

Improving Profitability by Utilizing Budgets and RVU's

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Antitrust Statement

The information presented at this program is provided for the purpose of informing you of current issues important to the management of your practice.

None of the action presented in this program is intended to encourage actions on the part of the participants that would be in violation of federal or state antitrust laws.



Top Ten Reasons to Develop a Financial Plan

Number 1

If you don't know where you are going – how will you get there?

- Evaluate different areas
- Forecast
- Year end compensation

Number 2

Saying “no” becomes easy

- Budget neutral
- Budget positive

Number 3

Change – make it positive

- “It has always been done that way”
- Make hard decisions about change

Number 4

The Power of Strategic Planning

- What are your strengths, weaknesses, opportunities, and threats?
- How can you capitalize on your strengths to improve profits?
- What change needs to occur to minimize or eliminate your weaknesses to improve profits?
- What opportunities are available to your practice to add revenue, optimize revenue, improve service, create alliances, or reduce expenses?
- What lurks in the market that could cause you to lose revenue, reduce your patient base, or increase your expenses?
- What do you need to do to address these threats?

Number 5

Make Income Predictable

- Eliminate worries
- Personal plan

Number 6

Facilitate change in physician behavior

- Are you coding correctly?
- Are you turning in charges timely?
- Are you taking excessive time off?
- Are you efficient in your patient schedule?
- Do you have too many staff members following you around?

Number 7

Learn something new

- Cost structure
- Reimbursement levels
- Fee structure
- Breakeven analysis
- Productivity
- What it truly takes to run your practice
- What you need to recover from managed care companies to provide the level of service patients deserve
- How productive you need to be to make the level of income you desire
- How many staff members you really need to be efficient and productive
- What expenses are “luxury” items for the practice

Number 8

Increase profitability

- Increased profit=higher compensation

Number 9

Improve operations

- Better schedule
- Improved patient flow
- Improved staff morale

Number 10

It's the smart thing to do

- Business side of medicine
- Good business decision



**What are RVU's and
Why are RVU's
Important?**

Definitions

RBRVS – Resource-Based Relative Value Scale

RVU – Relative Value Unit

GPCI – Geographic Practice Cost Indices

CF – Conversion Factor

2008 Medicare CF = \$38.087

Relative Value Components

- Work Related
- Practice Expense Related
- Malpractice Expense Related

Medicare Reimbursement Calculation

{(RVU work x Budget Neutrality Adjustor
(0.8806) x GPCI work) + (RVU Practice
Expenses x GPCI Practice Expense) +
(RVU Malpractice x GPCI Malpractice)} x
Conversion Factor

2008 RVU Calculation for 99213

- 99213: $\{((.92 \times .8806) \times 1) + (.73 \times .884) + (.03 \times .615)\} \times 38.087 = \56.13

Cost per RVU

- Volume per CPT code
- Volume times RVU
- Imputed RVUs
- Total Costs – Operating vs. Physician
- $\text{Total Costs} / \text{Total RVU} = \text{Cost per RVU}$
- $\text{Cost per RVU} / \text{Medicare CF} = \% \text{ of total costs to Medicare Fee Schedule}$

Calculation

Total RVUs	43,527.6
Total Charges	\$3,875,621
Charges Per RVU	\$89.04
- Divided by CF (38.087)	234%
Total Collections	\$2,164,548
Collections per RVU	\$49.73
- Divided by CF (38.087)	131%



Total Costs	\$2,164,548	
Operating	\$1,344,615	
Physicians	\$ 819,933	
Total Cost Per RVU	\$49.73	131%
Operating	\$30.89	81%
Physician	\$18.84	49%

Imputed RVU Calculation

- $\text{Total Charges with RVU} / \text{Total RVUs} = \text{Charge per RVU}$
- $\text{Total of ALL Charges} / \text{Charge per RVU} = \text{Imputed RVUs}$

Profitability Analysis

- Cost Per RVU
- Reimbursement per CPT
- Contract Negotiation

Fee Schedule

- HealthChoice
- Excel
- Medicare

Proposed Fee Schedule Impact

- Prior annual volume for specific payer
- Current Fee Schedule

Payer Mix

- Total Charges by Payer
- Total RVUs by Payer
- Total Payments by Payer

Importance of RVU's

- Integral Part of Practice Management
- Basis for Reimbursement
- Audit Payments
- Establish Fee Schedules
- Analyze Expenses
- Profit Analysis
- Compensation Formula
- Benchmark Productivity

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