

SA-VIT COLLECTION AGENCY TIPS OF THE MONTH ARCHIVES



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The 80-20 Rule

It has been shown over and over again that 80 percent of business income comes from 20 percent of their clients. This means that most of the time, efforts and analysis should be directed toward the 20 percent.

In healthcare, practices ought to look at the 20 percent of the procedures that are most frequently performed. Are these procedures producing 80 percent of the profits for the practice?

To answer this question, begin by deciding what the fee for each procedure should be if no insurance is involved. Next, determine what the acceptable minimum payment is so that the practice is able to make a reasonable gross profit; before office expenses, salaries, etc.

A cost analysis, to determine profitability, should be calculated on each procedure. Each of the most commonly performed services will have to absorb their share of the overhead of the practice. The cost analysis can be prepared by the Certified Public Accountant that handles the accounting functions of the practice.

With this information the practice can determine if an insurance payment for a given procedure plus the patients' self-pay share meet profitability standards. And, armed with this information the practice can go into negotiations with insurance carriers as equal partners in the reimbursement discussions.