

Squeezing Out Savings In Overhead Costs

In today's tough practicing environment, most physicians are finding it a lot harder to control office expenses. As overhead continues to eat into revenue, doctors are looking for ways to trim unnecessary spending and keep necessary spending in check.

Typically medical practice overhead ranges from 45 percent to 60 percent of revenue, with some variation for specialty, size of practice, setting and market factors. In addition, some practices are better able to handle expenses because of their size.

“Larger practices can afford to employ an educated, board-certified administrator,” says Nancy Babbitt, MGMA member and practice administrator for the Roswell Pediatric Center in Alpharetta, Ga. **“This may help those groups negotiate better rates, benchmark the practice against its peers, run the practice more efficiently and capture more revenue.”**

A Medical Group Management Association (MGMA) 2004 report based on 2003 data found that large pediatric groups have lower cost ratios than groups with fewer than four doctors.

“Larger pediatric groups often have the ability to negotiate higher rates and realize staffing and other efficiencies because of their size,” said Nancy Babbitt, MGMA

member and practice administrator for the Roswell Pediatric Center in Alpharetta, Ga. “Larger practices can also afford to employ an educated, board-certified administrator. This may help those groups negotiate better rates, benchmark the practice against its peers, run the practice more efficiently and capture more revenue.”

The MGMA survey found that for all practices surveyed, expenses increased at a faster pace than revenue over the last five years. Pediatric groups saw an average revenue boost of 10.3 per-

cent over the past five years, but costs increased 12.5 percent over the same time period. Keep in mind that pediatric practices generally have high operating costs due to factors such as vaccine cost and storage and bigger space requirements for examination rooms.

What Are the Secrets to Practice Success?

The Medical Group Management Association (MGMA) reports that the performance gap between successful medical groups and others is narrowing, and that medical group practices may be taking their cues from successful peers and instituting their management behaviors, thus improving their operations.

MGMA's recent report, "Performance and Practices of Successful Medical Groups: 2004 Report Based on 2003 Data," shares anecdotes and data about how "better performers" achieved their success. "Whether they are doing more frequent and in-depth patient satisfaction surveys or creating new sources of revenue, better-performing practices' entrepreneurial spirit clearly contributes to their success," said Daniel P. Stech, CMPE, director, MGMA Survey Operations.

Multi-specialty, better-performing practices logged a 6.2-percent increase in total medical revenue after operating cost per full-time-equivalent (FTE) physician to \$298,255 in 2003 from \$280,717 in 2002. All respondents reported a smaller increase at 2.5 percent with \$232,052 in 2003, up from \$226,453 in 2002. While all multi-specialty respondents still reported much lower revenues, this gap has narrowed over the past five years.

"By implementing tactics that my peers had used to achieve success, such as sending medical history forms to patients prior to their appointments, my practice became an MGMA 'better performer' for the first time this year," said Doris Roettger, MGMA member and practice administrator, Ear Nose & Throat Clinic PA, Oakdale, Minn.

The MGMA report found that, compared with all medical group practices, "better performers" are more likely to:

- Look at appointment availability in patient satisfaction surveys (58.5 percent vs. 64.6 percent).
- Compensate physicians by 100-percent productivity method (40.5 percent vs. 46.1 percent).
- Verify new patient insurance before time of service (19.7 percent vs. 25.2 percent).
- Partner new physicians with physician mentors (27.7 percent vs. 33.0 percent).

If you think that your practice is as lean as it can be as far as trimming expenses is concerned, think again. There are always ways to squeeze out some savings, say experts.

Practice management consultants recommend undertaking regular financial check-ups of your practice to determine if you can cut expenses without harming patient quality and practice efficiency. You want to determine your overhead percentage and find out what your total cost is for each of your expense categories.

How do you define profitability in a medical practice? For the most part, it concerns total medical revenue after operating costs per full-time equivalent physician minus total operating expenses. Operating expenses are all costs not paid to a provider as direct compensation, as a fringe benefit or as retained earnings.

In addition, reviewing your financial statements each month will allow you to make adjustments like attempting to bring in more revenue or trimming expenses that are getting out of line.

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to a provider as direct compensation, as a fringe benefit or as retained earnings, explains David N. Gans, MGMA director of practice management resources.

One of the first steps to determine your profitability is to determine the cost of doing business and to categorize your costs by expense category. Divide your costs into fixed and variable categories. Fixed costs remain relatively the same and include items such as rent and utilities. Variable costs, such as medical supplies, fluctuate with volume. Also, don't neglect to include the impact that increases in medical malpractice premiums will have on your practice's financial picture.

Once you've created a budget, you can compare it with annual national surveys produced by medical organizations. This will give you a good idea about whether your spending is in line or you are spending more than perhaps you should be on staffing, office and medical supplies, telephone services, rent and miscellaneous expenses.

When you create your budget, be sure to break down the cat-

egories into detail. Don't just list a total for supplies, but include line items for office supplies, medical supplies and other items.

If you don't have the resources in-house to fashion a budget, it may be necessary to bring in a consultant who is familiar with the financial workings of medical practices to help with the task. You can consult an accountant or a practice management consultant, many of whom hold CPAs and other professional designations. To find a practice consultant, first ask some of your colleagues if they can recommend someone. Another option is to get referrals through the American Academy of Family Physicians' FP Assist service (www.aafp.org/x19729.xml), which links physicians with practice consultants and healthcare attorneys. The American Medical Association offers a similar service called AMA Consulting Link (www.amaconsultinglink.com).

Employee Benefits Provided By Practices

	Full-Time	Part-Time
Vacation Days (Paid)	96%	81%
Sick Days (Paid)	89	65
Retirement Plan	72	49
Personal Days	67	50
Professional Development/Education	60	44
401K Plan	59	48
Health Insurance (Fully Paid)	47	9
Life Insurance	51	22
Uniform Allowance	43	38
Health Insurance (Partially Paid)	46	27
Malpractice Insurance	35	24
Flex Time	11	12
Dependent/Child Care	4	2

Source: Staff Salary Survey 2005, The Health Care Group, Inc. Reprinted with permission.

There are several membership organizations representing practice consultants and administrators, which can link you up with an adviser in your area:

■ **Medical Group Management Association.** Contact at 303-397-7877 or www.mgma.org.

■ **National Association of Health Care Consultants.** Call 202-452-8282 or log on to www.healthcon.org.

■ **Society of Medical-Dental Management Consultants.** Phone 800-826-2264 or log on to www.smdmc.org.

■ **Institute of Certified Healthcare Business Consultants.** Log on to www.ichbc.org or call 800-447-1684.

An experienced practice consultant can survey your practice

‘Rightsize’ Your Staff for Maximum Efficiency

“Rightsizing” staff makes it easier for a practice to reach good profitability levels. MGMA’s David Gans describes it as “the right number of staff, in the right place, with the right skills, at the right cost, with the right behavior, with the right rewards, with the right outcomes—no more, no less.”

In addition, your staff mix and training, processes, procedures and practice culture have more to do with productivity than the actual number of staff you have, he adds. ‘If you have the right people doing the right thing, you can be very productive,’ he explains.

Further, if you have acceptable productivity and revenue, then you have acceptable costs, he adds. There is some variability in all this, such as dealing with higher salary structures in urban areas compared with rural areas.

Keep in mind that your practice does have control over the mix of staff. For example, there are many primary-care groups staffed with registered nurses to support the doctors. In some cases, the practice may require these highly skilled professionals, but in most cases it will not, says Mr. Gans. You can change the mix from one of having all registered nurses to a mix of RNs, LPNs and nursing aides in order to match the skill requirements for the physician.

Also, don’t ignore the opportunity to train the staff in the necessary skills the physicians in your practice need. For example, you may be able to train a nurse’s aide to do certain technology tasks.

So before you look at the number of staff people you have in the practice, look at skill mix, he recommends. Instead of saying, “We

and benchmark it against national data, allowing the adviser to identify your practice's weaknesses and present a plan for tackling them. Be sure any consultant you select has experience working with medical practices and can provide local references, which you should check fully. Ask the consultant what benchmarking tools he or she uses to analyze the profitability of a medical practice; make sure those tools are relevant to your specialty, type of practice and geographic location.

MGMA publishes an annual Cost Survey Report, which surveys medical groups throughout the country on their operating costs. The report shows total operating costs as a percentage of operating revenue (overhead) for multi-specialty practices and

have to cut staff," the appropriate response is, "We need to access the staff mix and perhaps realign the mix. For example, we may have too few receptionists and clinical staff and too many staff in other areas," he says.

Keep in mind that when you cut staff, you may end up losing productivity. After that, the practice may have lower costs, but revenues are also lower, so the margins are less, and the practice ends up taking another reduction in staff. "This results in a death spiral," says Mr. Gans.

How close is your practice to rightsizing? To find out, Mr. Gans recommends first determining if you have the right quality and patient satisfaction. If you find that these two factors are insufficient, you don't have the right staff, he maintains.

Ongoing patient satisfaction surveys will help you determine these two factors. "If you aren't performing these surveys, your practice is missing the opportunity to understand how your most important clients, your patients, feel about the practice," he adds.

Further, surveys help the practice identify its relationship to an external database to determine where the practice sits compared with other practices. It is important to find out about factors such as patient waiting times, how patients were received in the office and how they interpret the care they received. While patient satisfaction is not a measure of quality, it is a perception of quality, he explains.

Once you have achieved acceptable quality and patient satisfaction, you are on the way to having the correct amount of productivity and revenue, Mr. Gans says.

single-specialty practices. It also contains data on staffing ratios, accounts receivable, collection percentages and breakouts of patient charges by type of payer and risk, in addition to charge, revenue, balance sheet and practice production data. (The report is available to MGMA members for \$255; for nonmembers, the cost is \$465. For more information, log on to www.mgma.org or call 877-275-6462, ext. 888.)

Reviewing Cost of Staff

When you look at your overhead expenses, keep in mind that your most expensive component is your staff costs, which include salaries and employee benefits.

By using benchmarking tools, you may find that your staff costs as a percentage are higher than comparison figures. These expenses may be out of line, but keep in mind that this is a general gauge that may not apply to all practices, especially when you take location and type of practice into consideration.

“They comprise about half of all expenditures,” says David N. Gans, MGMA’s director of practice management resources in Denver.

In addition, staff is one of the aspects of your practice over which you have control, he adds. There are some fixed expenses, like the lease on your office, that your medical practice has little control over. If you must control

costs in the practice, you can zero in on staff costs, he explains.

Under the ideal situation, you want to optimize the size of your staff, something Mr. Gans calls “rightsizing.” This must be done carefully because staff members are the infrastructure of the practice and they support physician productivity and practice profitability, he says. Further, remember that the qualitative aspects of your staff have a greater impact on productivity and profit than the quantitative aspects. But the most critical resource in the practice is physician time. The staff function is to support physicians in their work in the practice, he adds. (*For more on rightsizing, see box on page 108.*)

When you put together your staff budget, be sure to allocate cost and personnel to broad groups, such as front office, clinical staff and back office. This will tell you what you are spending on each category. To get an idea how the size of your staff compares

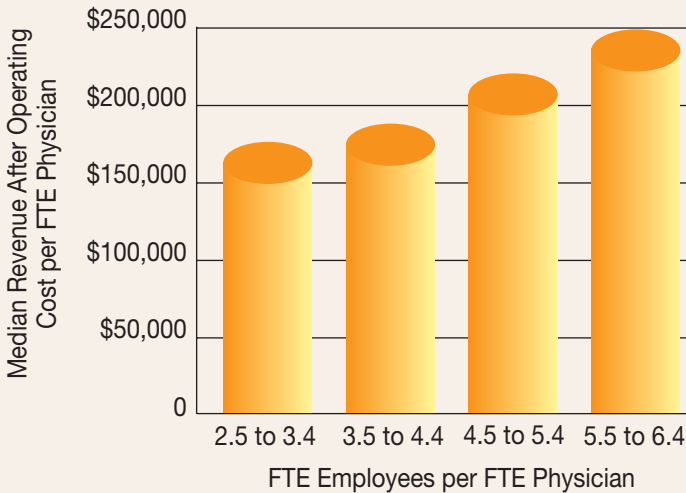
with other practices, look at benchmark surveys. Good benchmarks are useful management tools when they tell you where you are in relation to your peers, says Jack Valancy, Cleveland practice management consultant.

“Unfortunately, many physicians and managers misapply benchmarks as performance goals, imposing them on their physicians and staff without analyzing whether they are valid for their practice,” he says.

Take into account the unique features of your practice when using benchmarks. Experts say use caution when looking at published cost data, and be sure you understand how the data were reported before making comparisons with your own practice.

Family Practice Profits, by Staffing Levels

Financial performance for single-specialty family practice groups at various levels of staffing



Note: FTE refers to full-time equivalent.

Source: Medical Group Management Association.

MGMA publishes benchmarks of the average staffing needs of practices according to their specialty and region of the country. These may work as a good gauge to determine if you are hiring similar numbers of staff members as your peers are doing and whether you are paying similar salaries.

In addition, internists who are members of the American College of Physicians can access benchmarking tools through the organization's Website (www.acponline.org/pmc/new_checkup.htm). This service, called "Practice Management Check Up: Examining the Business Health of Your Practice," checks the "vital signs" of your practice's overall business performance, ACP says. It allows you to compare your practice's key indicators against benchmarks for internal medicine practices. The program highlights the practice's

If you have an experienced staff that helps your productivity, you will want to keep them on board. You may be paying a little more for high-quality employees, but constant turnover and high training costs just add to overhead expenses. New employees require more time to do their jobs than someone with years of experience.

strengths and weaknesses and details opportunities for improving performance.

Another benchmark for medical staff salaries is a survey by The Health Care Group, a practice management consulting firm in Plymouth Meeting, Pa. The survey provides wage and benefits data from medical practices in 349 metropolitan statistical areas for over 32 medical practice job titles, from administrator to file clerk. Staff pay levels are broken down by years of service, geographic region and specialty. The survey is available for \$195; contact The Health Care Group at 800-473-0032 or by e-mail at products@healthcaregroup.com.

By using benchmarking tools, you may find that your staff costs as a percentage are higher than comparison figures. These expenses may be out of line, but keep in mind that this is a general gauge that may not apply to all practices, especially when you take location and type of practice into consideration. In addition, be sure that you don't have a revenue problem and that what you really need to do is improve your fee schedule, get more from managed-care contracts or improve collections.

Steps to Take

Practice management consultants recommend looking for creative ways to adjust staff responsibilities so that it's not necessary to take steps to cut staff. It is important to determine how existing staff can be used to make the doctors in the practice more productive. Your aim is to maximize the time you spend in direct

Devise a Policy for Tracking Paid Time Off

To save costs from unexpected employee leave or vacation requests, consultants advise that you set up a system for leave requests. For example, make sure that all requests for leave are approved by the practice manager or by one designated physician in the practice. This way, you know beforehand when your staff members plan to go on vacation or take extended leave.

The office manager can keep a log sheet (or spreadsheet) of paid time off earned and used, says Jack Valancy, a practice consultant in Cleveland. Consider providing paid time off that employees may use for vacation, sick time and days or hours off. If someone gets sick frequently, then that individual has fewer paid days available for vacation. If he or she stays well, there is more time for paid vacation.

This type of policy keeps employees from calling in "sick" when they have to take time off for tasks like taking care of a sick child, errands or a doctor's appointment, he explains.

It is usually easiest to synchronize time-off periods to the calendar year for all employees (as opposed to each employee's different employment year). You might want to have a policy that specifies that paid time off can be used in one-, two- or four-hour increments.

Keeping track of time off becomes more complicated if your practice decides to have separate times for vacations, sick time and personal days. One option is to allow employees to accumulate paid time off up to a certain amount of days. You can require employees to take time off above this threshold, or pay them for the time, perhaps at a reduced rate.

Vacations and leave also give employees a chance to demonstrate their flexibility and value to the practice. Some consultants say it is also a good time for other staff members to handle different tasks.

A red flag to be aware of is if the employee who handles practice revenues refuses to take time off. This may be a warning sign of wayward activities.

patient care. Remember that it is the doctor's time with a patient that is billable.

You will want to find out if the doctors in the practice are still opening their mail. Are they filling out certain administrative forms that a staff person could easily do, such as patient demographics or laboratory test orders? Are they being interrupted

If you have a policy of bonuses for staff, you may want to reconsider this and use a performance-based bonus plan that establishes measurable goals for employees. In this way, employees who receive a bonus will have brought in extra revenue for the practice to pay the bonus.

with unnecessary requests? If you can save a minute per visit, by the end of the day you have made it possible to see another patient, which boosts physician productivity, says Mr. Gans.

If you've determined that the practice may not have the right staff mix, don't automatically think that cutting staff will solve the problem. MGMA studies, for example, indicate that practices

with high patient satisfaction levels and high revenue have greater support staff for each physician.

"A practice's staffing is 'right' when the fewest people necessary to run the office efficiently and effectively are working together in a highly productive manner," Mr. Valancy says.

Further, if you have an experienced staff that helps your productivity, you will want to keep them on board. You may be paying a little more for high-quality employees, but constant turnover and high training costs just add to overhead expenses. Keep in mind that new staff members generally require more time to do their jobs than someone who has been with you for a number of years.

If you decide to outsource some services as a way to trim staff costs, Mr. Valancy recommends doing it for tasks like payroll processing and transcription services. Another way to trim costs on transcribing expenses is to look into digital dictation.

Tasks that do not involve patient contact lend themselves to being outsourced, he says. "But tasks involving patient contact are best done in-house because full-time staff can develop a deeper, more responsive relationship with patients," he adds.

Take a look at what types of jobs your staff members are do-

ing so that you can avoid duplication, and find out if they are doing something manually that can be accomplished more efficiently and accurately using available technology. You can list all of the tasks that each staff member performs and try to eliminate or modify the tasks that you think aren't necessary. You may find that certain jobs are being done by staff people who are overqual-

What Type of Manager Do You Need?

There are generally three types of managers for a medical practice: office managers, practice managers and administrators, according to Jill Costello, a senior consultant for The Coker Group, a healthcare consulting firm in Roswell, Ga. In a recent issue of the firm's newsletter, Coker Connection, Ms. Costello details the differences among the three:

■ **Office Manager.** An office manager generally can manage small practices of one to three physicians and a full-time staff of 10 or fewer, working under the lead physician's directives. These practices tend to be in rural or remote settings where fee-for-service reimbursement still dominates and do not have more than one capitated contract. The practice has one primary site and takes in annual revenue of up to \$1 million. The office manager generally holds a bachelor's degree.

■ **Practice Manager.** The practice manager can take on a larger practice, with three to eight full-time physicians, one or more physician extenders and a full-time staff of more than 10 employees. The practice manager initiates projects and ideas and collaborates with the physician team. The practice generally has one primary site and one or two satellites, has several capitation contracts and takes in revenue of \$1 million to \$6 million annually. The practice may include such ancillary services as imaging services, rehabilitation, physical therapy and product sales. The practice manager may have a master's degree in health services administration or a bachelor's degree and an equivalent amount of experience.

■ **Administrator.** An administrator is required for more sophisticated business entities, practices with eight or more full-time physicians, two or more physician extenders and over 20 employees. Such practices may include a number of ancillary services, multiple satellite offices and more than five capitation contracts. The administrator, who will likely have a master's degree in health services administration and professional certifications, is a business leader who directs a team of capable managers or team leaders.

ified, which costs the practice more than it should.

You also may want to look into the use of part-time employees, but be sure that you clearly define their responsibilities. They also must be sufficiently engaged in their work and the practice, says Mr. Valancy.

“Part-time employees can be used to meet peaks in demand, for example, on busy Mondays,” he adds. They also can be used to do some defined tasks, such as filing clinical paperwork. But don’t hire part-time people primarily to save money because work output often suffers from such a strategy, he maintains.

Federal law requires that non-exempt employees be paid time and a half or more for hours worked over 40 per week. So for every hour of overtime that you pay, your practice could have received 1.5 hours of work at regular pay by another person or by an alternate schedule.

In addition, try cross-training your staff so that they are able to do more than one job in the office.

This is one good way to gain more flexibility when staff members take vacation or leave, and it also helps reduce training costs when turnover occurs.

What should you do during seasonal peak-load periods? You can use temporaries for these times and not hire additional staff. Too often, the tendency has been to staff to the peak times of the practice, which often results in overstaffing.

Take into account the physician’s work week. “Many physicians work a four-day work week, and it is a good idea to determine what the staff does when the doctors aren’t in the office,” says Mr. Gans. The fifth day shouldn’t be used for staffers to “get caught up” on work—a sign of an incorrect mix of staff positions, he adds. There are a number of ways to tackle this. For example, maybe the staff can work a four-day week, or perhaps automation can help with certain tasks that the staff can’t seem to complete during the days that the doctor is in the office, he suggests.

If you have a policy of bonuses for staff, you may want to reconsider this and use a performance-based bonus plan that establishes measurable goals for employees. In this way, employees who receive a bonus will have brought in extra revenue for the practice to pay the bonus. To boost the morale of your staff, you can provide small rewards throughout the year, such as pro-

Tips on Attracting and Interviewing Job Applicants

How do you find the best possible candidates to hire? Karen Zupko & Associates (www.karenzupko.com), a Chicago-based practice management consulting and training firm, offers the following tips on recruiting a “superstar staff.”

■ **Go beyond the classifieds.** Network among your colleagues and friends. Launch an active word-of-mouth campaign to find top-notch candidates. Send an upbeat memo about the position for which you’re hiring to 25 friends and colleagues. Some will refer a candidate they know, others will pass your memo on to someone else, or post it on their communication board at work. If you do advertise in the newspaper, make sure your ad is descriptive, energetic and provides the salary.

■ **Recruit continuously.** Look for great employees while you are out to dinner, at the bank, at the hospital or at a local hotel. If you find someone you think you’d like to have work for you, give them your card and ask them to call you if they are interested in making a move.

■ **Assess candidates’ skills.** Asking candidates to take a short “technical assessment” weeds out people, for example, with so-called “billing experience” who are clueless about ICD-9-CM, managed care or Medicare rules. For customer service positions, initiate discussion about good and bad service stories. Or, ask managers and supervisors to analyze an A/R report or several EOBs and provide three action steps for improvement.

■ **Conduct peer interviews.** Ask final candidates to meet privately with existing staff. Ask the staff to prepare questions. This peer-to-peer interview allows the candidates to ask pointed questions, and existing staff to be honest without the embarrassment of being in front of the manager.

■ **Always hold a second interview.** Sometimes practices skip this step for front-line staffers. Don’t. Candidates often present themselves differently in the second interview. Be sure you schedule the second meeting before making a final decision.

■ **Check references and educational credentials.** Do not skip this critical step, no matter how terrific the candidate seems. Too many practices are victimized by candidates who lie on their resume or who were poor performers in their last position. Ask candidates to provide the names of both physicians and managers for whom they’ve worked. And don’t forget to call universities and trade schools to verify degrees.

viding gift certificates for specific achievements.

Take a close look at your benefit package as well. You may want to trim expenses, for example, by asking your employees to pay a share of the health insurance premium, if you aren't already doing that. You also can seek competitive bids for your health insurance coverage from different

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carriers through the use of an insurance agent. If you haven't already done so, increase the deductible on the health policy. Monitor health insurance premium costs and increases each year to see if you can find ways to keep these expenses in check.

What about your retirement plan? Is it the right one for your practice? Look into the various op-

tions in this area, and find out if it's possible to realize some savings by switching to a plan that won't cost as much to fund.

Avoid Paying Overtime

Another area to closely analyze is the amount of money you spend on overtime pay. This is an expensive part of doing business. Federal law requires that non-exempt employees be paid time and a half or more for hours worked over 40 per week. So for every hour of overtime that you pay, your practice could have received 1.5 hours of work at regular pay by another person or by an alternate schedule. Excessive overtime also causes employees to burn out.

One way to avoid the problem is to insist on pre-approving all overtime. You may also want to rearrange schedules so that you have only one or two employees instead of four who stay to close the office if you have patients to see past your normal business hours. The American College of Physicians recommends staggering staff's work shifts. "Monitor both your practice's peak and slow times," says ACP. "Then stagger staff shifts—for nurses and receptionists, for instance—to get the coverage you need without having to pay costly overtime."

To keep track of the hours your staff actually work, have them

sign in and out using a time sheet or try time clocks. Mr. Valancy says that if you have a problem with employee tardiness and counseling doesn't work, you can try docking employees' pay.

It is important to carefully assess the needs of your practice with regard to space. You don't want to have too much space, but too little could mean you are sacrificing income.

The best time to negotiate the cost of your office lease is when you launch your practice. Once you have negotiated and signed a lease, it may be a number of years before you can try to renegotiate a better deal when the lease expires.

If you sign a five- to 10-year lease it is unlikely you will be able to scale down or expand if you find your space is not exact-

Average Annual Salaries and Hourly Rates for Selected Medical Practice Positions by Years of Experience

Position	< 2 Yrs	2 - 5 Yrs	> 5 Yrs
Administrator/Executive Director	\$65,970	\$68,505	\$74,035
Business Manager	44,093	56,092	54,175
Office Manager	41,806	42,423	47,339
Billing Coordinator	13.77	14.45	16.04
Bookkeeper	15.90	15.89	17.69
Certified Coder	12.91	14.57	15.86
Lab Technician	13.39	15.74	16.97
Licensed Practical Nurse	15.25	14.02	14.92
Medical Secretary/Transcriptionist	11.75	12.35	14.00
Nurse Practitioner	32.14	32.95	35.40
Physician's Assistant	30.45	32.35	35.03
Receptionist	10.75	11.64	13.22
Registered Nurse	18.68	20.08	20.79

Note: Part-time salaries (less than 35 hours per week) were readjusted to a full-time equivalent of a 40-hour workweek.

Source: Staff Salary Survey 2005, The Health Care Group, Inc. Reprinted with permission.

ly right for your practice. Nevertheless if there is a substantial amount of vacant office space to lease in your area it may be possible to extend the term of your lease in exchange for a lower monthly payment.

As far as space is concerned, practice management experts say it is best to lease the amount you need as well as space that would allow for an appropriate growth level. But make sure you are like-

Look at the cost of your phone service. There are some discount services available that could translate into savings for your office. You also may be able to negotiate a discount with your current phone carrier if the company realizes that you are ready to contract with a competing carrier.

ly to use the space you lease or try renting some of the space you aren't using.

Many physicians may simply overlook the cost of office and medical supplies. In addition, you may not be reviewing the amount you are paying your accountant and other professionals each year. Consultants recommend taking a close look at these costs periodically. Sometimes professionals

ratchet up the cost of their services each year and you may be able to negotiate lower rates if you take the time to have your practice manager review the contracts.

With regard to supplies, here again you do have some control over this part of your practice's expenses. Experts advise that you set up a good inventory management system so you don't end up spending more than you should on supplies. This also will allow you to stay on top of the inventory in your medical practice so you aren't faced with expired or unusable products.

You can buy supplies on line through companies such as Henry Schein (www.henryschein.com) or PSS World Medical (www.pssd.com). PSS World Medical carries over 55,000 different medical products, supplies and equipment. It also can customize an inventory management system for you that it claims will help your practice avoid overstocking.

Other cost-cutting steps to consider include buying in bulk or negotiating discounts with your suppliers. You may be able to effectively negotiate discounts if you have a good idea of the volume of supplies you purchase each year.

It's also possible to affiliate with other medical practices in

your area to buy a large volume of items, such as vaccines or injectibles, at a discount. Another possibility is to consult with the hospitals with which you are affiliated to see if you can take advantage of their bulk purchasing arrangements.

Take the time to specify how staff determines which supplies to order each month. It makes sense to designate one staff member who will be in charge of purchasing supplies. That person should collect requests for supplies, look for the best prices, order the supplies and check to make sure that the items ordered are the ones you receive at the price you agreed to pay.

Be sure to examine all your expenses. For example, look at the cost of your phone service. There are some discount services available that could translate into savings for your office. You may be able to negotiate a discount with your current phone carrier if the company realizes that you are ready to contract with a competing carrier. Take a close look at the number of phone lines you have, and find out if you may be able to save money by reducing their number if they aren't all being used.

Practice management consultants recommend that you renegotiate your contracts each year with professionals and service companies, such as cleaning companies and laboratory concerns. If these entities know that you may switch to a competitor, they may be more inclined to offer you a better contract.

Don't neglect to be vigilant when it comes to expenses. Be sure to review your budget and financial statements on a monthly basis to pick up significant expenses and find other ways to save money. Finally, if your staff comes up with ideas to help trim costs, be sure to reward them.