

Is Overhead Really to Blame for Today's Woes?

I recently saw the recent blurb in a physician email newsletter:

Diagnostic clinic short on docs

Once a vibrant and expanding practice in the medical community, the _____ Clinic is beginning to wither as doctors continue to leave. By the end of the month, three of its four internal medicine doctors will have left the clinic. Internist _____, who is leaving to work for _____ Hospital, said the clinic is "not stable lately." "It's too much overhead to pay," she said. "Let's put it that way."

In recent months, I've heard more and more complaining about overhead by physicians practicing in all types of medical practices, large, medium, and small of size. Well here is my simple response to all of this: IT'S NOT ABOUT OVERHEAD ANYMORE – IT'S ALL ABOUT THE TOP LINE!!!! As I mentioned in a previous article I wrote for this publication, it's time to quit diddling the overhead.

Overhead is such an easy target for physicians because it's something they see every day and it's easy to pick on as a short term solution to prop up the bottom line. However, in most medical practices, can overhead really be cut that much? If you've been doing your job, my answer is no. Sure you can "nickel and dime" it but are the reductions you can make really end up being that material? Let me put it another way – if I as a consultant can walk in to your medical practice right now and substantially cut your overhead, then all management should be fired on the spot. I can't believe with everything going on the marketplace that anyone would allow a medical practice to have overhead bloat.

Because overhead is so easy to pick on, what I've seen lately are physicians who are cutting the overhead to prop up the bottom line in such a way that it actually HURTS their practice instead of helping it. The easiest example to give is targeting the employee group, one of the highest cost centers in any medical office. The physician lays off some people to cut costs. The remaining employees have to pick up the slack, working harder, many times working overtime that drives costs back up, and as an end result, employee morale begins to disintegrate.

So where am I headed with this? My recommendation for you is to start concentrating on doing what it takes to maximize productivity, add new services, etc. to maximize your top line and therefore increase your bottom line. Quit blaming overhead as your problem when in fact if you take a hard look at it, it's really not your problem at all. You've got to sit down with your advisors and create a long term strategy for growing the revenue side of your medical practice. Here are a few ideas I've written about and talked about in the past:

- Add ancillaries you normally refer out
- Add new service lines
- Add products to sell to patients
- Merge medical practices
- Add a new location
- Add a new provider
- Change the physician compensation formula
- Office share with another physician

- Implement electronic medical records
- Make stakeholders out of the employees to search for money saving or money generating ideas
- Make sure with your current business there isn't revenue slipping through the cracks
- Create joint ventures and alliances

Use this list as a starting point for discussion. Talk with your management team and advisors about ways in which revenue can be increased, even if you are a solo practitioner. Strategize. Come up with a wish list and write down how and when these ideas can be implemented. In other words, create your own revenue-specific strategic plan.

Today you've just have to be proactive and I'm glad to see there are in fact many physicians out there trying out these ideas. Unfortunately many more are not. Do you really think reimbursement is going to get any better in the future? Do you think they'll be more competition for patients in the future? Will the pressures on physician incomes continue? Just remember the old saying – *People don't plan to fail, they just fail to plan.*

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