

Tools Help Track the Health of Your Bottom Line

BY MARY ELLEN SCHNEIDER
New York Bureau

SAN DIEGO — Preparing a budget and regularly compiling financial reports are critical for any physician practice to maintain a healthy bottom line, financial experts said at the annual meeting of the American College of Physicians.

"It's important to keep your eye on your cash flow," said Margo J. Williams of the ACP's Practice Management Center in

Washington. A number of standard financial monitoring tools—balance sheets, income statements, budgets, and accounts receivable reports—can help give physicians an overall picture of how the practice is doing and provide early warning of potential problems.

The balance sheet is often misunderstood, said Carl B. Cunningham, director of the center. For the average physician practice, the balance sheet is mainly useful when trying to sell the practice because

it lists the accumulated assets and liabilities. However, because the balance sheet is really just a snapshot of one point in time, it's not very useful in managing the practice day to day, he said.

A better tool for daily management of the practice is the income statement, Mr. Cunningham said. This allows physicians to measure, over a specific period, their revenues and expenses. He recommends analyzing the income statement monthly.

But the income statement also has a

drawback: It describes the financial state of the practice, but it doesn't help determine how the practice should be performing. That's where having a budget comes in, Mr. Cunningham said. "An awful lot of practices never bother to prepare a budget. I would strongly encourage you to do so because what it does is provide a planned income statement."

By preparing a budget, physicians can sit down in advance and figure out where they want to be financially and what types of expenses and revenue will be needed to get there. This type of budgeting exercise can be done for the whole practice, as well as when evaluating new ancillary services. And because the budget is there to serve as the guideline, it can also help physicians delegate some financial tasks to other staff, Mr. Cunningham said.

For those physicians who are ACP members, the staff at the Practice Management Center can provide a one-page summary of the practice's key financial data. The one-page report includes charges, patient visits, and accounts receivable by month and year-to-date. This tool can be an easy way for a busy physician to quickly evaluate his or her practice, he said.

"Accounts receivable management is another area that is critical to monitoring the financial status of your practice," Ms. Williams said. Accounts receivable, which is the money that is due but has not yet been received, is an area where everyone from the front desk receptionist to the physician can play a role, she said. The goal should be to get things right the first time in terms of getting out clean claims, staying on top of denials, and finding out why claims are being denied.

Continuous monitoring of accounts receivable also is important. Some of the tools that physicians and their staff can use to oversee this area include tracking the days in accounts receivable, to find out how long it takes to collect, and calculating gross and net collection ratios, which show how much is being collected.

The average number of days that charges spend in accounts receivable can be calculated in two steps. First, take the total charges and divide by 365 days to get the average daily charges. Then, take the total accounts receivable balance and divide by the average daily charges.

Collection ratios can be helpful in determining the share of the accounts receivable that has actually been collected. But when calculating collection ratios, keep in mind that the gross collection ratio is easy to figure out but is influenced by the fee discount contracted with payers, and so, it is not a pure measure of collections performance.

The net collection ratio is a better indicator of performance because it is based on contracted fees that can actually be collected. However, this number is difficult to calculate without a sophisticated practice management system that builds accurate payer fee schedules into the computer, Ms. Williams said.

Information on the ACP Practice Management Center is available online at www.acponline.org/pmc.

DIFFERIN® (adapalene) Cream, 0.1%

Rx Only BRIEF SUMMARY

For topical use only. Not for ophthalmic, oral, or intravaginal use.

INDICATIONS AND USAGE: DIFFERIN® Cream is indicated for the topical treatment of acne vulgaris.

CONTRAINDICATIONS: DIFFERIN® Cream should not be administered to individuals who are hypersensitive to adapalene or any of the components in the cream vehicle.

PRECAUTIONS: General: If a reaction suggesting sensitivity or chemical irritation occurs, use of the medication should be discontinued. Exposure to sunlight, including sunlamps, should be minimized during use of adapalene. Patients who normally experience high levels of sun exposure, and those with inherent sensitivity to sun, should be warned to exercise caution. Use of sunscreen products and protective clothing over treated areas is recommended when exposure cannot be avoided. Weather extremes, such as wind or cold, also may be irritating to patients under treatment with adapalene.

Avoid contact with the eyes, lips, angles of the nose, and mucous membranes. The product should not be applied to cuts, abrasions, eczematous or sunburned skin. As with other retinoids, use of "waxing" as a depilatory method should be avoided on skin treated with adapalene.

Information for Patients: Patients using DIFFERIN® Cream should receive the following information and instructions:

1. This medication is to be used only as directed by the physician.
2. It is for external use only.
3. Avoid contact with the eyes, lips, angles of the nose, and mucous membranes.
4. Cleanse area with a mild or soapless cleanser before applying this medication.
5. Moisturizers may be used if necessary; however, products containing alpha hydroxy or glycolic acids should be avoided.
6. Exposure of the eye to this medication may result in reactions such as swelling, conjunctivitis, and eye irritation.
7. This medication should not be applied to cuts, abrasions, eczematous or sunburned skin.
8. Wax epilation should not be performed on treated skin due to the potential for skin erosions.
9. During the early weeks of therapy, an apparent exacerbation of acne may occur. This is due to the action of this medication on previously unseen lesions and should not be considered a reason to discontinue therapy. Overall clinical benefit may be noticed after two weeks of therapy, but at least eight weeks are required to obtain consistent beneficial effects.

Drug Interactions: As DIFFERIN® Cream has the potential to produce local irritation in some patients, concomitant use of other potentially irritating topical products (medicated or abrasive soaps and cleansers, soaps and cosmetics that have a strong drying effect, and products with high concentrations of alcohol, astringents, spices or lime rind) should be approached with caution. Particular caution should be exercised in using preparations containing sulfur, resorcinol, or salicylic acid in combination with DIFFERIN® Cream. If these preparations have been used, it is advisable not to start therapy with DIFFERIN® Cream until the effects of such preparations in the skin have subsided.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Carcinogenicity studies with adapalene have been conducted in mice at topical doses of 0.4, 1.3, and 4.0 mg/kg/day, and in rats at oral doses of 0.15, 0.5, and 1.5 mg/kg/day. These doses are up to 8 times (mice) and 6 times (rats) in terms of mg/m²/day the maximum potential exposure at the recommended topical human dose (MRHD), assumed to be 2.5 grams DIFFERIN® Cream, which is approximately 1.5 mg/m² adapalene. In the oral study, increased incidence of benign and malignant pheochromocytomas in the adrenal medullas of male rats was observed. No photocarcinogenicity studies were conducted. Animal studies have shown an increased risk of skin neoplasms with the use of pharmacologically similar drugs (e.g., retinoids) when exposed to UV irradiation in the laboratory or to sunlight. Although the significance of these studies to human use is not clear, patients should be advised to avoid or minimize exposure to either sunlight or artificial UV irradiation sources.

Adapalene did not exhibit mutagenic or genotoxic effects *in vivo* (mouse micronucleus test) and *in vitro* (Ames test, Chinese hamster ovary cell assay, mouse lymphoma TK assay) studies.

Reproductive function and fertility studies were conducted in rats administered oral doses of adapalene in amounts up to 20 mg/kg/day (up to 80 times the MRHD based on mg/m² comparisons). No effects of adapalene were found on the reproductive performance or fertility of the F₁ males or females. There were also no detectable effects on the growth, development and subsequent reproductive function of the F₂ generation.

Nursing Mothers: It is not known whether this drug is excreted in human milk. Because many drugs are excreted in human milk, caution should be exercised when DIFFERIN® Cream is administered to a nursing woman.

Pediatric Use: Safety and effectiveness in pediatric patients below the age of 12 have not been established.

ADVERSE REACTIONS: In controlled clinical trials, local cutaneous irritation was monitored in 285 acne patients who used DIFFERIN® Cream once daily for 12 weeks. The frequency and severity of erythema, scaling, dryness, pruritus and burning were assessed during these studies. The incidence of local cutaneous irritation with DIFFERIN® Cream from the controlled clinical studies is provided in the following table:

	Incidence of Local Cutaneous Irritation with DIFFERIN® Cream from Controlled Clinical Studies (N=285)			
	None	Mild	Moderate	Severe
Erythema	52% (148)	38% (108)	10% (28)	<1% (1)
Scaling	58% (166)	35% (100)	6% (18)	<1% (1)
Dryness	48% (136)	42% (121)	9% (26)	<1% (2)
Pruritus (persistent)	74% (211)	21% (61)	4% (12)	<1% (1)
Burning/Stinging (persistent)	71% (202)	24% (69)	4% (12)	<1% (2)

Other reported local cutaneous adverse events in patients who used DIFFERIN® Cream once daily included: sunburn (2%), skin discomfort-burning and stinging (1%) and skin irritation (1%). Events occurring in less than 1% of patients treated with DIFFERIN® Cream included: acne flare, dermatitis and contact dermatitis, eyelid edema, conjunctivitis, erythema, pruritus, skin discoloration, rash, and eczema.

OVERDOSAGE: DIFFERIN® Cream is intended for cutaneous use only. If the medication is applied excessively, no more rapid or better results will be obtained and marked redness, scaling, or skin discomfort may occur. The acute oral toxicity of DIFFERIN® Cream in mice and rats is greater than 10 mL/kg. Chronic ingestion of the drug may lead to the same side effects as those associated with excessive oral intake of Vitamin A.

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325069-0805
Revised: August 2005

DIFFERIN® (adapalene gel) Gel, 0.1%

Rx Only BRIEF SUMMARY

INDICATIONS AND USAGE: DIFFERIN® Gel is indicated for the topical treatment of acne vulgaris.

CONTRAINDICATIONS: DIFFERIN® Gel should not be administered to individuals who are hypersensitive to adapalene or any of the components in the vehicle gel.

WARNINGS: Use of DIFFERIN® Gel should be discontinued if hypersensitivity to any of the ingredients is noted. Patients with sunburn should be advised not to use the product until fully recovered.

PRECAUTIONS: General: If a reaction suggesting sensitivity or chemical irritation occurs, use of the medication should be discontinued. Exposure to sunlight, including sunlamps, should be minimized during the use of adapalene. Patients who normally experience high levels of sun exposure, and those with inherent sensitivity to sun, should be warned to exercise caution. Use of sunscreen products and protective clothing over treated areas is recommended when exposure cannot be avoided. Weather extremes, such as wind or cold, also may be irritating to patients under treatment with adapalene.

Avoid contact with the eyes, lips, angles of the nose, and mucous membranes. The product should not be applied to cuts, abrasions, eczematous skin, or sunburned skin.

Certain cutaneous signs and symptoms such as erythema, dryness, scaling, burning, or pruritus may be experienced during treatment. These are most likely to occur during the first two to four weeks and will usually lessen with continued use of the medication. Depending upon the severity of adverse events, patients should be instructed to reduce the frequency of application or discontinue use.

Drug Interactions: As DIFFERIN® Gel has the potential to produce local irritation in some patients, concomitant use of other potentially irritating topical products (medicated or abrasive soaps and cleansers, soaps and cosmetics that have a strong drying effect, and products with high concentrations of alcohol, astringents, spices, or lime) should be approached with caution. Particular caution should be exercised in using preparations containing sulfur, resorcinol, or salicylic acid in combination with DIFFERIN® Gel. If these preparations have been used, it is advisable not to start therapy with DIFFERIN® Gel until the effects of such preparations in the skin have subsided.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Carcinogenicity studies with adapalene have been conducted in mice at topical doses of 0.3, 0.9, and 2.6 mg/kg/day and in rats at oral doses of 0.15, 0.5, and 1.5 mg/kg/day, approximately 4-75 times the maximal daily human topical dose. In the oral study, positive linear trends were observed in the incidence of follicular cell adenomas and carcinomas in the thyroid glands of female rats, and in the incidence of benign and malignant pheochromocytomas in the adrenal medullas of male rats.

No photocarcinogenicity studies were conducted. Animal studies have shown an increased tumorigenic risk with the use of pharmacologically similar drugs (e.g., retinoids) when exposed to UV irradiation in the laboratory or to sunlight. Although the significance of these studies to human use is not clear, patients should be advised to avoid or minimize exposure to either sunlight or artificial UV irradiation sources.

In a series of *in vivo* and *in vitro* studies, adapalene did not exhibit mutagenic or genotoxic activities.

Pregnancy: Teratogenic effects. Pregnancy Category C. No teratogenic effects were seen in rats at oral doses of adapalene 0.15 to 5.0 mg/kg/day, up to 120 times the maximal daily human topical dose. Cutaneous route teratology studies conducted in rats and rabbits at doses of 0.6, 2.0, and 6.0 mg/kg/day, up to 150 times the maximal daily human topical dose exhibited no fetotoxicity and only minimal increases in supernumerary ribs in rats. There are no adequate and well-controlled studies in pregnant women. Adapalene should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

Nursing Mothers: It is not known whether this drug is excreted in human milk. Because many drugs are excreted in human milk, caution should be exercised when DIFFERIN® Gel is administered to a nursing woman.

Pediatric Use: Safety and effectiveness in pediatric patients below the age of 12 have not been established.

ADVERSE REACTIONS: Some adverse effects such as erythema, scaling, dryness, pruritus, and burning will occur in 10-40% of patients. Pruritus or burning immediately after application also occurs in approximately 20% of patients. The following additional adverse experiences were reported in approximately 1% or less of patients: skin irritation, burning/stinging, erythema, sunburn, and acne flares. These are most commonly seen during the first month of therapy and decrease in frequency and severity thereafter. All adverse effects with use of DIFFERIN® Gel during clinical trials were reversible upon discontinuation of therapy.

OVERDOSAGE: DIFFERIN® Gel is intended for cutaneous use only. If the medication is applied excessively, no more rapid or better results will be obtained and marked redness, peeling, or discomfort may occur. The acute oral toxicity of DIFFERIN® Gel in mice and rats is greater than 10 mL/kg. Chronic ingestion of the drug may lead to the same side effects as those associated with excessive oral intake of Vitamin A.

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325034-0903
Revised: September 2003

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DIF-665 Printed in USA 01/06

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