

Running Your Medical Practice like a Business

By Jim Rice, CPA

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In a survey released in June, 2010 by the Medical Group Management Association, rising operating costs and the uncertain Medicare rates were the biggest challenges medical groups were concerned about. These are tough times for all businesses but even more so for medical practices. Doctors are seeing declining revenues, rising expenses, the uncertainty of the real cost of the healthcare reform provisions, and expected increases in the income tax and payroll tax rates.

Running your practice like a business is even more important today. Here are a few more ideas from the CPA's perspective to help keep more of your hard earned money:

1. Are you taking advantage of the existing tax laws? There are tax credits for hiring disadvantaged people. There is a health insurance tax credit for employers with less than 25 full time equivalent employees. Will your medical electronic record system be ready to qualify for the Medicare/Medicaid incentive payments next year? Have you developed a product, tool, or created a process within your medical practice that has benefitted your practice such that you could sell this product/process to your medical practice and receive royalties taxable at capital gain rates? This income could be in lieu of additional salary to you. The tax savings on income being taxed at capital gain rates versus salary being taxed at ordinary rates can be very high. The State of Texas has an income tax system. It is called the Franchise tax. For medical practices, the Franchise tax laws have two favorable provisions to reduce income subject to the tax. A CPA that works in the medical field will know these provisions. Be sure to ask your CPA about the types of income exempt from Franchise tax and the deduction for uncompensated care. The tax laws are not always black and white. Knowing the laws is the key to staying on the right side of the IRS and the State of Texas while minimizing your taxes.
2. What are you doing to increase revenues? Are you reviewing what you are referring out to see if you should provide that service? Should you consider a new location or adding locations? Do you need to re-engineer your practice to see more patients? Are you checking in with your referring doctors to thank them and ask for more referrals? Do you ask your patients for referrals? This is where you need to make sure you are providing the best in service, which of course is the key to all successful businesses. In addition to increasing revenues, you must consider the uncertain situation with the Medicare reimbursement rates and possible issues in December. Setting aside some cash for a possible Medicare collection problem in December may be necessary and very smart.

The good news is that there should be more patients in the system as the healthcare reform provisions continue to kick in. There is also the likelihood that there will be fewer doctors to care for these patients. For those doctors who survive this economic downturn, the future can be very bright. Now is the time to re-group with your consulting team. This team should be

advisors who specialize in the medical field and should include your banker, lawyer, CPA and medical practice consultant. Take the time to meet with them quarterly and schedule out those meetings in advance with fixed dates. If you don't have your consulting team together, start the process now to get this team. They can make the difference for you.

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