

Don't let fees escape (and why you should care)

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Economic Issues



How do fees escape?

- Discounts given by doctors and staff
- Missed charges
 - Outpatients
 - Hospitalized patients
 - Boarders
- Effect on profitability is the same but the fix is different

Why should you care?

- Huge impact on practice profitability
- Takes disproportionate number of additional appointments to make up for lost profits
- Profits are what allow for:
 - New equipment
 - Raises and additional benefits
 - Improved facilities
 - Better pet care

\$ Effect of discounts/missed charges

Gross revenue:

$$10,000 \text{ transactions} \times \$125 \text{ ATC} = \\ \$1,250,000$$

Net profit:

$$18\% \times \$1,250,000 = \$225,000$$

\$ Effect of discounts/missed charges

20% of transactions aren't charged for
10% of their fees = \$25,000 discount

Net profit is now $\$225,000 - \$25,000 =$
 $\$200,000$

Must see 1,111 more patients to bring
profit back up to \$225,000

\$ Effect of discounts/missed charges

10% of transactions aren't charged for
10% of their fees = \$12,500 discount

Net profit is now $\$225,000 - \$12,500 =$
 $\$212,500$

Must see 556 more patients to bring
profit back up to \$225,000

How long does it take to make up profits?

- 1,111 additional patients = 37 days of work (2 doctors seeing 15 patients each per day)
- 556 additional patients = 18.5 days (2 doctors seeing 15 patients each per day)

Identifying discounts/missed charges

- \$ amount of discounts shown on invoice is a fraction of real discounts in most practices
- Missed charges not captured at all in invoicing system

Medical record audit

- Only way to catch most discounts and all missed charges
- Start with 25 cases per doctor—should be mix of initial appointments, rechecks, hospitalized cases
- Record information on spreadsheet for analysis

Medical record audit spreadsheet information

- Doctor
- Date
- Technician
- Receptionist
- Patient
- \$ amount of invoice
- Procedure performed
- Correct fee
- Fee charged
- Cost of missed/discounted charges

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Extrapolate discounts from medical revenue audit to gross revenue

- Assume you audit 50 records
- Total fees charged on these records = \$7,320
- Total discounts or missed charges = \$862
- Discounts/missed charges as % of total fees on these invoices = 11.8% ($\$862/\7320)
- Total gross revenue for year = \$1,250,000
- Total estimated discounts/missed charges for year = \$147,500 ($11.8\% \times \$1,250,000$)

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Fixing the problem—Understand patterns

- Is the problem discounts or missed charges?
- Who's the culprit?
 - Doctor
 - Technician
 - Receptionist
- When does it happen?
 - Days of week
 - Times of day
 - Types of appointments

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If owner gives discounts

- May be hard for a non-owner or non-manager to fix
- What you can do
 - Share \$ value of discounts
 - Share list of who got discounts from your medical record audit
 - Ask what the policy on discounts is—offer to write one
 - Share ideas for reducing—*i.e.*, owners never get to look at charges

If associate gives discounts

- Share \$ value of discounts with owner/manager
- Share list of who got discounts from your medical record audit
- Ask what the policy on discounts is—offer to write one

If associate gives discounts

- Share ideas for reducing
 - Associates never get to look at charges
 - Review of record by designated person before client leaves
 - Use production pay
 - Give associates a discount fund
 - Educate associates about importance of profitability and danger of discounts

If staff gives discounts

- Share \$ value of discounts with owner/manager
- Share list of who got discounts from your medical record audit
- Ask what the policy on discounts is—offer to write one

If staff gives discounts

- Share ideas for reducing
 - Review policy with staff members—make it clear that charging the correct fee is part of their job duties
 - Review of record by designated person before client leaves
 - Peer pressure
 - Educate staff about importance of profitability and danger of discounts

Danger of discounts

- Reduced profitability
- Original fees seen as unfair if discounts consistently given
- Client expects future discounts
- Other clients bear the brunt

Missed charges

- Occur because of:
 - Staff shortages—real shortages or scheduling
 - Lack of systems
 - Bad systems
 - Incompetent or non-caring employees
 - Poor leadership/management

Invoicing systems

- Many different systems will work
- Each step must have one person specifically accountable
- Everyone, including doctors, must follow the rules
- Someone needs to do final review and sign-off on invoice

Outpatient example

- Receptionist attaches travel sheet to chart when pet checked in
- Any requested services circled if on pre-printed travel sheet or added in “other procedures” section of travel sheet
- Technician reviews chart for needed services and circles or writes items in “other procedures” of travel sheet
 - Overdue vaccines
 - Medications needed
 - Testing for chronic condition medications

Outpatient example

- Doctor reviews chart, travel sheet, pet
- Technician highlights all procedures done on travel sheet
- Additional procedures done but not printed on travel sheet circled or added in “other procedures” section and highlighted when done
- Items not performed should be lined out by technician

Outpatient example

- Doctor approves and initials travel sheet before discharge
- Receptionist checks for circled items not highlighted or items in “other procedures” section not highlighted or lined out
- Receptionist enters charges and checks off each item on travel sheet when entered

Outpatient example

- Receptionist checks go-home items against travel sheet
- Travel sheets kept for 30 days and then discarded

Problem areas

- Hospitalized pets
- Boarders
- Grooming appointments
- Inventory used in-house

Hospitalized pets

- Hospitalized pet version of travel sheet
- Days across the top
- Services down the side
- Ordered services circled
- Box initialed when done

Hospitalized pets

- ONE person responsible for entering all hospitalized pet charges every day at specified time
- Entered charges are highlighted on sheet
- Receptionist duties same as with outpatients

Example—Hospitalized pet travel sheet

	M 11/3/08	T 11/4/08	W 11/5/08	Th 11/6/08
Hospitalization				
IV fluids				
Antibiotic injection				

Boarders

- Boarding pet version of travel sheet
- Days across the top
- Services down the side
- Ordered services circled
- Box initialed when done

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Boarders

- ONE person responsible for entering all boarding pet charges every day at specified time
- Entered charges are highlighted on sheet
- Receptionist duties same as with outpatients

Example—Boarding pet travel sheet

	M 11/3/08	T 11/4/08	W 11/5/08	Th 11/6/08
Walk-a.m.				
Walk-midday				
Walk-p.m.				
Feed-a.m.				
Feed-p.m.				
Med #1				
Med #2				
Bath				

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Grooming appointments

- Travel sheet similar to day patients
- Procedures similar to day patients
- Receptionist duties same as with outpatients

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Internal control—Inventory

- Physical counts
- Physical control
 - Small quantities kept on hand
 - Small quantities kept in easily-accessible places
 - Remainder is locked up
 - Empty boxes displayed in public areas
- Medical record audits
- In-house usage
 - Clipboards by all food locations
 - One person's responsibility to enter usage weekly

Internal control—Inventory

- Inventory system
 - Items received compared to original order and packing slip
 - Packing slip compared to invoice
 - Invoice compared to statement
 - New items and prices correctly entered into inventory module
 - Items used in-house removed from inventory

Questions?