



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 to 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.

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Checklist to Reduce
Your Tax Bill**



**Tax-Loss Harvesting:
A Timely Strategy**

- 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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