5 ways to teach physicians about financial management

The delivery of high-quality care is the No. 1 priority for physicians—but quality should be supported by sound financial management. Here, Jeff Akers, CPA, a senior consultant with McKesson Revenue Management Solutions, shares strategies for helping physicians understand what is driving the bottom line.

Review basic financial reports and key metrics monthly. Three reports—the balance sheet, income statement, and cash flow forecast—can give physicians a clear, concise indication of the group’s financial performance, Akers says. Keep it simple: What does cash flow for the organization look like? How is revenue trending? Are there any outliers in expenses? What is the forecast for cash flow based on volume and payment trends?

The key is comparing current periods with prior years’ performance and against budget to reveal variances and trends. Reviewing measures such as revenue per FTE, compensation package per FTE, and overhead as a percentage of total expense also will help physicians understand whether their practice’s performance is in line with its business plan and how the practice compares with other practices nationally.

Share relevant benchmarks. Be sure to benchmark data that physicians consider important, Akers says. Physicians often want to know how their group is performing relative to other practices. Common productivity measures are work relative value units, cases, base units, procedures, and number of patients seen per hour.

Show physicians why accurate documentation matters. Although claim denials may end up in the business office, they often start in the physician’s office because physicians have neglected to include required, proper documentation. First, define the problem by showing denials per physician, per procedure and/or patient, and per payer. Then, beginning with a service that is experiencing multiple denials, explain why the claims are often denied and the financial implications to the practice.

“If you’re not educating physicians on proper documentation and continuous coding changes, there is a high likelihood that the practice is being denied payment,” Akers says. Ideally, this monthly agenda item will become less time-consuming over time due to improved documentation and fewer denials.

Connect the dots. Physicians should periodically view their practice through the lens of a business owner, keeping in mind that each decision has a bottom-line impact. Physician groups should have a decision framework in place that provides an efficient process for making business decisions. For example: Who has authority to decide? What are the bottom-line implications? Is there a downside/risk? How soon must the decision be made? Each decision should comply with the group’s financial, strategic, and patient care objectives.

Keep it brief. Be respectful of a physician’s limited time. During financial reviews, physicians should be able to immediately understand where the practice stands. Do not overcomplicate the presentation with details that will cloud key information. Instead, use dashboard tools to zero in on only those metrics physicians need to know; then, be available for subsequent outside discussion if further explanation is requested. “Physicians are busy. Often, their business meetings occur at the end of a long day. The last thing they want to do is sit in a two-hour accounting session,” Akers says.

Karen Wagner is a healthcare freelance writer, Forest Lake, Ill., and a member of HFMA’s First Illinois Chapter (klw@klw.ms).