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
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

\[
\{(RVU \text{ work} \times \text{Budget Neutrality Adjustor } (0.8806) \times GPCI \text{ work}) + (RVU \text{ Practice Expenses} \times GPCI \text{ Practice Expense}) + (RVU \text{ Malpractice} \times GPCI \text{ Malpractice})\} \times \text{Conversion Factor}
\]
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
- Total Costs/Total RVU=Cost per RVU
- Cost per RVU/Medicare CF=% 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%
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<td>Total Cost Per RVU</td>
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Imputed RVU Calculation

- Total Charges with RVU/Total RVUs = Charge per RVU
- Total of ALL Charges/Charge per RVU = 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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