

Doc Talk BUSINESS

edition

July 2018



We heard loud and clear from the 2018 Members Survey that you want business management and processes support. The Abbotsford Division of Family Practice has been working with a Business Analyst, Lori Kesteven, over the last year with good uptake from their members. In this Business Edition of Doc Talk, you will find the articles she wrote that were published in the Abbotsford Division newsletter earlier this year. For ongoing articles, keep an eye out for the monthly Doc Talk which will resume its regular publication in August.

Katrina Bepple, Executive Director | kbepple@divisionsbc.ca

How Healthy is your Medical Practice?

As each year moves forward, many of us review the past year and plan for the upcoming one. Your Medical Practice should be no different. The health of your business is like your own health, a reflection of how well the aspects of your operation are managed. No different than an annual visit to the doctor, a practice checkup avoids problems by being mindful of aspects which affect growth and success, facilitating your clinical operations.

The benefits of a regular business checkup include identifying your practices' strengths, opportunities and challenges. Recognizing concerns allows you to take preventative measures, lead change, and keep your business healthy. Focusing on the Management of your Operations, Finance and Legal, Human Resources and Patient Communication and Satisfaction are solid starting points in evaluating your business health.

MANAGEMENT OF YOUR OPERATIONS

Now is the perfect time to evaluate the management of your practice. Pull out your business plan and review the information below in order to take stock of where you are, scan your environment, determine your needs to achieve your goals, and revise or make a plan. Regular reviews of management practices highlight areas of your business needing attention.

Can you collaborate with that team to meet clinic goals? Do you have an advisory team of business professionals, consisting of an accountant, lawyer, banker, insurance advisor and human resource consultant, to offer expert advice when

required? Regular reviews of the management practices address highlight areas of your business needing attention.

What is the Strategic Plan for developing your business?

The power of working from a plan is to provide direction, adapt to change, and allow tracking of progress and course correction. As a living document, a business plan is a valuable roadmap for launching and growing your practice, not merely a document to secure bank financing. It provides direction by clarifying strengths, weaknesses, opportunities and challenges. It enables informed decisions and flexibility to lead change.

Key features of your plan should include:

- Practice Vision, Mission and Goals
- Practice Values
- Strategy for Success
- SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)

Does your practice have a Policy and Procedures manual?

A written operations manual details the "how-to" of day-to-day activities, and should allow for system changes as old policies and procedures are discontinued as new ones emerge. Regular review of your operations plan keeps your office efficient and effective for the care of both your clinical team and patients.

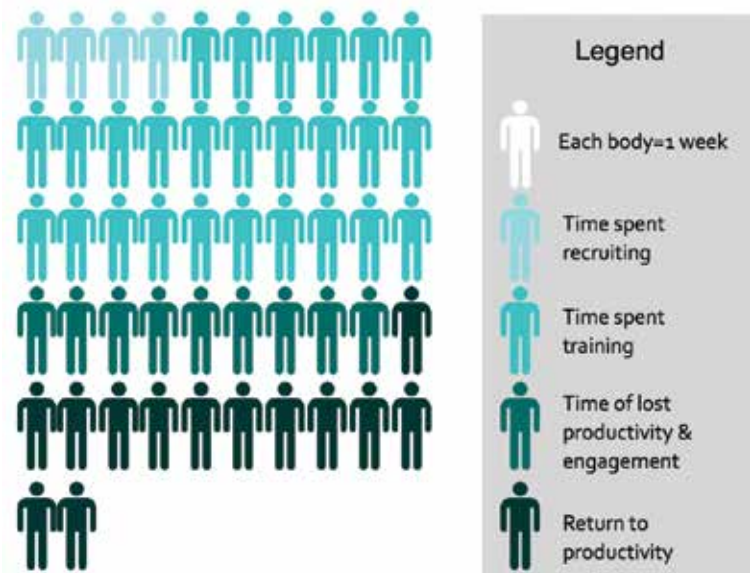
Focusing on these two planning areas of your practice highlight that a healthy small business is a critical component of a healthy medical practice.

If you have any questions, wish to discuss the information provided in this newsletter, or would like business management support, contact the **Division's Business Analyst, Lori Kesteven** at lketsteven@divisionsbc.ca or 604-217-1833.

Employee Retention - The Cost of Employee Turnover

Employee turnover comes at a high cost to any small business including medical practices. Factors to consider advertising and interviewing, screening and hiring recruiting and training time by both management and other staff, lost productivity due to being short-staffed and the new team member not being “up to speed”, possible errors by new employees lost engagement of co-workers as they revisit their own reasons for being part of your organization, impacting overall culture.

Annual Direct Cost of Employee Turnover



Though research varies on the cost estimation for replacing a team member, all studies acknowledge that the price tag is significant, ranging from 21.4% to 75% of a team member's annual salary. Businesses spend an average of 21.4% of an employee's salary on a replacement which would be \$8650. The Society for Human Resource Management indicates employers will spend six-nine months' salary in order to find and train a replacement; for a \$40,000 employee, replacing them will cost between \$20,000-\$30,000. Industry “rule of thumb” is that it costs \$10,000 to replace an employee. The lost productivity and employee engagement along with servicing errors and organizational cultural impacts should not be underestimated. In addition, costs tied to the responsibility of the position may be intangible and hard to track. Employers need to take note of those unwanted costs.

It is quickly apparent that retaining employees and meeting their needs is important. Recruiting only the most skilled candidates, retaining them as long as possible and using personnel “check-ins” or reviews to identify training needs early on should be considered. As approximately 44% of employee turnovers occur within the first 6 months of employment, effective training and onboarding team members needs to be a primary focus. One of the most effective means of retention is mentoring new employees, resulting in increased productivity and performance. Implementation of a health benefits program, specialized attention and training increases the likelihood of team members staying with your practice.

Medical Practice versus Small Business Model

In the past, physicians have been resistant to thinking about their practice as a business; providing care to patients has often superseded that fact. However, the 2018 federal government tax changes have highlighted that medical practices are indeed, just that - businesses. Physicians are highly skilled professionals, performing a public service with an average of 3 employees. They rent, lease or own office space and contribute to local economies through municipal taxes. Typically, with no pensions or health benefits, physicians are responsible for employee deductions and benefits, just like other small business owners.

Unique business challenges for physicians include the average age they enter practice, the high level of education-related debt, and the limited ability to pass on cost increases to operating a medical practice. Incorporating a medical practice offers a number of recognized benefits such as taking advantage of the small business deduction and the ability to retain income to assist in retirement and

pension planning, despite curtailment of income splitting as of January 1, 2018.

In an ever-demanding environment, it is even more important to integrate best business practices. Have yourself or a member of your staff, (i.e. your billing manager, bookkeeper or accountant), analyze your financial numbers looking for ways to increase revenue and review expenses you did not expect.

Take advantage of the technology available to you, such as financial software, EMRs, and Telemedicine, to achieve efficiencies which will improve practice management, financial performance and organizational culture. Embracing your small business identity will prepare your practice for the uncertainty medicine faces, placing you in a position as a change leader with innovative ways to stay business healthy, which will in turn keep your patients healthy too.



How Will the Increase in Minimum Wage affect your Medical Practice?

In September 2017, the BC NDP government increased the minimum wage by \$0.50 to \$11.35, with the intention of increasing that rate to meet a proposed goal of \$15.00 by 2021. Announced February 8, 2018, the increase in minimum wage will be \$12.65 as of June 1, 2018 and will continue to rise every year until June 1, 2021 at which time it will reach \$15.20. Should you be concerned about the effects on your medical practice?

Two perspectives...

On a positive note, employees who are paid higher wages are generally happier at work. With less financial stress weighing on them staff are more actively engaged in the job at hand as they are less concerned about how to pay bills and put food on the table. As a result of this engagement efficiency is increased as staff are more invested, providing your patients with higher quality care. Increased wages could also improve retention and productivity, reducing turnover and recruitment costs. Despite these short-term changes, this adjustment will be good for your small business.

However, the concerns with such an increase are multi-faceted. The increase in staff wages will reduce profit margins. Employers will pay higher payroll deductions. Will this require a downsizing of your workforce, delay hiring employees, or reduce hours and benefits? Will a higher percentage of your operating dollars be allocated to wages versus equipment or supplies? Essentially, is your medical practice able to sustain the effect on profitability that will follow a wage increase?

Now what...

Increase Efficiencies and Productivity of Employees

One approach to weathering this eventuality is to ensure that there is a corresponding increase in productivity commensurate with that in wages. Review workflow to cut inefficiencies, review effectiveness of current technology, investigate opportunities to streamline repetitive or cumbersome tasks, and reallocate workloads to less expensive team members.

This year the Chilliwack Division partnered with UFV to run a custom Advanced Office Assistant (AMOA) program which was funded mainly by the Division to enhance in-practice support. This course is designed for dedicated medical office assistants looking to provide more support and leadership in their clinic. They will learn to create detailed procedures to improve systems, develop patient self-management plans, stay at the fine point of clinical best practices, and much more.

This opportunity was open to all MOAs who work in clinics of Division members. We aim to run this program again, so if you are interested in nominating one of your MOAs, contact us at chilliwackdfp@divisionsbc.ca.

Review your Business Plan

Are current staffing levels viable with the proposed labour cost increases? If you do not have a business plan or follow a financial model, this is your starting point. Based on your historical data, create a financial plan to understand your financial numbers—this is the key to ensuring your medical practice is sustainable and healthy. Reviewing your data and reforecasting your labour expenses with these expected increases will help you understand the impact on your cash flow. Given that labour is your highest line item, knowing your financial numbers will assist in determining how to move your business to where you would like.

Increase your Revenue

Use this as an opportunity to review your revenue sources and look toward strategies for growth. Meet this challenge by identifying methods to increase the revenues into your practice, including both MSP billings, third-party billings and other uninsured service fees.

Review of Uninsured Service Fees

When is the last time you reviewed uninsured service fees? Are they comparable to recommended levels from Doctors of BC? If you are not able to increase your capacity for patient visits, adjusting the level of these fees may be another option to increasing revenue. Effectively communicating fee increases can increase revenue without a significant adverse impact on patient relationships.

Financial and Legal

Following your financial position may not be the highlight of running your practice, but is vital to its sustained health.

Do you regularly receive your financial information?

Gathering your most current set of financial statements and comparing them to previous years will assist in identifying revenues and/or expenses which have changed significantly. Check your financial information to budgets or forecasts for upcoming years, identifying why differences have occurred, positively or negatively. Consider what could be done differently. Note that any large discrepancies warrant review and evaluation.

Do you have accurate bookkeeping and accounting systems producing reliable financial information?

Reliable record keeping facilitates accurate financial statement information. Are your financial statements in order and do you read them monthly? Do you have an expert financial team including an accountant and lawyer? What are your checks and balances to maintain internal control? Are you in compliance with tax regulations? Monthly review of your financial statement enhances identification and monitoring of key business indicators.

Do you have sufficient cash flow?

Once you have identified your main revenue streams, pinpoint your main expenses and whether your costs were expected. Compare those to projections and recognize areas that need attention with the intent of increasing cash flows and reducing expenses. Note

automatically reducing staff as a solution to cash flow constraints may not be the best solution. Consider services that cost more than they return.

How effectively are Receivables collected?

Having a clear policy on the collection of outstanding accounts ie. uninsured services, eradicates the ambiguity as to when and by whom revenue is collected. Are you collecting at the time of service? What are the possibilities of collecting revenue for Medical Legal Reports in advance?

Should you incorporate?

At what point do you incorporate your practice? If incorporated, are your minute books and shareholder agreements in order? Seeking advice from your accountant and lawyer is invaluable in these areas.

What are your legal responsibilities?

Review of business license and leases ensures you know your responsibilities as a business owner. Familiarity with the employment standards, and knowledge of your employment and supplier contracts ensure that you are fulfilling your obligations.

What fraud prevention measures do you have in place?

Monthly bank statement reconciliations, and confirmed financial authorizations prevent opportunities for collusion and fraud. Which team member receives, deposits revenue and records revenue? Are those duties appropriately segregated?

The Division now offers the services of a Business Analyst to support our members and clinics.



Meet Lori Kesteven, Business Analyst. As a chartered professional accountant, management accounting is my primary focus. Studies during my Masters of Leadership highlighted work in vision and strategy, innovation, and relationships and collaboration. My work experience includes 20+ years in a small business management in both the medical and dental fields including human resources, operations, financial and systems management.



Chilliwack

Division of Family Practice

A GPSC initiative

Questions? Contact the **Division's Business Analyst, Lori Kesteven**
at lkesteven@divisionsbc.ca or call at 604-217-1833.

www.divisionsbc.ca/chilliwack