

prescriptions

SUMMER 2003

Medical Alert

You're halfway through the year. Are you on track for reaching your financial goals?

A MID-YEAR REVIEW – HOW TO SPOT TROUBLING TRENDS

You're halfway through the year. Are you on track for reaching your financial goals? It's much too easy for doctors to think globally and miss the small signs that indicate trouble in their practice. Then they are surprised by a "sudden" deterioration in their practice finances.

Here are some of the tell-tale symptoms of a practice with problems:

Inconsistent Attention To Reporting

As with everything else in your medical practice, you and your physician colleagues are ultimately responsible for financial performance. That means committing to a monthly review of business data, including charges, receipts, and accounts receivable. All aspects of the practice should be reviewed on a monthly basis, from income to expense, staff issues, and training. Produce the right reports and it should take only 2 hours a month to make sure your practice is on a profitable track.

Another key is to have a good medical practice manager on board to pay attention to the business side of the medical practice. After all, you want to spend as much time with your patients as possible.

Unexplained Fluctuations

If reports show any spikes or downturns in charges, receipts, and accounts receivable that your manager cannot explain, it's time to look deeper. Claims follow-up may not be adequate, or perhaps a health plan is delinquent in paying claims. Either scenario should prompt action.



Rising Overhead

Overhead is something you should be able to control with the right systems and the right management. Any number of factors may enter

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THEY'RE BACK! FRAUD, ANTI-TRUST INVESTIGATIONS

Remember when physicians were being sanctioned for fraud and antitrust violations? Seemed no matter where you turned, doctors were claiming simple coding mistakes were prompting large fines. And it seemed as if managed care had all the leverage when it came to negotiating contracts, since doctors were so limited by antitrust regulations.

Those days faded somewhat toward the end of the Clinton administration, when resources were directed more at educating the physician community on how to avoid mistakes and greater emphasis was placed on compliance.

With the Bush administration, that trend is starting to reverse itself. There's a growing group of legislators and regulators that believe the pendulum has swung too far in the other direction. Healthcare costs are rising in a down economy, placing pressure on regulators to once again examine what they term fraud and abuse.



Regulatory Targets

The renewed federal focus is on what they term anti-competitive behavior. That can range from merged medical practices demanding certain terms from payers to doctors sharing information on managed care negotiations. Once again, this is viewed as an attempt to fix fees and, as such, is considered an antitrust violation.

In recent months there's been a surge of enforcement actions by the Federal

Trade Commission against medical practices for restraining trade and hindering competition. These cases involved transgressions associated with the so-called "messenger model," whereby a third party acts as an intermediary between physician networks and payers when negotiating fees.

Generally, these cases crossed the line by allowing the messenger to accept or reject offers without communicating first to physicians, inhibiting an individual doctor's ability to accept or reject an offer, and coordinating an organized effort to terminate existing agreements with health plans.

All such activities are prohibited in the world of antitrust. Instead, physician networks must engage in an elaborate dance whereby the messenger neither negotiates pricing terms with the payer nor shares pricing information with physicians.

The Office of Inspector General has also released an advisory opinion on joint ventures, warning physicians how these arrangements could violate anti-kickback laws. The government believes such arrangements are rapidly increasing. The advisory serves as a shot across the bow to warn physicians the feds are watching.

What Now?

Once again, medical practices must be vigilant about compliance. It's time to review your existing corporate compliance program or initiate steps required to develop such a program. In the meantime, physician organizations like the American Medical Association are lobbying Congress for regulatory reforms that would simplify the playing field. Federal guidance on these issues is too often a moving target, and that has to change.

As your healthcare consultant, we will do our best to keep you updated on current federal focus in the fraud and anti-trust arena. ●

The medical practice environment is ever-changing – practices continue to be bought and sold and merge and de-merge. Business pressures continue to build on the managed care side while the federal government continues its push through HIPAA to have as many claims as possible filed electronically.

So when it comes to taking the technology leap, the question isn't "if" for most doctors – it's "when."



Where Do You Start?

As with most things medical, your search starts with your colleagues. Ask around about what kinds of practice management systems they have and what works – and what doesn't work – for them. Next, gather information from ads in trade journals and seek out the technology areas at your specialty society conference trade shows. Contact your local Medical Group Management Association affiliate or medical society to see if they have programs on the subject.

Armed with this information, narrow down the list of features a practice management system will need to produce for your specific medical practice. Generally, your system should take care of the basics of scheduling, billing, and generating the types of reports you need for your medical practice. Beyond those basics, be sure you look for a system that offers:

Security. Staff should only have access to those parts of the system they need to use.

Electronic medical records. Check into how well the system can interface with electronic medical records. As of now,

READY? PRACTICE TECHNOLOGY

only about 5% to 10% of physicians use electronic medical records, but that percentage will rise.

HIPAA compliance. A vendor must be able to provide a written statement indicating their system has been independently certified to be HIPAA compliant and will remain so for the duration of your ownership.

How Much Should You Pay?

The answer to the question of cost depends on the size of your medical practice. The primary difference for large or small medical practices comes in the level and sophistication of financial analysis and reporting required.

Beyond that, decide what you truly need and what would be nice to have. For example, some programs automatically generate a work list for all staff involved with a patient visit. Other programs offer managed care modules to track capitation payments. Still others make connections to labs so you can order tests and receive results electronically.

For small medical offices, prices range from \$15,000 to \$25,000 for a state-of-the-art system, including all hardware, software, and training. Add to that a yearly maintenance and update fee of 15% of the software costs, and you can expect a \$35,000 cost over 5 years. A larger practice may pay \$80,000 for a system and up to \$140,000 over 5 years.

After You Buy

After making your purchase, try to ease into your new system. That means working down the accounts receivable in your old system so you can start with fresh data for the new system. Don't put bad data into your new system, and plan for consistent training from installation throughout the first 6 months of operation.

And remember this... We have experience managing medical practices through this process. Feel free to call us when you're ready to take the technology leap ●

TIME IS MARCHING ON... HIPAA UPDATE

By the time you read this, your medical practice should already have complied with privacy provisions of the Health Insurance Portability and Accountability Act of 1996. Now you must turn your attention to the next deadline – October 16, which is the deadline for complying with transaction and code sets for medical practices that filed for an extension last year.

Cumbersome And Confusing

Even for larger practices, complying with HIPAA's privacy regulations have taken an enormous amount of resources in training and changed procedures. After all, the regulation spans some 2,000 pages in the Federal Register.

At its most simple, the new provisions call for a good faith effort on the part of providers to guard the privacy of patient information. Such information cannot be supplied to a pharmaceutical company to market a new drug; at the same time, medical providers can still discuss a patient's status within the regular confines of good patient care.

Still, doctors must show a good faith effort to do the following: ensure electronic information stays confidential and is accessed only by the right people; protect the information from natural disasters or computer viruses; and make sure practice staff understand the rule and comply.

October 16 Compliance

Electronic transmissions covered in this rule include claims, coordination of benefits, remittances, and authorization

for referrals and claims status. Besides physicians, outside entities such as clearinghouses and software vendors must be ready as well.

For you to comply with the October 16 deadline, make sure your vendors complied by their deadline of April 16. As part of this compliance, such vendors and clearinghouses must have claims in a standard format that includes a baseline of required patient and practice information.

Your vendors may be delayed, however, by health plans that have been slow to upgrade their claims processes. That delay will, of course, pass along to you as well.

Ask for written answers to this issue from your vendor; if your vendor is slow in answering or confirms they will not be able to comply, it's time to look for an alternative.

Industry experts are working with the federal government to be ready for the growing pains of implementing this piece of HIPAA. Some foresee submission of noncompliant claims; smaller practices may even go back to paper claims to avoid the hassle.

The Consequences

Failing to comply means everything from fines to Medicare denying your claims. However, the federal government indicates enforcement will primarily come as a result of complaints and that they will work with practices that demonstrate compliance or submit a corrective action plan.

In any event, you should be well on your way to complying. If not, call us. We can help. ●



For more information on complying with HIPAA, check out these Web sites:

American Medical Association (www.ama-assn.org)

American College of Physicians (www.acponline.org)

Workgroup for Electronic Data Interchange (www.wedi.org)

A MID-YEAR REVIEW HOW TO SPOT TROUBLING TRENDS

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Mid-year is an excellent time to have a cursory checkup of your practice... a mid-year "state-of-the-practice" report.

into rising overhead such as bringing on new staff, rising insurance costs, or year-end purchases of equipment or supplies. However, if excessive overhead is a chronic problem, give us a call. We can provide a detailed overview of your practice's expenses.

Staff Issues

If your patients are complaining about how they are treated by staff or that they're having problems accessing services, it's time to analyze your workplace. Some staff may be in the wrong position and would do better elsewhere with additional training. Others may simply need to be terminated. Unusually high overtime, staff turnover, or absenteeism is also a red flag.

Patient No-Shows

If this is a pattern – something's wrong. The flip side of this is overbooking. Either scenario

takes effort, planning, and commitment to correct the problem.

Mid-Year Financial Checkup

Mid-year is an excellent time to have a cursory checkup of your practice... a mid-year "state-of-the-practice" report. In addition to checking for the elements noted above, generate data on admissions by hospital, number of procedures performed, or progress toward achieving goals such as treating more patients in a particular market.

Should these tell-tale signs prove to be serious, it may be time to conduct a more thorough practice assessment. In this assessment, we will review reports, and conduct on-site reviews of processes and the culture of practice. Just give us a call and we'll be happy to help. ●

CONVERT YOUR GAS GUZZLER INTO A TAX GUZZLER

Many people are unaware of a little-known rule that allows the owners of some sport utility vehicles (SUVs), vans, and trucks to take advantage of additional tax write-offs for business use of their vehicles.

Under this rule, vehicles weighing more than 6,000 pounds can be depreciated at a faster rate than other vehicles because they are not subject to the luxury auto depreciation rules.

Congress picked 6,000 pounds years ago as a simple way to distinguish among trucks and other vehicles.

Subsequent changes in demand caused many automakers to step up production of vehicles in this category.

Bottom line – between this rule, the increased Section 179 expense allowance and the new 50% first-year depreciation on new business assets, now may be a great time to purchase a new business vehicle. ●

A sampling of vehicles that fall in this category include:

- Chevrolet Suburban and Tahoe
- GMC Yukon
- Most Land Rover models
- Ford Expedition
- Humvee