

# Neurology Practice Management

## Inside This Issue . . .

- ◆ **Examine the costs, benefits before adding sleep lab to your practice.** Sleep disturbances are common among neurology patients, and sleep studies represent a fast-growing diagnostic segment. The synergism would seem to make sleep centers a natural fit for neurology practices. However, few neurologists have received formal training in sleep medicine, and competition to attract patients for sleep studies is intense . p. 61
- ◆ **Use these tactics to uncover, eliminate silent PPOs.** Physician practices continue to be victimized by silent PPOs, despite a flurry of lawsuits in recent years and legislation in more than a dozen states governing these arrangements ..... p. 61
- ◆ **Benchmark against industry leaders to improve your performance, processes.** If you're not benchmarking in your neurology practice, you should start. Even if you do track and measure key metrics, it's wise to examine from time to time whether you're gathering and interpreting the appropriate data to ensure continuous process and performance improvement ..... p. 62
- ◆ **Sleep apnea linked to increased stroke risk.** An association between obstructive sleep apnea (OSA) and stroke may provide neurologists with an additional incentive to identify and treat OSA in their patient populations ..... p. 66
- ◆ **Turn year-end cash management into a year-round process.** Cash management in your neurology practice should be a 12-month process, using strategies to manage cash flow while legally minimizing tax burdens. By budgeting carefully and monitoring revenue and expenses throughout the year, your practice can maximize distributions to owners and other stakeholders and ensure sufficient cash flow for operations while fulfilling your minimum tax obligations, sources tell NPM ..... p. 71

## Examine the costs, benefits before adding sleep lab to your practice

Sleep disturbances are common among neurology patients, and sleep studies represent a fast-growing diagnostic segment. The synergism would seem to make sleep centers a natural fit for neurology practices. However, few neurologists have received formal training in sleep medicine, and competition to attract patients for sleep studies is intense – not only from pulmonology, otolaryngology, and psychiatry groups but, increasingly, from for-profit independent diagnostic treatment facilities (IDTF).

“A sleep lab is a high fixed-cost operation that’s dependent upon attracting sufficient patient volumes to break even initially and eventually produce a profit,” says **Jeffrey O. Dann**, CPA, FACMPE, president of Sleep Insights Management Services, which operates Rochester, NY-based Sleep Insights, a

*continued on page 64*

## Use these tactics to uncover, eliminate silent PPOs

Physician practices continue to be victimized by silent PPOs, despite a flurry of lawsuits in recent years and legislation in nearly half the states governing these arrangements. “With the number of states that have developed model legislation, I thought this would be a dead issue, but it’s not,” says **Robin Fisk**, principal of the Fisk Law Office in Ashland, NH. Fisk cites lax oversight and contractual loopholes as common culprits that allow silent PPOs to infiltrate a practice. “Many other matters are competing for the time and attention of practice managers and physicians, so these arrangements are still sliding the discounts past them,” she notes.

Silent PPOs are devious. For out-of-network patients, neurology practices typically charge the co-pay indicated on the insurance card and expect to receive a portion of their usual fee from the health plan, with the right to balance-bill the patient. Practices can receive quite a jolt when the explanation of benefits (EOB) indicates they’ll be paid the same discounted rate they’ve negotiated with a local PPO.

*continued on page 67*

# Turn year-end cash management into a year-round process

Cash management in your neurology practice should be a 12-month process, using strategies to manage cash flow while legally minimizing tax burdens. By budgeting carefully and monitoring revenue and expenses throughout the year, your practice can maximize distributions to owners and other stakeholders and ensure sufficient cash flow for operations while fulfilling your minimum tax obligations, sources tell *NPM*.

"You don't have to live to your budget, but you should have some perspective on your major line items," says **Mandi M. Clossey**, CPA, manager on the Health Care Team at Somerset CPAs, PC, in Indianapolis. Budgeting gives your practice greater financial freedom by preparing you to accrue for large annual expenses, such as malpractice insurance and pension contributions, and allowing you to reduce finance charges and improve cash flow.

Here are some proven strategies to manage cash on a year-round basis:

- **Develop a budget based on prior year results.** Use last year's collections and expenses as a starting point for current year projections, factoring in changes that may have a noticeable effect on your revenues, advises **Paul Weinblatt**, CPA, MHA, CVA, president of Weinblatt & Associates, PA, in Towson, MD. If a senior neurologist plans to slow down or retire in the coming year, the impact on your group will be significantly different than if a younger physician is ramping up his or her productivity. Also consider your leverage to negotiate higher commercial reimbursement and the changes you expect to incur on the expense side of the ledger -- increases in your fixed costs or acquisition of a major piece of equipment, for instance. Your budget also provides you with ammunition if your physicians suggest superfluous purchases that the practice doesn't need or can't afford.

- **Revisit the budget monthly.** Compare the budget to actual at least quarterly, examining line items year over year and budget to actual. Run a report examining budget versus actual revenues and expenses. Make sure your projections are on track and account for unexpected activities. If you see variations in one or more categories, drill down to the details. Maybe your practice received an unexpected payment, paid an extra bill, or added or

dropped an anticipated project. "There are a variety of reasons that your actual budget can vary from your estimate, but you have to look for those, because this year's expenses serve as the basis for your budget going forward," Weinblatt says.

- **Watch your budget trends.** When you review income and expense against your budget, don't just look at one month or one year, Clossey suggests. Examine collections and expenses year-to-date and during a rolling 12-month period. "If you just look at this month and you don't look back at the previous month's activity, you can develop tunnel vision about your practice," she warns. Tracking trends also can help you to spot whether you're submitting clean claims -- a huge cash management issue. "If you're submitting clean claims, you'll have fewer denials that have to be answered and resubmitted, which slows down your payments and creates huge administrative burdens," Clossey says.

- **Develop cash flow projections.** At a minimum, examine your practice's cash statement online at least once a day. However, this snapshot won't give you a complete picture of your cash flow. Generating a simple cash flow statement is an even better tool to help you track your cash. "Your cash position might look great at the beginning of the month, but a cash flow statement will remind you that you still haven't paid certain expenses," Clossey says. "By dumping your revenues and expenses into an Excel spreadsheet, you can look at bills that will hit at the end of the month and book those expenses early in the month so you don't short yourself."

- **Adjust for variations in payroll periods.** Neurology practices that pay employees biweekly -- as many do -- have an extra pay period two months a year. Every seventh year, these practices have 27 pay periods, instead of 26. Plan appropriately.

- **Expect quarterly revenue variations.** During the first quarter, most patients haven't met their deductibles, so you'll have to file with secondary insurers, adding three to four weeks to your collections cycle. Even then, you may need to collect from patients. Neurology practices on a cash accounting system can mitigate these potential cash flow problems. Since you need to clear out the cash by the end of the year, you don't want to receive a large check at the end of December. If you delay your Medicare billings for December until the end of the month, you'll provide starting capital in January and offset some of the deductibles. Medicare usually pays clean claims in 14 to 20 days, and the claims

*continued on page 72*

are easy to identify.

- **Time the payment of certain bills.** Most malpractice insurers allow you to pay annually, quarterly, or monthly over nine months -- usually without an additional charge -- or to finance your payments over 12 months. If you stretch malpractice payments over nine months, you'll have three months "free."

- **Accrue cash over 12 months for large annual outlays.** Malpractice insurance and pension or profit-sharing contributions represent a major outlay for many neurology practices. Often, practices fail to set aside cash for these expenses throughout the year, forcing them to borrow money and pay interest on that amount over the next 12 months, Clossey points out. To avoid that trap, take a proactive approach. Unless you've had a dramatic change in the number of employees, use current-year costs as the basis to project malpractice and pension or profit-sharing expenses for the next 12 months. Divide the amount by 12, and set that money aside each month in a separate savings account, which will also generate a little interest. Each month, expense the liability on your books. You might not hit your target to the penny, but you'll probably have sufficient cash set aside to stay within \$10,000 to \$20,000 of the total instead of looking at a six-figure shortfall. This approach also can be used for practices that file quarterly taxes.

*Editor's note: Contact Clossey at 317-472-2282 or [mclossey@somersetcpas.com](mailto:mclossey@somersetcpas.com) and Weinblatt at 410-494-9430 or [paul@weinblattassociates.com](mailto:paul@weinblattassociates.com).*

### Coming in future issues...

Make patient safety a priority in your practice • Weigh the costs, benefits of adding a neurohospitalist to your practice • Should your practice participate in a telestroke program? • Use these productivity, pay benchmarks for neurology PAs • Benchmark physician's salaries against their peers • Develop and implement a governance model that grows with your practice

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