

# Inside Secrets to Reducing Practice Costs

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## **Inside Secrets to Reducing Practice Costs**

Cutting costs in a podiatric practice without negatively affecting patient care can be challenging. This author talks to several experts who reveal their secrets for saving money in areas of staffing, overhead and technology.

*By Brian McCurdy, Associate Editor*

While ensuring effective patient care is the primary goal of any podiatric practice, the practice is still a business so cutting costs is an important point of emphasis in keeping the practice operating at peak efficiency.

There are a number of avenues that DPMs can seek out in order to cut costs. Podiatrists can take a look at staffing procedures to work more effectively and cut costs. Podiatric practices can also be diligent in their interaction with suppliers to provide more affordable patient care. As far as office space and billing, a number of options are available to reduce overhead costs. In addition, the appropriate use of technology can both enhance patient outcomes and lead to cost savings.

With that in mind, several experts share their opinions on reducing practice expenses. They also address the balancing act of saving money without detrimentally affecting patients' podiatric care.

### **Pertinent Pearls for Reducing Staffing Costs**

Costs for staff comprise a significant amount of the spending of a podiatric practice. Although DPMs want to pay employees well to retain quality assistance, there are several methods one can use to reduce costs and increase staff productivity. One method is allowing the use of flextime schedules, suggests Jeffrey Frederick, DPM. He says one should allow employees to vary their schedules so they will be more productive.

"Many employees like the ability to work just a few hours on some days and have the rest of the day to themselves," says Dr. Frederick, the President-Elect of the American Academy of Podiatric Practice Management. "This works for task conscious employees who understand the job that needs to be done and value getting time off during the day."

He notes that such a flextime arrangement also does not trap employees into staying at the office just for the sake of the office schedule. As Dr. Frederick says, when employees are happier, they are more productive.

Be careful not to pay staff too little. While trying to reduce costs as far as staffing, keep in mind that payroll should be approximately 17 to 20 percent of office deposits, according to Kristin Titko, DPM. If one tries to go below that percentage to "rein in" costs for staffing, she warns the practice will lose a lot of income. Dr. Titko says the result will be long waits for patients, untaken X-rays and uncasted orthotics since a practice does not have the staff to perform these tasks. However, she notes that a low turnover of staff will cut the costs for training new employees.

In the same vein, John McCord, DPM, advises against giving short shrift to staff as far as salaries and benefits go simply to save costs. "Spoil them rotten and they will control overhead to keep their good jobs," says Dr. McCord, who practices in Centralia, Wash.

Hal Ornstein, DPM, notes that most doctors do not spend enough on their staffs. Staff costs are an investment and can pay off in the end in greater savings, according to Dr. Ornstein, the Chairman of the American Academy of Podiatric Practice Management. However, he notes several specific ways of cutting costs in the areas of staffing. These include appropriately training employees and also cross-training them so one employee can perform several jobs in order to increase efficiency. Dr. Ornstein says it is also cost-effective to emphasize appropriate job descriptions so several staff members are not performing the same task.

Podiatrists should emphasize that staff work efficiently to reduce work hours to a minimum and should also control overtime, advises Dr. Titko. To control overtime, William McCann, DPM, notes that a time clock is effective, calling a clock “the single most useful tool to control staffing costs.” Dr. McCann, the President of the American Academy of Podiatric Practice Management, says a clock can keep a practice on track as far as breaks and compliance with state and federal regulations.

### **How Good Purchasing Techniques Can Pay Off**

It pays to shop around when ordering medical equipment and supplies as several experts say good purchasing techniques can lead to savings. Dr. McCord says one should determine the best equipment and supplies for patient care, and then make the medical equipment and supply companies compete for the practice’s business. His practice orders three-month quantities of supplies and obtains at least three bids for each item. Although supply company representatives may not like such a strategy, Dr. McCord notes it may save the practice up to 40 percent on overhead for medical supplies.

The practice should also assign one employee the task of ordering, notes Dr. McCord. The woman in his office who orders supplies will cut off the supply company rep for two months if he or she quotes a price that ends up being higher on the invoice.

Dr. McCann urges a practice to negotiate price breaks on supplies. He also suggests looking to a large supply company for good pricing on items such as gauze that are commonly used in high volume. Along the same lines, a practice should buy supplies in bulk and try to get hospital pricing, suggests Dr. Titko, who practices in Cincinnati, Ohio. At least annually, she says a practice should compare the supply pricing listed by various organizations. She adds that watching expiration dates can also lead to lower costs.

When buying supplies at a meeting, Dr. Ornstein advises the meetings may offer “significant” discounts. He also suggests joining with another local podiatrist to purchase supplies together. Dr. Ornstein says he has done this when buying orthotics and durable medical equipment (DME), and it saved money.

While giving away medical supplies to patients can increase referrals, Dr. Frederick cautions against giving supplies to patients for free. He says giving away supplies like pads and Band Aids is the “number one problem” for doctors and can quickly add up in increased practice costs.

Communication is an important aspect of ensuring the proper ordering of supplies, according to Dr. Ornstein. He notes that a DPM should be able to communicate to a vendor what he or she wants the product to accomplish so the practice gets the right product. On the contrary, he says the vendor should be able to communicate via decent customer service to ensure quick delivery of supplies.

One should also carefully review supplier invoices as Dr. McCann notes that mistakes in billing can often occur. Anything which the staff orders for the office should have a purchase order with a control number that shows up on the invoice from the company from which it was ordered, notes Dr. McCann.

### **What Overhead Costs Can A Practice Reduce?**

Following costs for staff and supplies, rent is typically the most expensive overhead expense, according to Dr. McCann. If the practice leases the office space, he says it should negotiate the best possible contract. He says it is also a good idea to get the landlord to paint the office or provide new carpeting at intervals that are included in the lease.

If the practice owns its own office space, Dr. McCann says one should keep an eye on interest rates as there may be refinancing opportunities that can reduce monthly payments.

Dr. Frederick says sharing office space with other doctors may be the most effective way to save on practice overhead. He notes one should also consider the use of credit cards that provide rebates or a percentage off purchases for the office.

Likewise, Dr. Titko suggests renting only the office space that a practice needs rather than having an overly elaborate office. Watch the thermostat in order not to incur heating and air conditioning costs that are too high, she advises. In addition, Dr. Ornstein suggests researching energy incentives, rebate programs with high efficiency units and low energy light/fluorescent bulbs, which may provide better light. He says all of these initiatives will save some money. If the practice is in a new office, he suggests installing a heating system in the floor to save energy costs.

When looking to save overhead costs, Dr. Titko also says one should compare various lab charges to look for a bargain. Careful handling of equipment can also obviate the costs of replacing it, according to Dr. Titko.

### **How The Use Of Technology Can Save Money**

How can the savvy use of technology save costs for a practice? Several DPMs suggest the use of electronic medical records (EMRs). Dr. Titko says the records not only make billing more efficient but also eliminate the charges involved in transcription. Dr. McCann concurs, saying EMRs and the “paperless office” concept will decrease a practice’s staffing needs and accordingly lower overhead costs.

Dr. Ornstein also recommends the use of EMRs, saying podiatrists “cannot afford not to” invest in the technology. However, if a practice does not take advantage of EMRs, he advises looking into digital dictation. The technology is very inexpensive and Dr. Ornstein says one will receive the complete dictated record in an e-mail. He notes digital dictation is more cost-effective than transcription since one would have to wait a few days to get the results of the transcription.

As far as accounting technology, Dr. Frederick suggests using software to track accounts receivable reports as doing so will improve cash flow and reduce monitoring costs. He also advocates paying bills online can also save time and money since he says it eliminates the cost of mailing payments to vendors. As he notes, having Medicare directly deposit payments into an office account will likewise save some costs.

Dr. McCord pays the bills himself. While acknowledging that this takes extra time, he says when he sees payment for an item that seems out of line, he is able to find out who is responsible for the charge and ultimately save money. When it comes to paying bills and doing payroll, he uses Quickbooks, which can generate checks and keep a ledger. Dr. Titko reminds practitioners to pay bills on time as this will eliminate interest charges.

In addition, Dr. McCann says a digital X-ray will “pay for itself” in savings on chemical and acetate costs. “Adopting cost saving technologies, such as EMR or digital X-rays, will not only cut overhead expenses but will significantly increase quality, efficiency and enhance patient outcomes,” notes Dr. McCord.

Dr. Ornstein echoes Dr. McCann’s comments about digital X-rays and adds that they may be more effective diagnostically. Due to image manipulation techniques, Dr. Ornstein says digital X-rays can be clearer than traditional X-rays and help find fractures that may not be seen on regular X-rays. Dr. Ornstein adds that utilizing digital X-rays can also result in greater referrals as patients are impressed by such technology and will tell their friends.

In addition, Dr. Ornstein uses software that tells the office about patients’ insurance information, including co-pay information, the day before the appointment. He says this feature is a cost saver. For example, he notes that a practice may not know a patient’s co-pay has increased

from \$10 to \$20 and may bill for the \$10. The practice then must waste time and money with insurance procedures to get the additional \$10.

### **Lowering Costs Without Compromising Patient Care**

When weighing a less expensive measure that affects care, Dr. Frederick says one should question whether or not the cost savings under consideration will compromise the patient. Likewise, he emphasizes that one should also question whether the care provided will continue to meet the expectations of patients and facilitate the best possible patient outcome.

“If the change in cost or method honestly passes this test, then patient care is not compromised,” says Dr. Frederick. “I always ask these questions to safeguard the quality of care on everything we do.”

Cheaper is not necessarily better, says Dr. Frederick, who adds that increased outcomes for patients are always the ultimate goal.

Dr. McCann concurs. He says one should never even consider using any product or service that will not enhance patient care and patient outcomes. “Something may save money in the short term but if there is no patient benefit, it will cost you dearly in the long term,” he says.

Dr. McCord warns never to cut the quality of care to cut overhead and save money. “It is a false economy and will cost more in the end with unhappy patients and liability problems,” he cautions.