

How to Organize and Operate a Successful Oncology Practice

In the last newsletter we began our three part series on operating a successful oncology practice based on three distinct areas of concern: A) Human Resource Management, B) Accounts Receivable Management, and C) Qualified Retirement Planning. These three parts combined define the **ABC's** of operating a successful oncology practice. The common thread that runs through the **ABC's** is the need to organize, communicate, and hold individuals accountable for their performance. In this second installment in the series, we will explore the use of "B" – Accounts Receivable Management.

ACCOUNTS RECEIVABLE MANAGEMENT

The goal of Accounts Receivable Management is to *maximize the cash flow through the collection of billed professional services and the minimization of controllable losses*. Effective management is accomplished by the organization, control, and monitoring of the billing and collection process. These goals can be accomplished with the aid of the following procedures and controls:

Internal Controls:

Internal control can be defined as the system instituted by management of an organization to provide *reasonable assurance* in achieving objectives for the effective and efficient use of the

entity's resources. Internal controls help to safeguard the cash, accounts receivable, and other assets of the practice. They are a series of monitors and procedures that need to be reviewed constantly to ensure the safeguarding of all practice assets and the achievement of collection goals. An example of a common internal control is the reconciliation of the daily activity sheet to manual totals with the monthly business checking account bank statement, performed by an individual without billing or collection responsibilities.

Staff Training:

The staff needs to be trained to understand the components of the billing cycle and their individual responsibilities in the billing and collection process. The use of well organized and defined job descriptions along with proper training will allow the organization to hold staff members accountable in achieving predetermined goals and levels of performance.

Financial Monitors:

Financial monitors are benchmarks that should be established to assist in assessing the ongoing financial health of a practice. The calculation and trending of fiscal changes in financial monitors aids in the maximization of

management control over the billing and collection process when compared with established industry standards. Financial monitors include, for example, the calculation of the net percentage collection, the adjusted percent collection, and the days in receivable, in addition to monitoring the accounts receivable financial classes. Accounts receivable financial classes segregate patient balances by categories such as type of commercial insurance, personal balances, Medicare, payment agreements, etc. The association of patient balances into classes assists in the identification of common problems by types of collection categories. Collection staff can be assigned the monitoring of specific classes of patient balances which maximizes efficiency of the collection process by holding staff accountable.

Collection Follow-up:

The establishment of a written cyclical follow-up program to progressively deal with the collection issues is necessary to maximize the potential for collecting the highest level of amounts owed to the practice.

Controllable Losses:

Controllable losses are losses from collectible patient accounts receivable that are caused by inefficiencies and/or ineffectiveness in staff performance. The elimination of controllable losses in the collection processes results in maximizing the cash flow to the practice.

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