

# The Power of Paying Attention

Karen Zupko, BSJ

The twin evils of ignorance of and indifference toward practice management can cost an orthopedic surgeon thousands of dollars. Then add in physician's confusion about "delegation" and "abdication" of management responsibility, and you have the potential for staggering losses. This is especially true for orthopedic surgeons, who have larger revenue streams and more ancillaries than other surgical specialists. Not paying attention has a high price tag.

You do not need an MBA to figure out what aspects of the business are important to monitor and measure. An uncomplicated technique for making your practice better is to focus on three or four key business areas and to do so consistently. Attention can produce terrific results that will, unlike your brokerage statement, make you happy.

It is still early in the new year, and there is plenty of time to make good on resolutions for both personal and practice improvement. So, for 2008, resolve to pay attention in the following three areas:

**1. The monthly income and expense statement, including a comparison with the same time period in the previous year.** All revenue and expense categories should be descriptive and clear. One category of insurance lumping health, life, key man, and malpractice is a bad idea. Whole numbers tell a misleading story; you want to see the percentage of expenses that each item represents. For instance, staff salaries and benefits typically run around 22%. Rarely is rent more than 5% to 7% of overhead. Use Medical Group Management Association (MGMA) data—particularly the MGMA's Cost Survey for Orthopaedic Practices (<http://www.mgma.com>)—and benchmarking data from the American Association of Orthopaedic Executives (AAOE) (<http://aaoe.net/>) to see how your practice measures up.

Next, insist that your income and expense statement for each month is on your desk 2 weeks after the month's end. In other words, you should have your February statement

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no later than March 17. There is no acceptable reason for a statement to be a month, or more, late. None.

You need timely reports. One orthopedic surgeon received only a year-end statement prepared by his accountant; this arrived around March 1, just in time for preparation of the tax return. This is the equivalent of playing golf all summer and not getting your score and handicap until October.

Your income and expense statement does three things: first, it allows your accountant to complete your return; second, it will be required if you want to obtain a loan; third, and perhaps most importantly, it allows you to measure and monitor your financial progress in "real time."

"Old news" gives you no time to make corrections in faulty systems. "What systems?" you ask. Okay, here's one from the "Tales From the Orthopedic Surgery Front." The office manager is in over her head, the AR is skyrocketing, cash flow is bad, and the checking account is low, and the office manager pays the two doctors, the staff, and the rent. She decides to set aside the disability insurance premium—this month and next month and the month after. But, the first time that you know about it is when your insurance is canceled! Replacing a good disability

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insurance policy today is difficult and expensive. In this scenario, if you had a good income statement with descriptive categories, you would have seen a blank in the column next to "Disability Insurance," and you could do something about it (like pay the bill). There are dozens of similar stories in our files. Most recently, an administrator put off funding the pension plan and paying taxes, because his decision to outsource billing, against our recommendation, proved to be financially fatal.

**2. The skills of your accountant.** Make sure an accounting professional reviews your staff's work on the bank reconciliation, monthly. You are NOT saving money by cutting the accountant out of this process; it is the equivalent of bungee jumping using a loose cord. You need someone knowledgeable looking over your trusted manager's shoulder. It's worth it. And, of course, the accountant must be awake while doing this to spot errors and not just re-key the work of your staff.

In some orthopedic surgery practices, the accountant, with great alarm, alerts the doctors about the incredibly high cost of “medical supplies” in the practice, suggesting that the practice is “way out of line” and “not like any other practice” the accounting firm handles. In one case, 4 orthopedic surgeons had DME and injectible medications—all billable—lumped in with two-by-two’s, tape, and paper for the exam tables! The accountant was unfamiliar with orthopedic surgery and its specialty nuances. An alert manager and accountant would have conferred with each other and created detailed expense categories before this accounting aberration appeared.

**TIP:** If your practice has injectible drugs, supplements, and nutraceuticals, you *MUST* have a good inventory system tied to your practice management information system. Several groups have discovered that entrepreneurial staff members were selling such inventory on eBay months later.

Lastly, if your accountant has not suggested any new ideas in terms of pension plan construction, making staff benefits more affordable, or reducing overhead—you may need to shop for new talent. If your current accountant is a brilliant tax wizard, let her or him perform that function and find an additional consultant who is interested in, and can advise about, practice issues.

**3. The performance of the office administrator, manager, or other staff.** Most orthopedic surgeons have no idea how to assess the performance of the person they call the “manager.” One often hears the stories at the Academy annual meeting about how a loyal employee of long standing pilfered hundreds of thousands of dollars! Check your office

insurance policy and verify coverage and amounts in case of “creative bookkeeping” or theft. Cash surgical deposits can be very tempting. If money is stolen, the insurer pays you and pursues the sticky-fingered staff.

Many physicians fail to test what the manager tells them. The doctors seem unclear about the difference between abdication and delegation. It is critical that you “test” what you are told. It works like this:

Physician: “Let me see our accounts receivable report aged by carrier rather than alphabetically.”

Staff: “Sorry, the computer does not do that.” Translation: “I don’t know how to do that and I didn’t look.”

Physician: “Hmm. Why don’t you bring me the manual and let me take a look. And, while you are up, bring me the vendor’s phone number. We’ve got to do something about this.”

Skilled in reading both tables of contents and indexes, you may discover that, in fact, your system produces accounts receivable reports in several variations that you have never seen. Ask your staff to do some overdue research.

Another orthopedic group was shocked to discover that patient statements hadn’t been sent out for 6 months. Three other medical groups discovered this year that no one on staff had been reading the error report from the clearing house, leaving tens of thousands of dollars in “limbo.” A third group discovered two phone lines they had been paying for but never used. Revenue leaks abound, despite grumbling about overhead.

Our motto is “trust but verify.” Focus more on the business side of your practice—while it may not be as much “fun” as surgery, paying attention may make it more profitable. Just ask the busy operating surgeons who failed to do so; they have hundreds of uncompensated surgical hours to show for it.