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Vol. 6, No. 1

BUSINESS MATTERS

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PRIVATE EQUITY



IS IT RIGHT FOR ME?

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WET AMD EYE

ANTI-VEGF

Therapy yields better long-term VA results when wet AMD detected with good VA[1]

FELLOW EYE

20/79 VA

Mean VA of fellow eyes at wet AMD diagnosis according to real-world data[1]

Over 60% of wet AMD "fellow eyes" lose too much vision[1]– even with frequent treatment visits

Detect Early. Treat Early.

ForeseeHome is a **remote monitoring** program for at-risk wet AMD fellow eyes that helps **detect conversion** at 20/40 or better in 83% of patients.[2]

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Introduce your patients to ForeseeHome during an injection visit and offer them an extra level of protection.

Our Monitoring Center works with your staff to easily implement an "inject and protect" protocol into your practice workflow that requires minimal effort or additional time.

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References: 1. Ho AC, Kleinman DM, Lum FC, et al. Baseline Visual Acuity at Wet AMD Diagnosis Predicts Long-Term Vision Outcomes: An Analysis of the IRIS Registry. *Ophthalmic Surg Lasers Imaging Retina*. 2020;51:633-639. **2.** Real-World Performance of a Self-Operated Home Monitoring System for Early Detection of Neovascular AMD (ForeseeHome device), presented by Allen Ho, American Society of Retina Specialist Meeting 2020.

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RIDING THE PRIVATE EQUITY WAVE



With the aging population and our growing armamentarium of therapies, it's no wonder that our retina clinics are busier than ever—and health care services such as ours are in the crosshairs of savvy investors.

Our job as retina specialists will always be to take care of our patients and help them maintain their vision. It just so happens that this endeavor, when done properly, can be quite lucrative for private equity (PE). Investing in health care services accounts for 10% of all buyout and growth deals in the United States, and PE still has an estimated $62 billion to spend.[1]

In our small corner of retina, that translates to a slew of acquisitions. For example, Retina Consultants of America added close to 10 practices to its group in 2022 and now operates in 20 states across America.[2]

The key is "when done properly." When PE first hit the health care scene, it wasn't particularly pretty. Some physicians found themselves in unfavorable situations, both financially and in terms of patient care constraints. It left a bad taste in our mouths, and it has been a slow recovery. The good news is that we learned a lot from those early experiences; today's PE setup is smarter and, with the right structure, most practices are thriving with PE.

This issue's featured article tackles the pros and cons of selling to PE—and not just from the physician owner's perspective. Yes, it can be an excellent exit strategy for owners, but it could also be a beneficial move for everyone within the practice. According to Dena Jalbert, MBA, CPA, having the right team behind you is what makes or breaks a PE deal.

If you already made your PE move, aren't interested, or already know the ins and outs of PE, we also have several other articles to help improve your practice's financial health. Debra Phairas, MBA, shares tips to help you reduce overhead; Joy Woodke, COE, OCS, OCSR, provides an update on coding changes for 2023; and Jason O'Dell, MS, CWM, and Andrew Taylor, CFP, tackle tough questions you need to ask yourself when evaluating your financial advisors.

Whether we like it or not, the way we practice is changing. Patient care will always be first, but a practice's financial stability is now more important than ever before, and that's true whether you are part of a PE-backed group or not. ■

ALAN RUBY, MD
SECTION EDITOR

1. Q3 2022 Healthcare Services Report. Pitchbook. November 14, 2022. Accessed January 16, 2023. pitchbook.com/news/reports/q3-2022-healthcare-services-report
2. News & Press. Retina Consultants of America. Accessed February 17, 2023. retinaconsultantsofamerica.com/categories/news-press

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CODING ADVISOR
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E/M CODING FOR 2023: WHAT YOU NEED TO KNOW



More updates to the 2021 changes will affect the billing process for other places of service.

BY JOY WOODKE, COE, OCS, OCSR

The changes you mastered in 2021—the evaluation and management (E/M) documentation guidelines for office-based and other outpatient services—now affect other places of service, including hospital inpatient and consultations.

THE BOTTOM LINE

For the following places of service, these E/M code families now require documentation of a medically appropriate history and examination, and the level of E/M code is determined by the medical decision making (MDM) or total physician time on the date of the encounter:

- Hospital inpatient and observation care services,
- Consultations,
- Emergency department services,*
- Nursing facility services, and
- Home or residence services.

For example, prior to January 1, 2023, the current procedural terminology (CPT) code 99222 required a comprehensive history and examination and moderate complexity of MDM. Now, this code is defined as the following (emphasis added):

- 99222: Initial hospital inpatient or observation care, per day for the evaluation and management of a patient, which requires a **medically appropriate history and/or examination** and **moderate** level of MDM. When using total time on the date of the encounter for code selection, **55 minutes** must be met or exceeded.

*Exception: time is not a descriptive component of emergency department services; the code selection is based on MDM only.

REVISED CODE

CPT code 99281 was revised for an emergency department visit that may not require the presence of a physician. This is comparable to CPT code 99211, level 1 established patient office visit, and it would rarely, if ever, be used in ophthalmology.

INPATIENT HOSPITAL VISITS

The inpatient hospital codes have two categories: initial (CPT codes 99221–99223) and subsequent (CPT codes 99231–99233). Report these codes instead of inpatient consultations, CPT codes 99251–99255, for Medicare Part B patients and to payers that no longer accept consultation codes. Because multiple providers may report inpatient hospital visits on the same day, the admitting physician would append modifier -AI, principal physician of record.

OFFICE CONSULTATIONS

Office consultations are also not covered by Medicare Part B. For the few payers that still cover these codes, note the following changes:

(Continued on page 12)



WHAT IS PE AND IS IT RIGHT FOR ME?



Several factors are at play when considering selling to private equity, and with the right team, it could be the best path for you.

BY DENA JALBERT, MBA, CPA

The one constant in health care is that the industry is always changing. Physicians must navigate the rapidly shifting health insurance industry and reimbursement models, ongoing government regulation, and increasing staffing concerns, not to mention clinical challenges such as complex cases and novel therapeutics.

Physicians want to get back to doing what they do best: making a profound difference in the health of their patients. It's hard to focus on this when various business demands and financial concerns are weighing them down. This is where mergers and acquisitions (M&A) may be able to help, as it can provide a financially feasible business model that helps physicians and their practices.

Health care services is the largest business sector within private health care investing, accounting for roughly 10% of buyout and growth deals overall in the United States in 2022.[1] This sector includes traditional health care providers who offer medical treatment in hospitals, clinics, residential facilities, and homes.

The largest buyers of services are private equity (PE) investors who seek to consolidate practices and achieve economies of scale. This is known as a *buy-and-build* strategy, and it is one of PE's oldest investment strategies. The health care sector attracts PE investment due to the favorable market and demographic trends, resistance to recession, and high fragmentation. According to one industry report, US PE firms currently have $62.0 billion in capital available to deploy in health care services, which translates to roughly $150 billion in cumulative company enterprise value.[1] Thus, there are immense opportunities for physicians to achieve maximum liquidity for their practices, all while allowing them to focus on patient care as clinicians.

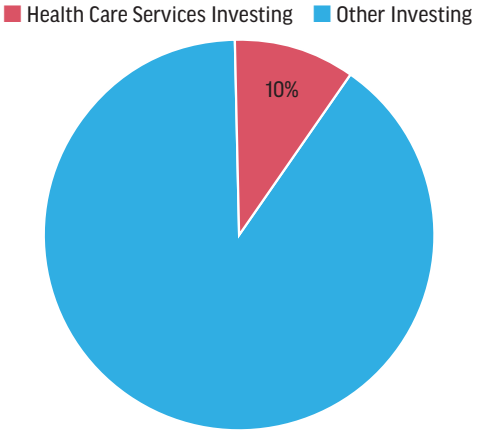
INCREASING MARKET DEMAND

The aging population has been a significant driver of health care spending in the United States. Not only is a

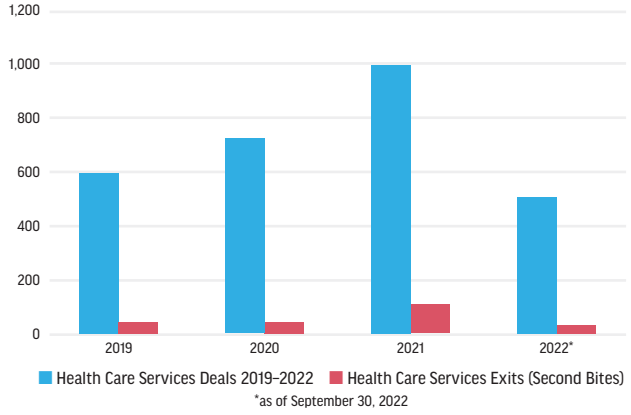
AT A GLANCE

- Much of private equity (PE) health care services investing represents an effort to capitalize on demographic trends by consolidating specialties that provide advanced care to older adults.
- Because the PE model centralizes the business function, selling to PE may improve the quality of life for the physician selling the practice.
- Before selling to PE, ensure that you have a strong bookkeeper, office manager, controller, or chief financial officer who can handle the financial support and rigor of the due diligence process.
- When a PE company exits in the future, the physicians' retained equity is liquidated and provides a second liquidity event, known in the industry as the *second bite*.

Private Equity Buyout and Growth in the United States: 2022[1]



Health Care Services Deals 2019–2022[1]



growing proportion of people in the United States over the age of 60, but as life expectancy increases, more people are living well past 80 years of age. This is when medical care often becomes the most expensive. In addition, more sophisticated and specialized care may lead to increased health care costs.

Much of PE health care services investing represents an effort to capitalize on demographic trends by consolidating specialties that provide advanced care to older adults—and, under value-based models, using preventative care to improve outcomes for the sickest individuals. Rising labor costs and inflationary pressures have put stress on practices' profit margins, and PE investors are primed to help companies negotiate better payor rates, centralize administration, and achieve buying power through economies of scale.

CONSOLIDATING PRACTICE MANAGEMENT AND VISION CARE

Physician practice management (PPM) deals are at the heart of PE health care investment strategies. The term *PPM* refers to a structure employed by PE once a company is acquired, in which a centralized business office or management services organization supports the administrative and business functions of a physician-owned practice. This structure allows practitioners to go back to being clinicians, relegating the business of the practice to executive leaders to scale and optimize. PPM is short for a single-specialty PE-backed consolidator that is physician-owned and operated. Many platforms exist in specialties such as dermatology, ophthalmology, and dentistry.

Because the PE model centralizes the business function, acquisition also comes with the chance for an improved quality of life for the physician selling the practice. Gone are the days of worrying about insurance, bookkeeping, personnel, negotiating payor contracts, and compliance, to name only a few. Physicians can focus on patient care and the clinic, all while monetizing the business they have built to date. It also may improve the day-to-day for other clinical staff, as PE often brings additional tools and resources that smaller private practices cannot provide, such as more (or better) equipment, improved technology tools, and recruiting and marketing resources. PE essentially brings a "bag of money" to help improve and grow a practice, giving the staff an opportunity to do the things they have always wanted to do but could not.

Vision care has been a longstanding area of investment for PE. Typical PE-backed vision groups incorporate both ophthalmology and optometry, but some groups focus exclusively on retina care, such as Retina Consultants of America and US Retina. The vision PE deal count has been growing rapidly over the past 5 years, from approximately 40 transactions in 2017 to 120 in 2022.[1]

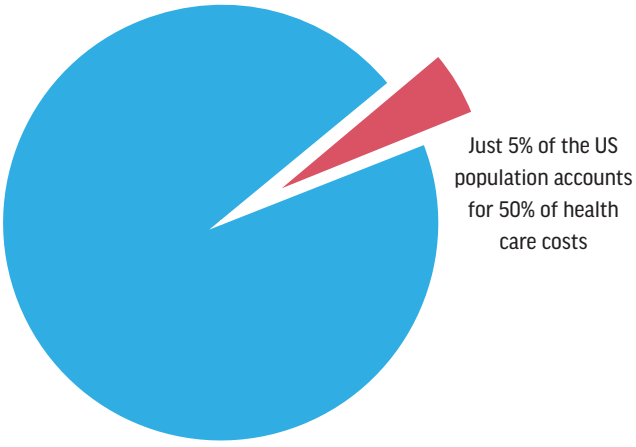
WHAT IT MEANS FOR ME AND MY PRACTICE

Many Baby-Boomer and Generation-X physicians started their own practices after medical school, driving the hyper-fragmentation seen today. PPM exits are an attractive retirement strategy for these physicians because it allows them to liquidate the wealth that they built up in their practice but also monetize the growth of the buying platform. In contrast, new research suggests that younger physicians graduating today are often seeking a more traditional employment model, which allows these platforms to manage the succession of older physicians who are nearing retirement.[2]

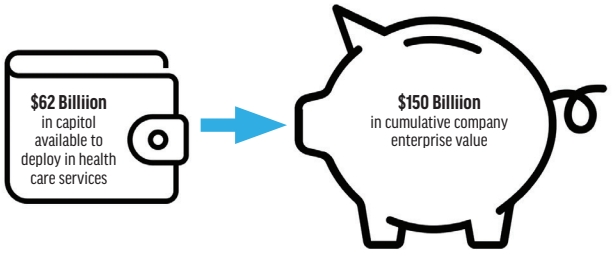
Competition for good assets is still fierce, and valuations remain strong for high-performing practices. While valuations have come down from the highs of 2020 and 2021, they remain at pre-pandemic levels, which were the highest ever on record.[1]

With volatile public markets and constrained (and expensive) traditional debt, PE exits in health care services are down. This means they will continue to grow their portfolio via add-on acquisitions, and there is plenty of demand for companies to acquire.

US Population and Health Care Costs[1]



Estimated US PE Spending Power[1]



THE SECOND BITE

Many business owners think of an acquisition as a singular transaction, traditionally at the time of retirement. While that is one possible outcome, the structure most employed by PE allows for multiple liquidity events. Physician owners can: 1) be paid for the acquisition of the business, 2) receive a market-rate salary and benefits over the next 3 to 5 years, and 3) retain equity in the PE platform company. When that PE platform company (which that practice is now a part of) exits in the future, that retained equity is liquidated and provides a second liquidity event, known in the industry as *the second bite*. This is often quite lucrative, and the proceeds of that transaction could possibly exceed what was received in the initial transaction. PE loves this model, as it incentivizes physician owners to help grow the greater portfolio company and reap the reward of that growth in a subsequent transaction.

It is important to note that these equity opportunities are not reserved for practice owners. Key physician employees, nurses, practice administration, and office management also can benefit from a second bite. This is because PE acquirers almost always create a pool of equity to be granted to key employees to incentivize them to help with future growth. PE investors understand their future investment success relies on the performance of all employees—not just physician owners. There's no better way to encourage top performance than by making employees owners alongside the physician owners and PE. If equity is not an option, often PE owners implement robust bonus and profit-sharing plans to provide cash incentives tied to growth.

Additionally, PE platforms provide greater job security and future professional growth opportunities, as the larger consolidated company has more stable cash flows than a private practice and more opportunities for advancement into leadership or other roles. This economy of scale also results in improved employee benefits, such as better health care coverage, retirement savings opportunities, and other fringe benefit programs.

THE POTENTIAL DOWNSIDES

There are plenty of upside opportunities available when partnering with PE. However, change is never easy, and there are some aspects of the process that practice owners and their teams should consider:

Track record. Does the PE partner have proven successes of growing and transacting a buy-and-build strategy? With the growing number of private investors, some are more experienced than others. Because one of the key benefits of a PE transaction is the second bite, practice owners should perform their due diligence and feel confident that the PE group can deliver the expected outcome.

Integration. It sounds simple to buy 20+ practices to create a larger entity, but truly integrating all those practices into one efficient enterprise is not an easy feat. It is important to understand the PE's plan for integration; otherwise, your employees will bear the brunt of the inefficiency and dysfunction of poor integration. Disparate systems, inconsistent processes, and varying company cultures increase costs and constrain growth, which is the exact opposite of the investment's intended outcome. It is ideal to include some of your key leaders in the due diligence process so that you can all assess and strategize how the companies will integrate.

Debt. PE uses a combination of their own capital and debt to acquire practices. If too much debt is placed on the business, it will not be able to grow because too much of the businesses' cash flow will go to servicing the debt, rather than being reinvested in growth. In times of rising interest rates, the debt becomes even more expensive, further constraining growth. Physician owners must understand how much debt will be used as a percentage of overall profits and ensure it is a conservative amount.

Autonomy. Many physicians and clinical staff choose to work in private practices because they do not want to work in large, bureaucratic health care companies or systems. As PE-backed health care services companies grow, standardized

processes and profit preservation are necessary to fuel financial growth for an exit. This could be viewed as a negative by practice staff, as they have enjoyed their autonomy and flexibility over the years. It is important for PE to ensure that any changes made improve both patient care and the daily work life of clinical staff. Physicians or other practice staff joining a PE-backed health care platform should vet this in their interview process when changing jobs, especially if coming from another private practice. Prospective employees can easily research practice ownership online, as PE publicly discloses its ownership in its portfolio companies.

The buy-and-build process is not an easy one, which is why it is lucrative—the reward for the risk is the incentive for PE, physician owners, and practice staff to execute this strategy. If the above considerations are vetted thoroughly, there is a much higher chance of success.

TAKE ADVANTAGE OF OPPORTUNITIES

While a transaction many not be front of mind for many physicians today, the market conditions are ripe with opportunity. It would be advantageous to see what the market could bear for your practice. That said, it takes dedication and preparation to ensure the best outcome.

First, find your team. It takes many people to help successfully transition a business: an M&A advisor, certified public accountant, M&A attorney, and wealth manager are just a few experts needed to help ensure you have thought through all your needs and wants in a potential acquisition. They will help you understand your business' value, find the right partner, know what your personal profit needs are, maximize tax opportunities, and invest the large sum of proceeds post-sale. All these service providers work together to get you the most successful outcome possible. It isn't something that can be done on your own.

Second, get your internal finance team together and ensure your records are accurate and transparent. You must have a strong bookkeeper, office manager, controller, or chief financial officer who can handle the financial support and rigor of the due diligence process. If you don't have that person now, hire one as soon as possible. While certainly an expense, it pays dividends in a transaction. Almost all transactions are re-traded because of poor financial recordkeeping. So, get your books in order now to save yourself a significant amount of time and money in the future.

Third, mentally prepare for the transition ahead. It can be a very emotional process, and one of the biggest financial decisions of your lifetime. Your team will be there to help you navigate the complexity, so focus on the opportunity and the new, exciting chapter. Be committed to the process and see it through, and you will reap the rewards of that emotional investment.



- Demetrios Vavvas, MD, PhD, the Solman and Libe Friedman professor of ophthalmology and director of the Retina Service at Harvard Medical School in Boston received the 2022 Kreissig Award for excellence in retinal surgery from the Association for Research in Vision and Ophthalmology (ARVO) Foundation.
- Miguel Flores-Bellver, PhD, a research instructor in the Department of Ophthalmology at the University of Colorado and a principal investigator at the CellSight-Ocular Stem Cell and Regeneration Program, received ARVO's 2023 Bert M. Glaser, MD Award for innovative research in retina.
- Caroline Baumal, MD, joined Apellis as its chief medical officer.
- Jay S. Duker, MD, chief operating officer (COO) at EyePoint Pharmaceuticals, was promoted to President and COO.
- Thomas A. Ciulla, MD, MBA, is stepping down as Clearside Biomedical's chief medical officer and chief development officer and is transitioning to the role of chief medical advisor-retina.

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KEY TAKEAWAYS

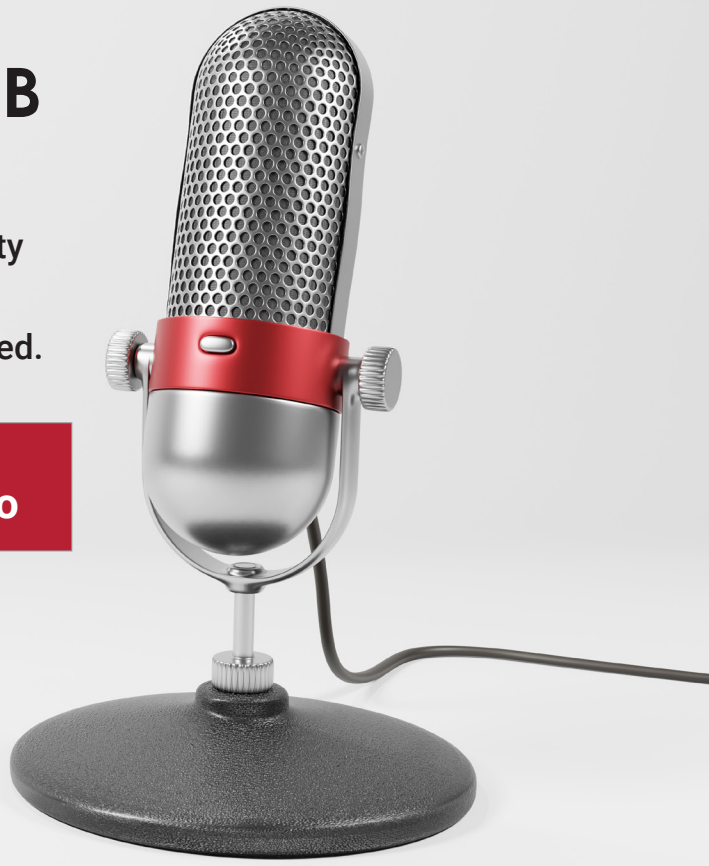
Whether you are ready for retirement or are interested in getting back to patient care rather than worrying about running a business, M&A may be especially beneficial for you. The key is to have the right team in place to help you navigate the process. ■

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2. Physicians Advocacy Institute. COVID-19's impact on acquisitions of physician practices and physician employment 2019-2021. Avalere Health. April 2022. Accessed January 26, 2023. bit.ly/3HewS2u

DENA JALBERT, MBA, CPA
- Founder and CEO, Align Business Advisory Services
- Financial disclosure: Employee (Align Business Advisory Services, a sellside advisor exclusively representing physicians and physician practices in PE transactions)

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PRACTICE MANAGEMENT

REDUCE OVERHEAD EXPENSES IN YOUR PRACTICE



Follow these 10 expert tips to improve your bottom line.

BY DEBRA PHAIRAS, MBA

There are only three ways to improve your net income: raise the fees for your products and services, increase the productivity of your personnel, or decrease your overhead expenses.

Given the complexities of managed care contracting, raising your product and service fees may be difficult to accomplish. In addition, doctors and staff members are likely already working at maximum capacity, so increasing productivity may not be a viable option, either. Therefore, greater profitability may only be achieved by controlling and reducing overhead expenses where possible, while improving efficiency in the process. Here, I discuss 10 ways you can reduce your overhead and improve your practice's bottom line.

1 Reduce Benefits Costs

The most significant effect you can have on your overhead expenses is by reducing those related to employee benefits. Savvy hiring and training practices, as well as personnel policies to boost efficiency, are great places to start.

- Reduce the number of full-time equivalents (FTEs) per MD by sharing staff. You can do this by merging with other doctors into a corporation or an expense share, as solo MDs have a higher FTE per MD rate. For example, a solo MD has one FTE for a position, but by adding another doctor, you may be able to share this staff person to reduce the FTE per MD rate to one-half.
- Employ per diem or part-time staff, especially when hiring for technician or medical assistant positions. Remember, the technician's productivity is directly tied to the doctor's productivity. If the doctor only works 2 days per week, a full-time employee may not be required for that position. Staffing shortages have been a significant issue since the COVID-19 pandemic, and many may still want to work less than full time.
- Once you've hired your staff members, spend the necessary time and resources to train them effectively, and *cross-train* them as well (ie, training staff to work in different types of roles or to complete tasks that are outside of their typical responsibilities).
- You can find excellent scribes by hiring college students who wish to attend medical school, or you can outsource this task to medical scribe companies.
- Consider moving to virtual services for bookkeeping and to check eligibility, obtain authorizations, and perform incoming telephone scheduling. These services often employ well-trained overseas staff who are motivated to work for you, and at a less costly rate. HelloRache and Ruby receptionist are two examples.[1,2]
- Control overtime by stating in personnel policies that overtime must be authorized. Practice patterns that contribute to higher overhead include staff members coming in late, potentially running into overtime by the end of the day.
- Create incentives for staff to brainstorm ways to increase revenue or decrease expenses—for example, offer a gift certificate each quarter for the best idea, or charge supplies on a credit card with airline miles and give the staff member with the best idea of the year a free airline trip.
- Review employee benefits annually and enlist your broker to negotiate for better rates. Certain insurance companies offer discounts for groups that encourage employees to focus on wellness, smoking cessation, eating a healthy diet, and exercising, which you can do in your practice, if not already.

2 Control Drug, Medical, and Office Supplies

A 2022 Medical Group Management Association poll showed that 36% of medical groups reported that drug supply costs were the greatest non-labor increase in overhead expense.[3] Consider the following ideas to lower costs associated with drug supply:

- Encourage your administrators to shop different vendors for the best prices and negotiate aggressively.
- Look into joining a group purchasing organization, an entity that works to help health care providers by aggregating purchasing volume and using this as leverage to negotiate for lower prices with vendors.[4]
- Implement the practice of *just in time* inventory (ie, getting products from suppliers as needed to minimize storage costs), and use inventory control systems to keep a close eye on what you already have in stock.

3 Project Rent and Office Space Needs

Empty examination rooms are "fields lying fallow"—that is, they are not making you any money. Given this potential financial drain, try to make use of these spaces in other ways if they are being under-used for patient care:

- Consider having multiple physicians share office space; this way, the cost per physician goes down.
- Move telephone call center, billing, purchasing, and accounts payable departments to less costly office space in other commercial areas. These functions do not need to be located in the more costly medical office space.
- Repurpose the medical records room to the unused examination room space.
- Negotiate your lease terms carefully and do not take on more space than needed.

4 Employ Advanced Practice Clinicians

Advanced practice clinicians are non-MD health care professionals, such as nurse practitioners or physician assistants, who have the skills to fill certain roles in a practice setting.[5] Employing such individuals can give retina physicians and surgeons more time to perform specialized aspects of care.

5 Save on Taxes and Accounting Fees

Your current accounting processes may leave room for cutting down on expenses.

- Use virtual bookkeeping services instead of office staff
- Use software such as QuickBooks Pro online to manage your financial documentation and ensure you are paying your bills on time.
- Prepare your profit/loss statement internally, if possible.
- Maximize your tax deductions, but do so carefully, always staying within the law. Health care is a highly targeted profession for Internal Revenue Service audits. (See more about getting the most out of tax season in *Tax Season Tips*).

6 Reduce Clutter

Clutter can be costly in terms of both time and money. Implement the following tips to create an organized office space that will help you and your staff complete tasks more efficiently:

- Paper products can sometimes be used more than once. Reuse envelopes received in the mail for daily deposits, for example.
- Purchase pens, paper products, and other office supplies in bulk to cut down on office-related expenses. Take care to store these items in an organized fashion.
- Organize all your digital and physical files neatly, as this will save you and your staff time looking for information.
- Donate items that may be in storage that you are not using and eliminate this recurring expense.

7 Implement Firm Payment Policies

There may be areas where you're losing out on money that should have been earned.

- Collect copays and deductibles for appointments upfront, rather than after you see patients. Charge patients for completing certain forms for them.
- Charge patients a fee for no-show appointments.
- Add an online payment option to your website to help patients make their payments more conveniently.
- Be sure to scan patient insurance cards and driver's licenses/identification cards into your practice management system.
- Load contract allowables in your practice management system so that your posters will know when you are not being paid correctly by contract.
- Post charges daily, and have physicians submit charges ideally within 24 hours. Physicians who don't complete medical records and charge submission in a timely manner should incur agreed upon financial penalties, as this behavior impacts the practice revenue and other physicians' net income.

8 Save on Medical and Office Equipment

Purchase used/reconditioned office equipment and furniture. Technology companies that have gone out of business tend be excellent resources for good quality used furniture. In addition, refurbished equipment usually comes with a warranty, which can help you save on repair or replacement costs in the long run.

9 Use Technology for Patient Communication

Take advantage of expanding technological capabilities in your practice.

- Purchase automated systems for text reminders and callbacks.
- Reduce phone calls by including website maps for directions and parking.
- Negotiate reduced cell phone/long distance costs.

TAX SEASON TIPS

Get more out of your taxes with advice from leading experts in *Retina Today Business Matters*.

A Year-End Portfolio Checklist to Reduce Your Tax Bill

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- Review telephone bills and put controls on long distance calls.
- Use online scheduling via a patient portal.
- Fill appointment cancellations with a waiting list or use software to fill these empty appointment slots. Some useful programs include Luma Health or Phreesia.[6,7]

10 Manage Insurance Costs

Having malpractice insurance is important and is even legally required in some states, but there may be ways to reduce the cost to you. Take advantage of discounts that may be offered by your malpractice carrier by completing risk management surveys, attending seminars, or implementing on-site audits. In addition, you may be able to receive discounts on insurance and other services by joining your local, state, or national medical associations.

GIVE YOURSELF A BOOST

Overhead expenses are inevitable in any practice setting, but there will always be areas where you can trim the fat, so to speak. Take what is applicable to your practice and cut down on business-related expenses to give your net income a boost without changing prices for your patients or putting too much pressure on physician productivity. ■

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DEBRA PHAIRAS, MBA
■ President, Practice & Liability Consultants, LLC
■ dphairas@practiceconsultants.net
■ Financial disclosure: None

CODING ADVISOR

(Continued from page 4)

- CPT code 99241 was deleted on December 31, 2022, as the lowest level of MDM is represented in CPT 99242.
- CPT codes 99242–99245 are now selected based on MDM or total physician time:
  - 99242: straightforward MDM or 20 minutes must be met or exceeded
  - 99243: low MDM or 30 minutes must be met or exceeded
  - 99244: moderate MDM or 40 minutes must be met or exceeded
  - 99245: high MDM or 55 minutes must be met or exceeded

COMPONENTS OF MDM

For the MDM table, the same three components remain: the number and/or complexity of problems addressed at the encounter, the amount and/or complexity of data to be reviewed and analyzed, and the risk of complications and/or morbidity or mortality of patient management.

To arrive at the final determination for a level of E/M service, two of the three components (problem, data, and risk) must have the same level of complexity out of the following: straightforward, low, moderate, or high.

Some definitions within these components have been expanded to accommodate services provided in the hospital setting. For example, there is a new problem definition of level 1 acute, uncomplicated illness or injury requiring hospital inpatient or observation level of care and a risk definition that includes a decision regarding hospitalization or escalation of hospital care. For updated tables, visit aao.org/em.

PROLONGED SERVICES

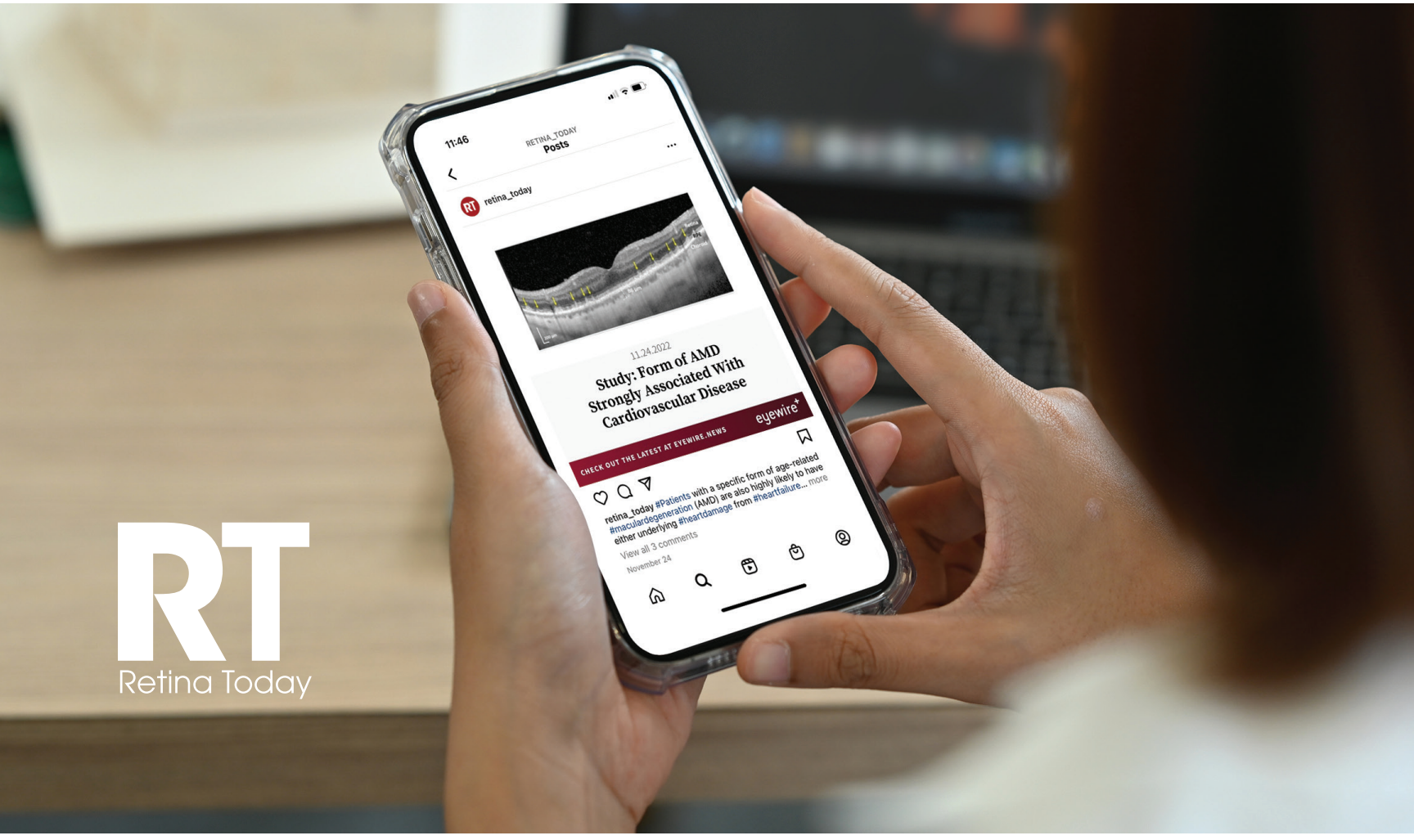
When time is the determining factor for inpatient or observation services and exceeds the time limit by at least 15 minutes, report prolonged services, CPT code 99418. This new code, added on January 1, 2023, is billed in addition to the highest level of the E/M family of codes for hospital services. This new code replaced deleted CPT codes 99354–99357.

For Medicare Part B patients, report HCPCS code G0316 for inpatient or observation prolonged services instead of CPT code 99418.

For an extensive review of E/M documentation guidelines for all places of service, review the *2023 Fundamentals of Ophthalmic Coding*, available at aao.org/store. ■

JOY WOODKE, COE, OCS, OCSR
■ Director of Coding & Reimbursement, American Academy of Ophthalmology, San Francisco
■ jwoodke@aao.org
■ Financial disclosure: None

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THREE MISTAKES TO AVOID WHEN EVALUATING ADVISORS




The relationship with your wealth manager is important and one you should monitor regularly.

BY JASON O'DELL, MS, CWM, AND ANDREW TAYLOR, CFP

As we wrap up the first quarter of 2023, we wonder how everyone is doing on their New Year's resolutions. Perhaps some of you made one of these two common resolutions at the start of the new year: "this year, I will take a closer look at my investment advisor's work," or "I will find a wealth advisor to help me and my family." Certainly, physicians are as prone as any investor to make these promises to themselves, and it's not too late to make good on that promise.

In this article, we outline the three common mistakes that investors make when evaluating advisors and provide suggestions on how to avoid making these errors.

1 REVIEWING A FIRM'S PAST PERFORMANCE

A common mistake many retail investors, including physicians, make when evaluating or selecting their investment advisor is to overrate the importance of an advisor's recent returns. There are several reasons why this approach is flawed, including the following:

- **The time frame may be too short.** When looking at an investment's track record, many clients will ask for gross returns (already a mistake—see Mistake No. 3) on a 1-, 3-, and 5-year basis. This is not enough data to make any reliable conclusions about skill versus randomness or even luck. Even 10 years may not be enough.
- **With investment results, you aren't comparing apples to apples.** Every investment portfolio is unique and comparing them is rarely an effective approach. Even the common question, "how did your portfolio perform last year?" can be misleading when portfolios are designed for individual clients. For example, clients often have customized portfolios based on risk tolerance, age, time horizon, tax bracket, objectives, and a variety of other factors. Because of this customization, it is entirely possible that Client A could see returns of 3%, and Client B could have a portfolio gain of 20% over the same period. Both investors could be equally satisfied (or dissatisfied) and neither of these results may provide helpful advice about your own situation as Client C. A comparison is worthwhile only when two investors have very similar goals and circumstances.
- **Past performance is no guarantee of future results.** Anyone who has ever seen or heard an investment firm's advertisement is familiar with the phrase "past performance is no guarantee of future results." While this can be easily discarded by consumers as legalese, it is a fundamental concept that investors must understand.
- **Performance chasing can be detrimental to an investment portfolio.** You cannot tell which asset class will have the highest or lowest returns by simply looking at recent historical data. Thus, a strategy of chasing asset-class funds and managers based on their past results is dubious at best.

2 FAILURE TO EVALUATE YOUR RELATIONSHIP

It is easy to gravitate toward advisors who are friends, family, or friends-of-friends. It is also easy to become complacent in an advisor relationship and stay with someone longer than you should. Consider these factors when evaluating your relationship with your financial advisors.

A transparent and client-aligned business model is a must. Given the conflicts of interest that have come to light in the investment industry over the past few years, all investors (not just retina specialists) must work with financial firms that use a transparent business model that aligns the firm's interests with those of its clients. There are two key elements to look for in such an arrangement.

Independent Custodian: Ideally, an investment firm does not act as the custodian of (ie, hold) its clients' investments in the firm. Rather, the firm should have arrangements with

one or more independent custodians (eg, Charles Schwab and TD Ameritrade) to hold their investments for safekeeping, while the investment firm manages the accounts. The inherent checks and balances of this model prevent the insular secrecy that allowed Bernie Madoff, Allen Stanford, and other criminals to operate.

Client-Aligned Fee Model: Today, many investors realize that a clear fee-based model works best for them, often known as the assets under management fee model. Under such an arrangement, advisors charge a transparent, clearly defined fee on assets they manage. Contrast this with the traditional convoluted transaction-charge model that most brokers use where a client pays based on trades in the account, regardless of whether the trade added value or not. In a fee-based model, clients understand the exact fee and that the firm's interest is the same as theirs—seeing the portfolio increase in value. The annual management fee the investment firm earns is a percentage of the assets you have in your account with them. The more money you have, the more money the firm earns. Ask yourself: do you feel more comfortable paying advisors a set fee or commissions based on the number and size of the trades they make?



IGNORING WHAT YOU KEEP—YOUR NET RETURNS

Many investors focus on management fees and expenses when evaluating advisors. For most, the annual fees might range from 50 basis points (0.5%) on the low end (very large portfolio in a fee model) to 300 basis points (3%) on the high end (mutual funds can be this high, as can broker transaction costs). This huge range is one reason why we are so adamant about the assets under the management-based fee model; also, investors can forget to consider that taxes often far exceed investment management fees as their largest expense.

The cost of federal and state income and capital gains taxes on a portfolio depends on many factors, including the underlying investments, turnover, state of residence, structure in which the investments are held, and other income.

Because physicians typically find themselves in the highest tax bracket, tax management of investments is crucial in both up and down markets. Unfortunately, mutual funds provide only 1099 tax statements to their investors with no accompanying tax advice. Even stockbrokers, money managers, hedge fund managers, and financial advisors at the nation's largest or most prestigious niche firms do not offer tax suggestions—and their compliance departments are glad they don't—because they are prohibited from doing so. Tax advice could include specific techniques for limiting tax consequences of transactions or creating more tax diversification in portfolios. Because of these limitations, many investment firms are not providing the tax focus and perspective that many investors want and need.

What is more important to you: the gross return your investment firm boasts in its marketing materials or your net after-tax return? Unless you want to give more than necessary to state and federal governments, the net after-tax return is the only measure that should truly matter.

KEEP WATCH

You should remain vigilant and constantly monitor and evaluate your plan and advisors. If you focus on the right factors, you can make intelligent, well-informed decisions. ■

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JASON O'DELL, MS, CWM
- Principal, OJM Group, Cincinnati
- odell@ojmgroup.com
- Financial disclosure: Employee (OJM Group)

ANDREW TAYLOR, CFP
- Partner, Wealth Advisor, OJM Group, Cincinnati
- Financial disclosure: Employee (OJM Group)

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