

McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Physician Services

Budget your productivity to reach income goals

Seeing into the future to discover what your earnings will be is not as impossible as it sounds.



By developing a productivity budget for your practice, you can calculate just how busy you should be to earn the amount of revenue you have set as a goal. Sit down with our practice management consultant to consider making a productivity budget part of your strategic plan. It can help you measure your success in achieving practice goals.

You'll need to gather together the management reports for the previous 12 months. This information should be available from your billing and collections software. We will go over your financial statements and management reports with you to determine the following averages:

- Average total monthly expenses
- Average total monthly charges
- Average total monthly collections
- Average number of billable patient encounters per week
- Average charge per patient
- Average collection per patient encounter

For capitated patients, determine the total monthly dollars received for capitated arrangements, less any expenses incurred caring for these patients, to find out the surplus or deficit remaining in this fund. Capitated dollars divided by total number of capitated patient encounters per month equals the monthly capitated dollars per patient that is revenue. Include these capitated dollars per month as a line item in your monthly budget.

Review your activity for the past 12 months to identify any busy or slow periods. Also identify the months with known extra expenses. Adjust your monthly average calculations to account for these differences.

Our firm can set up a spreadsheet for you to track this information over the coming year.

Plug in your predictions for each of the budgeted measures over the coming months. At the end of each month, fill in the actual values and calculate any variance from your budget. To help increase the budget's accuracy, review it at least every month and make adjustments to budgeted measures based upon current-year activity.

After filling in the blanks for the budgeted measures over the coming year, discuss with us the increase that you want to make in your expected income. Increasing your income can be accomplished in two ways: Decrease expenses or increase productivity.

When focusing on productivity, look at ways to decrease down times and increase efficiency. Any changes that you can incorporate into your practice style that will increase your billable patient encounters will lead to more patient charges, more cash collected and more income at the end of the month.

A productivity budget is a useful management tool to map out an entire year's expected practice activity and to compare

expenses to revenues. By developing a productivity budget, you can plan practice management changes suitable for the expected changes in expenses or cash collections. Talk with our practice management consultant to develop your productivity budget for the coming year.

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. For more information on this article or MKS&H, please send an email to info@mksh.com or call 410.296.6200 and the marketing director can put you in touch with the right department.

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