

Building Income Strategies:

A Path to Improving Profitability

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The Human Body!

It takes your food seven seconds to get from your mouth to your stomach.

One human hair can support 3kg (6.6 lb).

The average man's private area is three times the length of his thumb.

Human thighbones are stronger than concrete.

A woman's heart beats faster than a man's...

There are about one trillion bacteria on each of your feet.

Women blink twice as often as men.

The average person's skin weighs twice as much as the brain.

Your body uses 300 muscles to balance itself when you are standing still.

If saliva cannot dissolve something, you cannot taste it.

Women reading this will be finished now.

Men are still busy checking their thumbs !



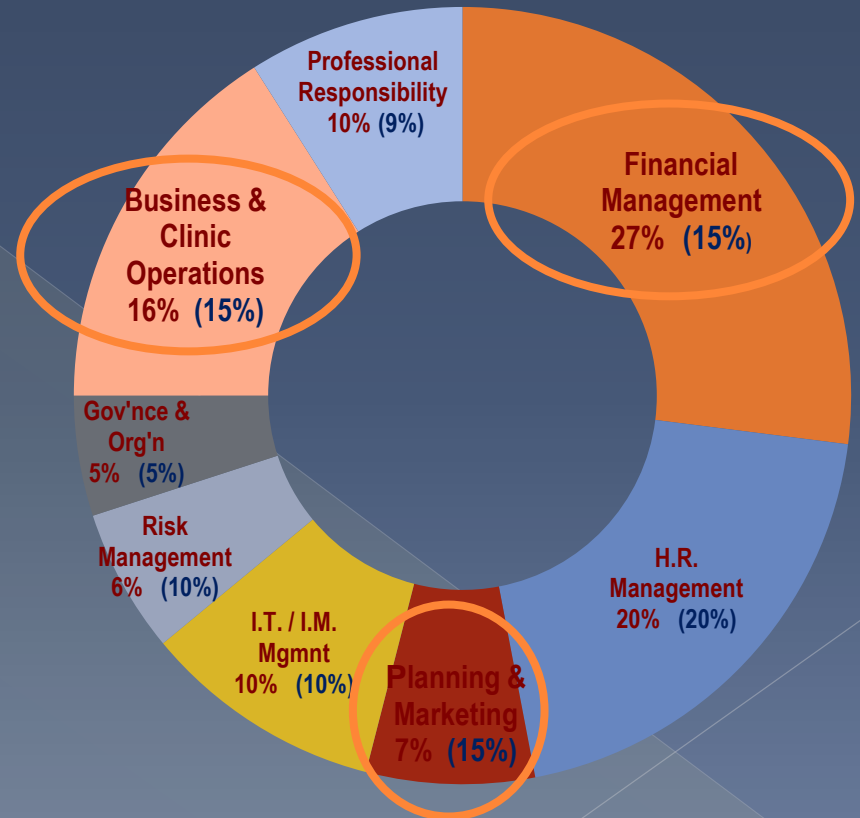
Building Income Strategies

- a path to improved profitability.

Practice Manager's Role

KEY role in TOTAL process

- Business & Clinic Operations
- Financial Management
- Planning & Marketing
- IM & IT Management
- Risk Management
- Governance & Organisation
- HR Management
- Professional Responsibility



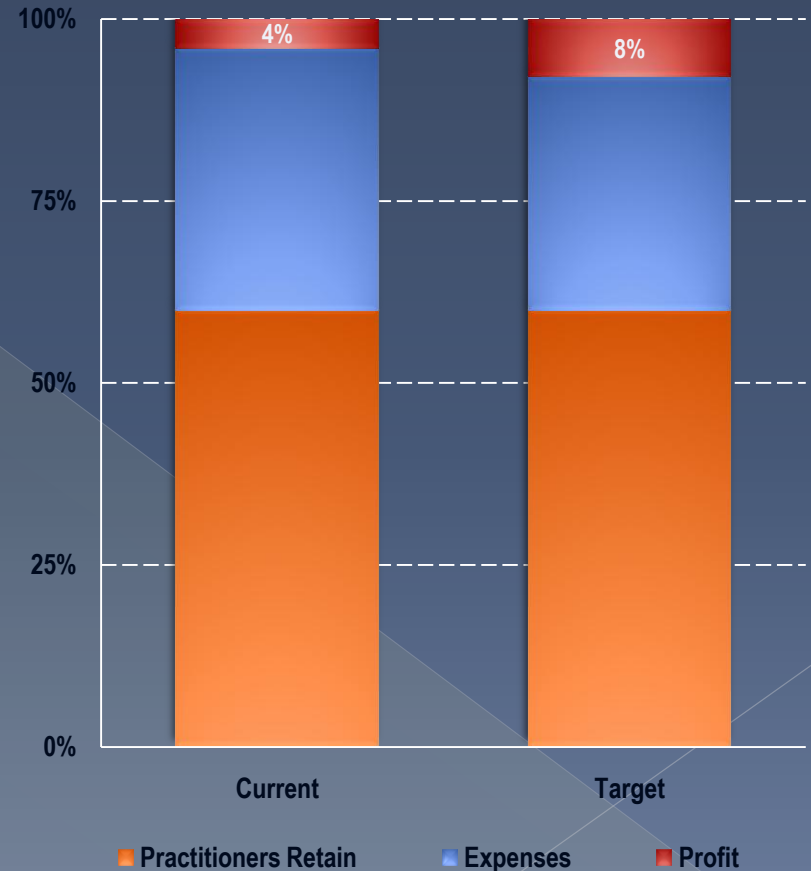
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○ Aim of Strategies

- > Increase Gross Income
- > Decrease or Maintain Expenses
- > Result = Increase Profitability

- > Profitability :
Practitioner Service Fee - Expenses



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◎ Sources of Income

- > **Consulting Fees**
 - medicare rebate
 - + private health rebate
 - + patient “out – of – pocket” payment

- > **Practice Fees**
 - non MBS -
 - e.g.: 3rd party & corporate health services – nurse triage
 - consumables
 - products

- > **Government Grants**
 - teaching, PIP, tenders

- > **Property Rental / Tenants**
 - practitioners, allied health, pathology, etc

- > **Other**
 - advertising, consulting

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◎ Consulting & Practice Fees

(fee / pt x pts / hr = gross billing / hr)

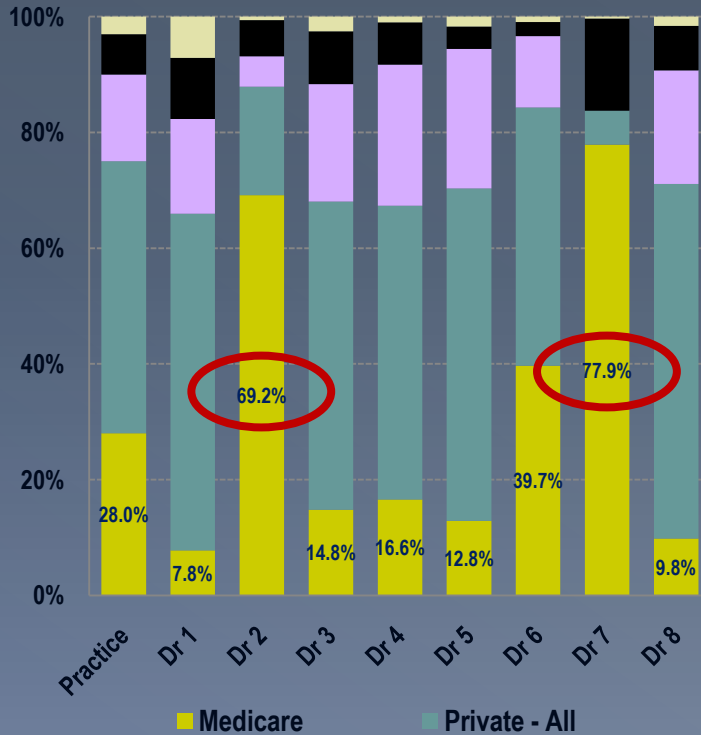
- > Practitioner Billing Profile
- > Practitioner Scheduling
 - Additional consult
 - Staff utilisation – Practice Nurse & Nurse Clinics
 - Patient D.N.A. & SMS reminders
- > Item Utilisation
- > Fee Policy & Pricing Review
 - Fee Review Policy
 - 3rd Party Fees
 - Medical Consumable & Practice Services Fee

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Practitioner Billing Profile

Billing Analysis - Practice & Doctor



	<u>Dr 2</u>	<u>Dr 7</u>	
Pce Avg Fee	\$60.00	\$60.00	
Dr Avg Fee	\$55.00	\$50.00	
Hrs/wk	40	20	
Pts/hr	4	3	
Wks/yr	48	48	
Pts/yr	7680	2880	
Current BB %	69.20%	77.90%	
Pts BB	5315	2244	
Current Income	\$422,400	\$144,000	\$566,400
Target BB %	40%	40%	
Target BB Pts	3072	1152	
Variance	2243	1092	
Assume	HCC	Private	
	50%	50%	
Additional Inc-Fee	\$5	\$25	
Annual Increase	\$33,638	\$16,373	\$50,011
Practitioner Inc	\$20,183	\$9,824	8.8%
Practice Net Income	\$13,455	\$6,549	\$20,004
Dr Avg Fee	\$59.38	\$55.69	

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Practitioner Scheduling

- > additional consult
- > practitioner efficiency
- > staff utilisation

Additional Consult / Day	1
Days / Week	4
Weeks / Yr	48
Number Practitioners	1
Average Fee / Consult	\$60.00
Annual Increase	\$11,520
Practitioner Retain	\$6,912
Practice Net Income	\$4,608

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Practitioner Scheduling

> nurse utilisation –
nurse CDM clinic

	<u>Yr 1</u>	<u>Yr 2</u>		<u>Yr 1</u>	<u>Yr 2</u>
			Number of Nurse Sessions / Clinics per week:	2	3
			Annual Income Generated - Nurse CDM Clinics	\$120,898	\$162,184
Number of GPMP's / week:	4	4	Annual Income Generated - Consults Only:	\$55,166	\$62,521
Number of TCA's / week	3	3	Annual Increase:	\$65,732	\$99,663
Number of GPMP and or TCA Reviews / week:	3	10	Total Net Nurse CDM Income Retained by Doctors:	\$39,439	\$59,798
Number of DMMR & 75+ Hlth Checks week:	4	4	Annual Income Retained by Practice:	<u>\$26,293</u>	<u>\$39,865</u>
GPMP / TCA / Review Consults per week:	14	21	Nurse Cost:	\$12,902	\$19,934
Number of Nurse Sessions / Clinics per week:	2	3	Practice Net Income:	<u>\$13,390</u>	<u>\$19,931</u>

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Practitioner Scheduling

> nurse utilisation –

nurse PAP test clinic

Number of Hours	4
Patients / Hour	3
Total Patients	12
Weeks per annum	24
Patients per annum	288
Average Fee / Patient	\$33
Income per annum	\$9,504
Nurse Hourly rate	\$30.00
Nurse Wage (inc on costs)	\$3,226
Nurse Payment per Patient	\$2.50
Annual Nurse Payment	\$720
Total Nurse "Salary" (inc on costs)	\$3,946

Income Retained by doctor	\$5,702
Income Retained by practice	\$3,802
Net Profit / Cost to practice	-\$144
Additional consults per Dr	0.5
Number Drs	1
Total Additional consults per week	1
Weeks per annum	24
Additional Income per annum	\$1,344
Income Retained by doctor	\$806
Income Retained by practice	\$538
Net Profit / Cost to practice	<u>\$394</u>

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Practitioner Scheduling

> patient D.N.A. & SMS reminders

- per practitioner @ 48 wks p.a.
- 1 pt DNA / day
- 30 appointments / day

Staff Cost

Mins / Call	5
Calls / week	50
Hrs / week	4.2
Hrly rate	\$20
Weeks / yr	48
Cost / yr	\$4,000

	Wkly	Annual
Patient DNA	5	240
Avg Fee / Patient	\$60	\$60
Income @ 80% compliance	\$240	\$11,520
Income retained by Practitioner	\$144	\$6,910
Gross Income retained by Practice	\$96	\$4,610
Appointments	150	7,200
Cost per SMS	\$0.17	\$0.17
Total Cost (reduce by 10% - on day appts)	\$23	\$1,100
Income Retained by the Practice	\$73	\$3,510

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Item Utilisation

- > conduct item analysis
- > highlight “underused” item / s
- > develop strategy for 1 item
- > e.g. HMR to 2 / week

Additional HMR 1
 weeks 48
 fee \$160

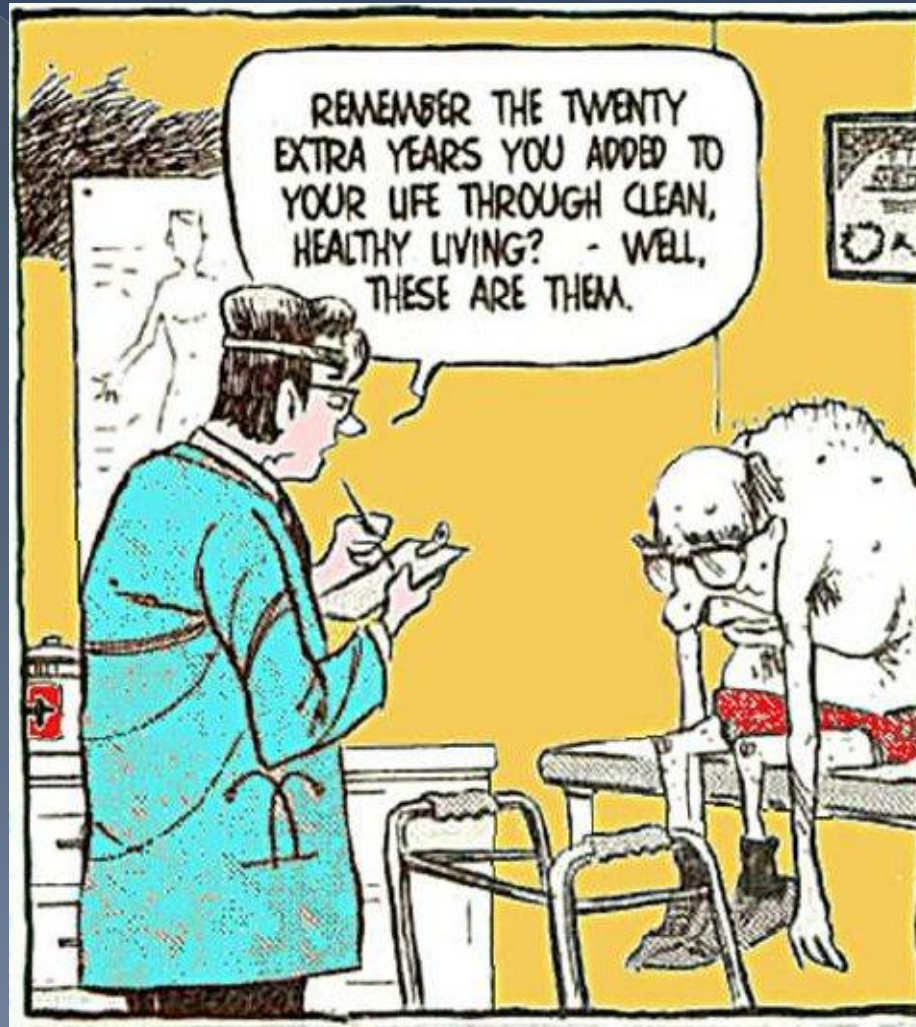
Gross Income \$7,680

Income retained by Practitioner \$4,608

Income retained by Practice \$3,072

Item	Income	Item	Avg Fee	% of Inc	Agg Tot of Inc
Level B Cslt	\$792,000	13,200	\$60.00	79.60%	79.60%
Level C Cslt	\$66,080	826	\$80.00	6.64%	86.24%
Care Plan / TCA / Rev	\$17,280	144	\$120.00	1.74%	87.98%
Item 10990 + \$5 BB	\$16,500	3,000	\$5.50	1.66%	89.63%
Med / Ins / Exam + Rpt	\$14,000	70	\$200.00	1.41%	91.04%
Nurse Items	\$10,250	820	\$12.50	1.03%	92.07%
Health Assessments	\$9,350	55	\$170.00	0.94%	93.01%
Vaccines - Other	\$8,000	100	\$80.00	0.80%	93.82%
HMR (DMMR)	\$7,200	45	\$160.00	0.72%	94.54%
Minor Procedures	\$4,200	40	\$105.00	0.42%	94.96%
Total "Top 5"	\$905,860	\$17,240	\$52.54	91.04%	
Total "Top 10"	\$944,860	\$18,300	\$51.63	94.96%	
Other	\$50,140	1,215	\$41.27	5.04%	
Practice income	\$995,000	19,515	\$50.99		

A longer healthy lifestyle ?



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○ Fee Policy & Pricing Review

> annual fee review / increase vs 6/12 fee review

pts / dy 30 wks / yr 48
dys / wk 5 pts / yr 7200 Priv pts / yr 4320

	pts 4320	0	6 mnth	12 mnth	18mnth	24 mnth
option @ annual		\$60	\$61	\$62	\$63	
option @ 6/12		4320	2160	2160	2160	2160
						\$527,040
						\$4,320
						\$2,590
						\$1,730
						\$865

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○ Fee Policy & Pricing Review

- > 3rd Party Fees state based legislation & guidelines
- > Medical reports “reasonable fee for reasonable work”

e.g.	Victoria	questionnaire vs report \$85 vs \$220 - \$400
	W.A.	\$150 - \$200 1 st page + \$75 / page
	NSW / ACT	\$200 - \$300
- > Court appearance doctors gross hourly rate inc travel

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Fee Policy & Pricing Review

> Practice fees – Consumables & Services

- Consumables
 - bandages \$ 10
 - dressing – complexity \$ 20
 - plaster / fibreglass cast \$ 30

- Services
 - procedure fee – complexity \$ 30
 - practice nurse fee – complexity \$ 20
 - Saturday / Sunday fee \$ 10

Example -	Consumable	Service	Total / day	Total / yr
	1	1		
	\$ 10	\$ 20	\$ 30	\$ 7,200

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○ Rental: Property & Tenants

- > Pathology, radiology
 - prohibitive practice legislation
- > Specialists
 - conversion of “dead space” + increase in services supporting practice goals.
- > Allied Health
 - “Healthy Living Sessions”
patients + local gym ± exercise physiologist
patients ± dietitian ± diabetes educator
- > Innovative options
 - “consultant pharmacist” on-site

○ Other - Passive Income

- > Advertising
 - c network (Community Television Network)
practice news letter
- > X-ray films
 - silver recovery

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Summary of Income Strategies

Strategy	Total	Dr	Pce	Cost	Wage Cost	Net Pce
Billing: reduce BB rate	\$16,300	\$9,800	\$6,500			\$6,500
Scheduling: + 1 Consult / dy	\$11,500	\$6,900	\$4,600			\$4,600
Staff Utilisation: CDM Clinic	\$65,700	\$39,400	\$26,300		\$12,900	\$13,400
Staff Utilisation: PAP Clinic	\$11,300	\$7,000	\$4,300		\$3,900	\$400
Scheduling: - SMS reminders	\$11,520	\$6,910	\$4,610	\$1,100	-\$4,000	\$7,510
Fee Policy: - increase timing	\$2,160	\$1,300	\$860			\$860
Item Utilisation: - Target Item	\$7,680	\$4,610	\$3,070			\$3,070
3rd Party Fees						\$0
Consumables	\$7,200		\$7,200			\$7,200
Total:	\$133,360	\$75,920	\$57,440	\$1,100	\$12,800	\$43,540

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Expenses

> Medical Supplies	- tender supplier	\$ 1.0k
> Printing	- appointment cards (Medical Together)	\$ 0.2k
> Printer	- economical running costs (Kyocera)	\$ 0.5k
> Insurance	- “to market” 24 months	\$ 0.5k
> Accountancy Fees	- book keeper (\$40/hr vs \$150/hr)	\$ 1.5k
> Merchant Fees	- provider rate (tyro)	\$ 0.4k
	- land line vs internet	\$ 0.4k
	Total	\$ 4.5k

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○ Sum of Strategies

> Practitioner

- Income \$ 76 k

> Practice

- Income \$ 43.5 k

- Expenses \$ 4.5 k

- Total \$ 48 k

- > Income \$ 119.5 k

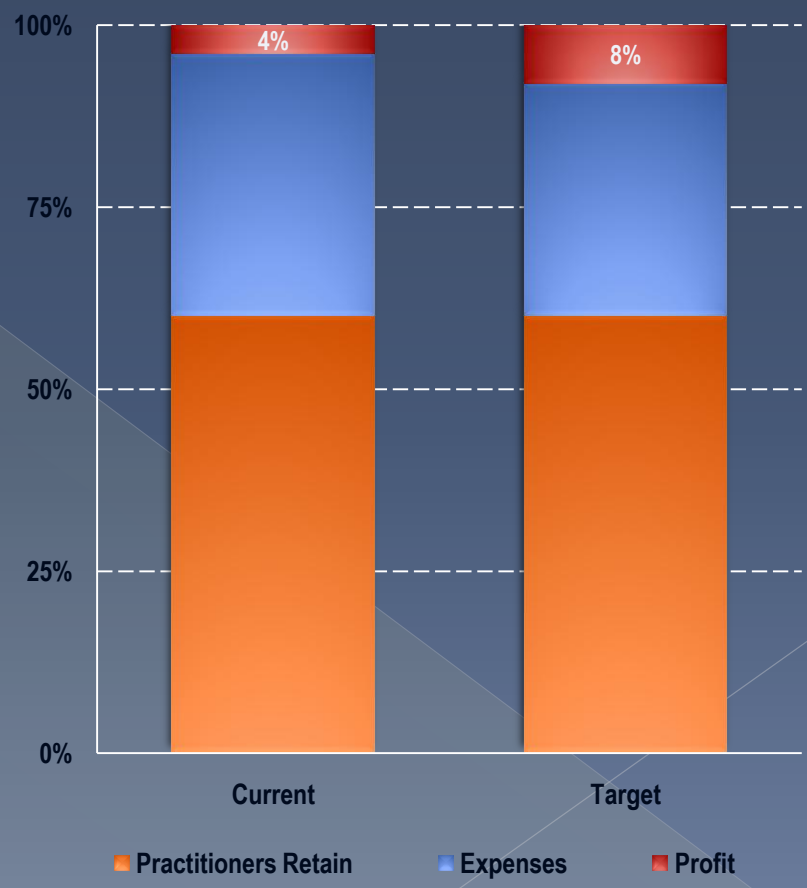
- > Expenses \$ 4.5 k

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What is the Effect ?

	Current	Target
Income	\$1,000,000	\$1,119,500
Expenses	\$360,000	\$355,500
Profit pre Dist'n	\$640,000	\$764,000
Exp % of Income	36%	32%
“ profit ”	4%	8%
Practitioner Retain	\$600,000	\$671,700
Net profit	\$40,000	\$92,300
Practice "value"	\$750,000	\$750,000
Rate of Return	5.33%	12.31%



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○ Summary

> Building Income

- is more than “fee increases & cutting expenses”
- does NOT necessarily cost money
- can improve scope of services provided
- will increase practitioner remuneration & practice profitability

> Building the Business is a key role of the Practice Manager

Conference Survival: “The Buffalo Theory”

Cliff Clavin - Cheers

One afternoon at Cheers, Cliff Clavin was explaining the Buffalo Theory to his buddy Norm. Here's how it went:

Well ya see, Norm, it's like this... A herd of buffalo can only move as fast as the slowest buffalo and when the herd is hunted, it is the slowest and weakest ones at the back that are killed first. This natural selection is good for the herd as a whole, because the general speed and health of the whole group keeps improving by the regular killing of the weakest members.

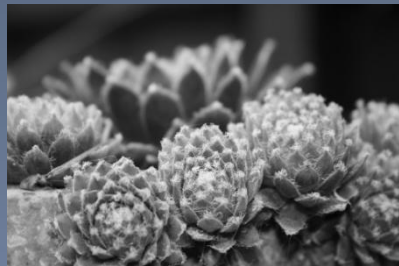
In much the same way, the human brain can only operate as fast as the slowest brain cells. Excessive intake of alcohol, as we know, kills brain cells. But naturally, it attacks the slowest and weakest brain cells first. In this way, regular consumption of beer eliminates the weaker brain cells, making the brain a faster and more efficient machine.

That's why you always feel smarter after a few beers.



Enjoy the Benefits

- you deserve it.



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