

7 Accounting Tips to Help Your Practice Be More Efficient

Written by Angela Burger and Sheila Wanjiru

Monday, 28 April 2008

It's easy to get caught up in focusing on the clinical side of your ASC; after all, bringing in procedures and performing them efficiently and at a high level of quality are the foremost keys to producing revenue. But when the cases are done and the patient files turned over to the business office, what can your back office staff do to ensure they, too, perform efficiently and at a high level of quality to complete the revenue puzzle? Here's a look at seven best practices offered by our experts.

1. Have internal controls in place to ensure money is handled correctly.

It's something all businesses should have: "I always recommend having a lockbox," says Kim Woodruff, the vice president of business office operations for Pinnacle III's Central Billing Office.

Lockbox banking is a practice in which you rent a post office box exclusively for receiving payments. Your bank then regularly sends a courier to pick up the box's contents and process the payments directly into your bank account.

"The beauty of that is that you don't have live checks or money orders that are coming into your facility, which, obviously creates great cash control," says Ms. Woodruff. Because it cuts out the extra step of someone in your office having to take the payments to the bank, "it's more efficient."

Lockboxes are not necessarily for everyone, however; some smaller facilities may not find it cost-efficient to pay the fees for a lockbox.

In those cases, "it's always important to make sure that the person who's opening the mail, the person who's preparing the deposit, the person who's taking it to the bank, and the person who's posting the money into the system are different people," she says. "You just want to make sure you have good checks and balances in place. And in small facilities, that can be hard, which is part of the reason we recommend that you have a lockbox."

The best way to ensure there are no problems with the handling of the money, Ms. Woodruff continues, is to "think about all the things that could go wrong in terms of the actual handling of the cash," and come up with preventive solutions to minimize the chance of those problems' happening.

The same is true for money leaving your facility, says David Becker, CPA, the accounting director at MedHQ.

"The idea is to have a nice separation of duties," he says. "Identify different duties that should be performed by different people," and develop guidelines for the different levels

of accounts payable in order to “provide a level of internal control.”

2. Employ accrual-based accounting.

“The best way to really see how an entity, in general, is doing is by having accounting records that are accrual-based accounting versus cash,” says Mr. Becker. If a facility were to book the revenue as it collects the payments, it would not give an accurate portrayal because the revenues were billed and earned in prior months. In addition, another characteristic of cash based accounting is to not enter the expenses in accounts payable until they decide to pay them. Conceivably, an ASC could book \$300,000 collections as revenue (which was really earned probably two months earlier), not book the \$250,000 of expenses (bills received, excluding \$50,000 labor) incurred that month until the next month, and show \$250,000 net income, when really the ASC really broke even that month.

“It’s just not the best way of really telling how a service center is really doing,” he adds.

The idea, then, he says is to “get the billing in the proper month and the expenses in the proper month. That will really tell you how a center is doing on a month-to-month basis. Accrual-based accounting, hands down, gives you the best picture of how a center is doing.”

3. Take the time to have detailed data and accurate case-costing.

“My philosophy on accounting is you can always summarize detail,” says Jeff Boomershine, CPA, of Somerset CPAs. “But if you don’t keep track of the details, you can’t drill down from high-level summarized numbers. If you only put big, summarized numbers into your accounting system, when it comes time to slice and dice it, and analyze the data, the detail’s just not there; whereas, if you take the time to record information at a detailed level, then it’s there when you need it, and you can always summarize it.

“It’s best to capture the detail on a daily or other basis, and summarize it as needed, rather than capturing summary data, and then having to go back and dissect it later.”

Ms. Woodruff agrees: “You want to make sure that, on your general ledger, you have specific enough categories set up so that you’re actually able to track where your real expenses are.”

For example, she notes that there are some medical supplies that are reimbursable, such as implants. Because implants are outside the classification of general medical supplies, often you can get reimbursed for at least part of their high costs on a carve-out basis.

“Accounting-wise, I would want to track my implants separately from my medical supplies because you’re not reimbursed separately for medical supplies,” says Ms. Woodruff. “They’re just a cost of doing business.”

Mr. Boomershine points out that “one area that is difficult for a lot of ASCs is accurate

case-costing or cost-accounting as it relates to individual cases. We like to see accurate costing, not only by specialty, but by physician.”

Ms. Woodruff adds that you “want to be able to see whether or not one physician versus another uses a higher-cost drug or higher-cost implant, creating variances in the overall costs of their cases.”

If you can allocate those direct costs not only to the right specialty, but also the right physician, then you can compare case cost averages to reimbursements, says Mr. Boomershine.

“Keeping track of your operating statistics in terms of labor hours per case and per OR is also important,” he says. “In addition, track your key operating statistics such as room turnover time from the end of one case to when you’re ready for the next case. If your center is able to produce accurate and timely, detailed and summary financial reporting on a monthly basis, that’s generally a good sign they are being managed well.”

4. Divide expenses between variable and fixed costs.

When looking at a facility’s expense history and its costs, it is important to be able to divide these out between variable and fixed costs, says Mr. Becker. For example, labor hours are a variable cost and, “your labor should go down if your case load goes down. Now, we can take a look at answering the question, what is our labor cost per case?” Mr. Becker continues. “If we know what our case count is, and we know what our labor cost is, we can start to take a look at that, and see what we can do about reducing our labor cost per case. Maybe the types of cases we’re doing are high-intensity-labor cases; what can do to fix that? We could try to move into other types of procedures that will allow us to compete better.”

5. Regularly analyze payer contracts

Keeping track of how payor contracts are performing and being able to accurately report collections are key to quality accounting.

“You definitely want to have an accounting-focused review of your payor contracts and know what your fee schedules are, and whom you’re in- and out-of-network with,” says Mr. Boomershine. “Load the anticipated allowed fee for each payor into your practice management system, so that if the payor changes those fees, the practice management system will automatically flag that below-the-expected-amount payment when it comes in. That way, someone can follow up on that and get it corrected or determine why it has changed.”

Such a practice compels you to monitor your contracts daily, which is a goal the experts say you should strive for. The big picture for contracts should also be monitored.

Often, when payor contracts come up to expire, they automatically renew, Mr. Becker notes. It is therefore beneficial to have an alert system in place that alerts the management team that a payor contract expiration, and possible renewal, is coming up. This lets you

know it's time to pull out the contract and examine the terms; you might find a renegotiation is in order, and you want to have plenty of time to pursue such an action. Otherwise, you may end up with a contract that doesn't benefit your ASC.

"The idea is to alert the administrator or whoever is on the management team that we have a payer contract coming up," says Mr. Becker. "It's very critical for the management team to have something like that in place that will allow the management team to renegotiate, get out of bad contracts, do what they need to do so that the center is operating more efficiently."

6. Take advantage of patient accounting software

"I think it's really important in ASCs that you have ASC-specific patient accounting software," says Ms. Woodruff. "Practice management software isn't set up to capture all the nuances of an ASC. It is one of those sectors of healthcare where it does matter whether or not you have software that is set up to track the details you need to track. You want to be able to determine whether your reimbursement is covering your actual costs, and most practice management software systems are not that intricate."

Mr. Becker agrees: "There is new accounting software that will help separate out and even monitor the expenses more efficiently, monitor revenues more efficiently, put a budget in place, and put a business alert system in place."

Building on his previous comments on tracking and analyzing payor contracts, Mr. Boomershine recommends that you seek out ASC accounting software that lets you load your fee schedules.

"Some practice management systems do not load the allowed fee schedule for each payor, so when you get the check from the insurance company and the explanation of benefits that comes with the payment, the person doing the payment posting has no idea if that's the amount that's in the contract or not," he says. "That's obviously not a good situation."

7. Look to the experts.

If you find your business office simply isn't equipped to handle the high-level accounting running a facility can require, there's always the option of hiring an accounting firm or consultant.

"You have to know how to navigate the system, which is why a lot of people use our business," says Ms. Woodruff. "It's just complicated."

If you do go that route, look for ASC-specific experience. In addition, Mr. Becker notes that hiring an ASC management company can help put new and better practices in place to guide you out of any rut that you may be in.

Contact Angela Burger at ab324305@wcupa.edu.