$5,000 in revenue.

After exhausting the revenue-boosting possibilities, I turned my attention to cutting unnecessary expenditures. When I reviewed his staffers' workloads, I realized that two nurses were doing the job of one. Lawson had hired the second two years before, when he'd added an associate. That young physician left after one year, but Lawson didn't have the heart to let a nurse go. To keep both staff members occupied, he gave them additional tasks, such as taking histories and responding to patients' phone calls. But the practice derived little benefit. The nurses brought

each phone message to Lawson for review, and he redid the histories when he saw patients. When I pointed out the inefficiencies, Lawson said he'd rather duplicate efforts than spend time teaching the nurses how he wanted things done.

Reluctantly, the doctor agreed to tell one nurse he no longer needed her. That cut \$25,000 from his annual budget. (Helped by his reference, the nurse quickly found another position.)

The practice saved more than \$2,000 by soliciting bids from several medical-supply vendors. For years, the nurse who purchased supplies had dealt with the same company and had never asked for discounts. Learning that the staff would share in savings, she sought new vendors and began demanding lower prices. The nurse also reduced telephone charges, accounting fees, and expenses for printing and office supplies. Inspired by the cost-cutting efforts, the employees met on their own and agreed to divide the tasks of the office manager, who'd recently quit. The office manager had earned \$14,000 for the part-time position.

Reviewing the practice's insurance policies, I spotted ways to save \$4,000. Lawson had failed to claim a discount due to him because of his affiliation with a physician hospital organization. In addition, the office had coverage for equipment it no longer owned.

In the end, I estimated that potential cost savings and increased revenues could fatten the practice's profits by more than \$70,000 a year. Lawson agreed to give one third of the savings to his six employees as quarterly bonuses. The rest would go into his pocket.

So even if you think you're squeezing all the profit you can out of your practice, take a critical look at its revenues and expenses. Your effort may pay off handsomely. ■

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