

# **Nine Ways to Enhance Office Revenue**

*By Anthony Leone*



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## Nine Ways to Enhance Office Revenue

*Dealing with finances is a challenging but necessary aspect of any podiatric practice. This author speaks to several experts who reveal their tricks of the trade for maintaining fluid cash flow and increasing office revenue streams.*

**By Anthony Leone, Special Projects Editor**

Perhaps your staff is battling an insurance company for appropriate reimbursement on a handful of claims. Perhaps you are wrestling with declining accounts receivable. Perhaps you are referring patients to other sources when you could be handling more of their DME needs. Perhaps you are debating whether you can afford to invest in new diagnostic technology for your practice.

Needless to say, office revenue affects nearly every aspect of maintaining and expanding a thriving practice. With this in mind, we turned to leading practitioners and practice management consultants to get their expertise on increasing practice revenue.

### **Understand the statement of cash flows.**

Calling it the “lifeblood of any medical practice,” David Marcinko, MBA, CMP, CFP, says the statement of cash flows (SCF) offers a revealing window into the different ways your practice maintains and increases office revenue.

As Dr. Marcinko points out, the SCF helps one understand operating activities, which cover receipts, interest and dividends (cash inflow) and inventory, supplies and loans (outflow). Dr. Marcinko adds that the SCF also summarizes the affects of cash on investment activities, including disposal or acquisition of equipment, loans and marketable securities, and financial activities, which include the impact of cash inflow and outflow transactions upon creditors and physician owners of the practice

During an accounting interval, a SCF can review the effects of money on office operating activities, says Dr. Marcinko, the CEO and Academic Provost for Medical Business Advisors ([www.MedicalBusinessAdvisors.com](http://www.MedicalBusinessAdvisors.com)), *a practice enhancement resource center for physicians and their business consultants.*

He adds that at certain times, rapid growth occurs and increased revenue may actually translate to less cash and possible problems down the road.

The cure for this is having an accurate cash flow analysis (CFA) as it can enable one to study the effects of past strategic business decisions in quantitative form, according to Dr. Marcinko.

“The accurate and proactive nature of this analysis may spell economic success or failure in the competitive healthcare environment,” explains Dr. Marcinko.

The purpose behind cash flow analysis is to help you answer important questions such as: how much money can my practice make? How can the practice’s account be overdrawn when the certified public accountant (CPA) claims we have been making enough money? These are just a few questions that one is better able to answer with the cash flow analysis, notes Dr. Marcinko, a licensed financial advisor, certified financial planner and certified medical planner.

### **Emphasize a Fluid Cash Flow For Your Practice**

#### **Create a fluid cash flow.**

Without knowing alternative ways to create a significant cash flow, your practice may not have much of a leg to stand on. Dr. Marcinko gives some suggestions on how to keep what you have and how to gain more revenue.

One key thing is making sure patients pay their bills in a timely manner.

“According to our cost surveys, about 31 percent of podiatric medical accounts receivable (ARs) are unpaid at 120 days,” points out Dr. Marcinko. “In addition, podiatry groups seem able to collect on only about 69 percent of charges.”

Dr. Marcinko says podiatrists should try to keep the percentage of ARs unpaid for more than 120 days down to less than 20 percent of the total practice revenue.///OK as is?//

He also encourages having a fluid relationship with local vendors of office equipment and supplies. He suggests having your office manager speak to sales reps from these vendors, discuss difficulties in cash flow and firmly explain the short-term nature you may wish to have with the vendors.///Rephrased slightly. OK as is?// Dr. Marcinko says this usually works well because local vendors want a good working relationship too in order to keep themselves in business.

Dr. Marcinko also emphasizes that podiatrists and their office staff try to space out the length of time between the delivery of healthcare products and/or medial services and when you have to pay for it. He says you want to maintain a cash conversion cycle that is favorable to your practice.

A third suggestion comes in the form of a favorite remedy of any business: loans. Borrowing a short-term bridge loan may be a great way to gain some extra money but beware of the time value of the money, the personal guarantees and usury rates, cautions Dr. Marcinko.

## **Why Recordkeeping Is Everything**

### **Master co-payments and insurance.**

When it comes to dealing with insurance companies, many podiatrists know how this can easily become a huge headache waiting to happen. However, if one takes a few steps of precaution, the burden can be lighter.

Before seeing a patient, much less treating one, have your staff verify if the patient has any insurance and what type it is, points out Michael Metzger, DPM, MBA. He adds it is important for your staff to regularly ask patients if there have been any policy changes or a change to a new insurance company since their last office visit.

Another bit of advice that both Drs. Metzger and Marcinko agree on is to always collect co-pays and deductibles at the time of the visit. Be sure patients are aware of this policy before they present for their visit. Dr. Marcinko goes one step further and says your co-payment and deductible collection policy should accompany every bill. That way, the patient has a written copy of the office procedures for patient payment.

Another way to avoid confusion with your patients is to have a very clear, easy-to-read billing statement, suggests Dr. Marcinko. He says this statement should explain how much the visit and procedure are, how much money the patient's insurance company is paying and how much the patient owes.

### **Emphasize accurate recordkeeping.**

Picture this. In the midst of a very hectic day overbooked with patient visits, two men in stiff business suits walk in through the front door of your practice. They say they are from the Internal Revenue Service and they are investigating your practice for possible fraud.

While this scenario is unlikely to happen, Dr. Marcinko says it can happen when a practice does not keep accurate records of the patients they treat and bill.

“Reconcile patient visits with claim submissions every day,” he advises. “You may have actually treated 30 patients in your office but only billed for 29.”

Internal audit control is a good way to find and reduce mistakes, and prevent unintentional fraud, points out Dr. Marcinko.

Indeed by keeping careful records, Dr. Marcinko says you can make money by quickly finding out if a patient has not been billed and the increased proactive scrutiny within your practice can help prevent paying possible fines to the IRS.

## **Promote New Technology**

### **Invest in technology.**

The old saying, “you have to spend money in order to make it,” may be a very good business strategy. Hal Ornstein, DPM, agrees and gives an example of this.

The cost of an ultrasound machine is approximately \$12,000, explains Dr. Ornstein. **///However, he points out that some insurance companies can cover part of that expense./// How? We need to specify this a little.//** He says the diagnostic device is a draw for patients who appreciate the fact that their podiatrists is staying on top of new advances in technology in order to facilitate improved diagnostic capabilities and ultimately better treatment outcomes for their patients.

“People think it is costly but it is an investment. Patients love this stuff and it pays for itself in time,” says Dr. Ornstein, who has a practice in New Jersey. **///Dr. Ornstein, I rephrased a little here. OK as is?///**

## **Emphasize Patient Convenience And New Revenue Streams At The Same Time**

### **Sell products in your office.**

Another way to gain revenue is to sell podiatric medical products such as creams and support shoes in your office, something that Dr. Ornstein calls “a business within a business.”

“You make a decent profit and allow the whole office to get a piece of the action,” he says.

Dr. Metzger, the founder and principal of Innovative Healthcare Resources, concurs and says cast protectors and lotions are other items to add onto the list of things to sell. One topical application that he recommends is DPM Cream (Doak Dermatologics). He says this product “can only be purchased at a podiatrist’s office.”

Another good product to have in the office is Crocs, the multicolored rubber shoes that have become popular in the past year, recommends Dr. Ornstein. He says the company makes podiatric-style Crocs for patients.

“I have made \$50,000 this year by selling podiatric Crocs,” says Dr. Ornstein, the Chairman of the American Academy of Podiatric Practice Management.

### **Consider forming a multi-specialty practice.**

Another good way to increase profits is to have a physical therapist work out of your office, suggests Dr. Metzger. Having a combination of a podiatrist and physical therapist in one office may sound very attractive to potential patients.

However, Dr. Metzger says it is important to consider all the formalities of a partnership arrangement. “There are federal rules on how the financial arrangements can and cannot be set up,” notes Dr. Metzger. “Just be sure you do it the right way.”

## **Make the World Wide Web Work For You**

### **Generate revenue via an online store.**

Some may be hesitant to use the World Wide Web to make money but Lowell Weil Jr., DPM, MBA, FACFAS, says that not only can a podiatrist bring in needed money to his or her office but the patients benefit as well.

The Internet Web site OurDoctorStore.com offers medical products that podiatrists and doctors from other professions can recommend and sell to their patients, says Dr. Weil, the Fellowship Director of the Weil Foot & Ankle Institute in Des Plaines, Ill.

OurDoctorStore.com allows podiatrists to customize their own Internet store, which can bear the name of each individual practice. One can either create the store as a link to the practice's Web site or as a standalone entity, explains Dr. Weil. Doctors can send their patients to their own Internet store and patients can purchase items by credit card and OurDoctorStore.com will ship the products directly to the patient, maintains Dr. Weil.

"The patient is charged the retail price for the item and the doctor is charged the wholesale price for the item. The doctor makes the difference between the retail and the wholesale price, which usually amounts to 50 to 70 percent of the retail price," describes Dr. Weil.

Dr. Weil says there are many benefits for a podiatrist using the Web site beside the significant stock of available foot care supplies that it offers. One of those benefits is that the Internet store is not a physical store. With a physical store, one would incur a variety of costs, such as paying an employee to work at the store, dealing with inventory and where to place it and other tangible and intangible costs, points out Dr. Weil, the Fellowship Director of the Weil Foot and Ankle Institute in Des Plaines, Ill. He adds there is an annual membership fee in order to use OurDoctorStore.com.

### **File electronic claims.**

If you haven't caught on to the benefits of electronic claim filing, it might be time to make the move in order to facilitate faster claim processing and more timely reimbursement.

Using Medicare as an example, Dr. Marcinko explains that the traditional paper claim filing takes 27 days to be reviewed and then it takes another 14 days to cut a reimbursement check, assuming that those claims do not have any errors in them. If there are errors, the process begins again, says Dr. Marcinko. When one sends e-claims to Medicare, they do not have to go through this lengthy 27-day review period, points out Dr. Marcinko.

"Reimbursement checks can be cut within seven to 14 days. If there happens to be a problem with the claim, that claim is returned electronically for correction," states Dr. Marcinko. "Once the claim is corrected, it can be resubmitted with almost no delay."