


elliott davis decosimo

Keeping an Eye on Your Expenses


David Cranford, CPA
Healthcare Consulting Shareholder
March 23, 2017



© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

This material was used by Elliott Davis Decosimo during an oral presentation; it is not a complete record of the discussion. This presentation is for informational purposes and does not contain or convey specific advice. It should not be used or relied upon in regard to any particular situation or circumstances without first consulting the appropriate advisor. No part of the presentation may be circulated, quoted, or reproduced for distribution without prior written approval from Elliott Davis Decosimo.



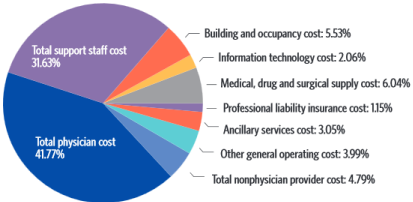
© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Keeping an Eye on Your Expenses

Percentage of Total Cost per FTE Physician by Category

Multispecialty, Physician-Owned Practices



Category	Percentage
Total physician cost	41.77%
Total support staff cost	31.63%
Building and occupancy cost	5.53%
Information technology cost	2.06%
Medical, drug and surgical supply cost	6.04%
Professional liability insurance cost	1.15%
Ancillary services cost	3.05%
Other general operating cost	3.99%
Total nonphysician provider cost	4.79%

Source: Executive Summary Report: MGMA 2015 Cost and Revenue Report – Based on 2014 survey data

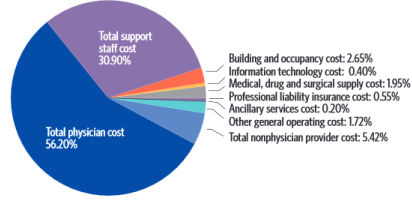
© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Keeping an Eye on Your Expenses

Percentage of Total Cost per FTE Physician by Category

Multispecialty, Hospital/IDS-Owned Practices



Category	Percentage
Total physician cost	56.20%
Total support staff cost	30.90%
Building and occupancy cost	2.65%
Information technology cost	0.40%
Medical, drug and surgical supply cost	1.95%
Professional liability insurance cost	0.55%
Ancillary services cost	0.20%
Other general operating cost	1.72%
Total nonphysician provider cost	5.42%

Source: Executive Summary Report: MGMA 2015 Cost and Revenue Report – Based on 2014 survey data

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Significant Expenses

- Staffing costs – salaries
 - Personnel needs assessment
 - Analyze work flow within the practice
 - Are all providers productive?
 - Flexing staff
 - Market rate
 - Utilization of part-time employees

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Significant Expenses

- Staffing costs - benefits
 - Health insurance
 - Overtime and sick leave

DO I GET PAID OVERTIME TO FIGURE OUT WHO QUALIFIES FOR OVERTIME?

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Significant Expenses

- IT & EMR
 - Keep practice computers for practice use only
 - Contracted support at a flat fee
- Supplies
 - Vendors
 - Group purchasing opportunities
 - Inventory

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis decosimo

Significant Expenses

- Rent
 - Fair market value
 - Read your lease
 - Too much space?
 - The BIG question...
- Why we are reading leases....

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis
decosimo

Other Expenses

- Postage and telephone costs
- Outside services
- Advertising
- Refunds to patients
- Petty cash and bank charges

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis
decosimo

Other Expenses

- What costs are you not spending that you should be?
 - New equipment
 - Additional staffing
 - Workflow
 - Billing and collections
 - Collections at discharge
 - Compliance and HIPAA

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis
decosimo

Tracking Expenses

- Basic financial statements
 - Expense break out
 - MGMA benchmarks
 - Supplementary reports
 - Profit and loss by:
 - Location
 - Profit center
 - Service line
 - Ancillary service
 - Monthly and annual

	Current Month	Year to Date
Staff expenses		
Salaries - Medical Assts	32,000 8%	384,000 8%
Salaries - Nurses	12,000 3%	144,000 3%
Salaries - Receptionists	28,000 7%	336,000 7%
Salaries - Business office	30,000 8%	360,000 8%
Health insurance	8,600 2%	103,200 2%
Retirement plan	10,000 3%	120,000 3%
Payroll taxes	4,000 1%	48,000 1%
Total Staff expenses	128,600 34%	1,219,200 25%
General & Administrative		
Advertising	3,000 1%	36,000 1%
Bank charges	400 0%	3,600 0%
Depreciation	1,500 0%	18,000 0%
Rent	32,000 8%	384,000 8%
Supplies	12,000 3%	160,000 3%
Total General and Administrative	48,900 13%	601,600 13%
Total Overhead	177,500 47%	1,820,800 39%

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

elliott davis
decosimo

Tracking Expenses

- Dashboard reports
 - Single page
 - Summarized financial data
 - Key performance indicators

Accounts Receivable Aging

Revenue per Unit

Collection Ratios

wRUV's by Provider

Cash Balance

Patient Encounters

Days in Accounts Receivable

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

MGMA Benchmarking

elliott davis decosimo

Expenses as a % of Total Medical Revenue for Primary Care, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total provider cost	159	30.50%	38.94%	53.84%	85.27%	422.79%
Total physician cost	283	25.98%	34.17%	48.37%	82.82%	336.95%
Total nonphysician provider cost	165	2.32%	3.50%	8.50%	17.98%	68.60%
Total support staff	265	15.05%	22.02%	30.83%	46.47%	215.75%
Total business operations support staff	105	1.28%	1.62%	2.52%	4.38%	8.38%
Total front office support staff	191	3.50%	5.47%	8.21%	28.16%	159.14%
Total clinical support staff	154	5.36%	7.15%	9.69%	14.09%	22.50%
Total ancillary support staff	73	1.00%	1.34%	2.17%	3.84%	8.92%
Total general operating cost	275	22.81%	28.36%	35.19%	53.50%	91.74%
Total operating cost	280	44.10%	55.51%	67.32%	98.25%	246.58%
Parent organization contribution to total general operating cost	21	11.04%	11.58%	12.17%	53.94%	68.00%
Total cost	287	86.05%	98.21%	118.98%	178.73%	702.54%

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

MGMA Benchmarking

elliott davis decosimo

Expenses as a % of Total Medical Revenue for Orthopedic Surgery, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total provider cost	18	34.56%	40.54%	53.29%	75.22%	213.90%
Total physician cost	18	30.40%	33.47%	41.65%	63.39%	112.14%
Total nonphysician provider cost	19	3.88%	6.41%	8.39%	12.85%	24.36%
Total support staff	19	14.20%	14.81%	22.45%	31.05%	73.17%
Total business operations support staff	11	1.12%	1.52%	2.73%	6.27%	7.90%
Total front office support staff	17	2.82%	4.11%	6.17%	7.84%	25.50%
Total clinical support staff	18	1.75%	2.25%	3.94%	6.24%	10.84%
Total ancillary support staff	12	1.45%	2.26%	2.80%	4.03%	6.95%
Total general operating cost	18	15.39%	18.40%	25.95%	45.38%	72.43%
Total operating cost	19	32.87%	37.54%	52.74%	71.11%	197.19%
Parent organization contribution to total general operating cost	2	*	*	*	*	*
Total cost	20	74.79%	84.90%	100.09%	135.69%	364.94%

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC

MGMA Benchmarking

elliott davis decosimo

Expenses as a % of Total Medical Revenue for OB/GYN, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total provider cost	23	34.90%	38.94%	56.49%	96.68%	132.54%
Total physician cost	40	29.87%	34.85%	57.05%	78.56%	135.59%
Total nonphysician provider cost	23	1.96%	3.91%	8.65%	12.20%	27.72%
Total support staff	39	15.98%	18.69%	29.23%	39.51%	84.99%
Total business operations support staff	18	.87%	1.19%	1.90%	4.48%	6.91%
Total front office support staff	34	3.85%	5.17%	6.43%	28.30%	47.17%
Total clinical support staff	27	3.79%	5.85%	7.28%	11.93%	17.60%
Total ancillary support staff	16	.49%	1.43%	1.88%	2.75%	3.86%
Total general operating cost	38	26.95%	30.15%	47.15%	84.41%	137.36%
Total operating cost	39	45.14%	53.06%	76.56%	121.46%	199.99%
Parent organization contribution to total general operating cost	3	*	*	*	*	*
Total cost	40	84.40%	95.31%	132.49%	194.19%	348.26%

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC


MGMA Benchmarking

elliott davis decosimo

Staffing per 10,000 Encounters for Primary Care, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total providers	15	1.83	3.34	3.83	4.65	10.29
Total support staff	17	6.59	9.18	10.25	12.80	60.81
Total business operations support staff	17	1.05	1.21	1.90	2.31	12.14
Total front office support staff	17	2.78	2.89	3.36	5.15	15.65
Total clinical support staff	17	2.48	3.56	4.39	5.83	27.22
Total ancillary support staff	6	*	*	*	*	*

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC




MGMA Benchmarking

Staffing per FTE Physician for Orthopedic Surgery, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total providers	18	1.26	1.49	1.70	1.92	2.85
Total support staff	18	2.65	3.41	4.31	6.73	10.66
Total business operations support staff	11	.16	.50	.85	1.95	2.53
Total front office support staff	18	.99	1.41	1.75	2.79	4.59
Total clinical support staff	17	.33	.62	1.20	1.57	2.45
Total ancillary support staff	14	.56	.67	.78	1.27	2.19
Physical and occupational therapy (combined)	2	-	-	-	-	-

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC




MGMA Benchmarking

Staffing per FTE Physician for OB/GYN, for Eastern Section

Benchmark	Group Count	All Practice Types				
		10th %tile	25th %tile	Median	75th %tile	90th %tile
Total providers	24	1.09	1.19	1.41	1.85	2.11
Total support staff	37	2.43	3.06	3.72	4.55	5.57
Total business operations support staff	20	.08	.15	.22	.78	1.08
Total front office support staff	37	.90	1.20	1.96	3.78	4.29
Total clinical support staff	27	.51	.90	1.55	2.12	2.83
Total ancillary support staff	17	.13	.18	.26	.37	.51
Total radiology/imaging	2	-	-	-	-	-


© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC



Expense Restructuring Methodology

- Month 1: Analyze accounts receivable for underpayments.
- Month 2: Analyze accounts receivable for bad debts and denials.
- Month 2: Review staffing needs and adjust staff size if necessary. Evaluate outsourcing administrative services. Assess and systematize staff compensation.
- Month 3: Look for savings in health insurance.
- Month 4: Review your retirement plan for potential savings.
- Month 5: Develop or refine your sick leave, vacation and overtime policy.
- Month 6: Review your office lease and other lease agreements.

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC



Expense Restructuring Methodology

- Month 7: Evaluate effectiveness of office/surgical scheduling and impact of no show appointments.
- Month 8: Scrutinize the cost-effectiveness of outside services.
- Month 9: Optimize the ordering and handling of supplies. Look for ways to economize on postage and telephone costs.
- Month 10: Review your practice advertising for waste and ineffectiveness.
- Month 11: Track down and eliminate causes of refunds to patients.
- Month 12: Analyze workflow (employee task/office layout).

© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC



David Cranford

Email: David.Cranford@elliottdavis.com

Website: www.elliottdavis.com

Elliott Davis Decosimo ranks among the top 30 CPA firms in the U.S. With sixteen offices across seven states, the firm provides clients across a wide range of industries with smart, customized solutions. Elliott Davis Decosimo is an independent firm associated with Moore Stephens International Limited, one of the world's largest CPA firm associations with resources in every major market around the globe. For more information, please visit elliottdavis.com.



© Elliott Davis Decosimo, LLC © Elliott Davis Decosimo, PLLC