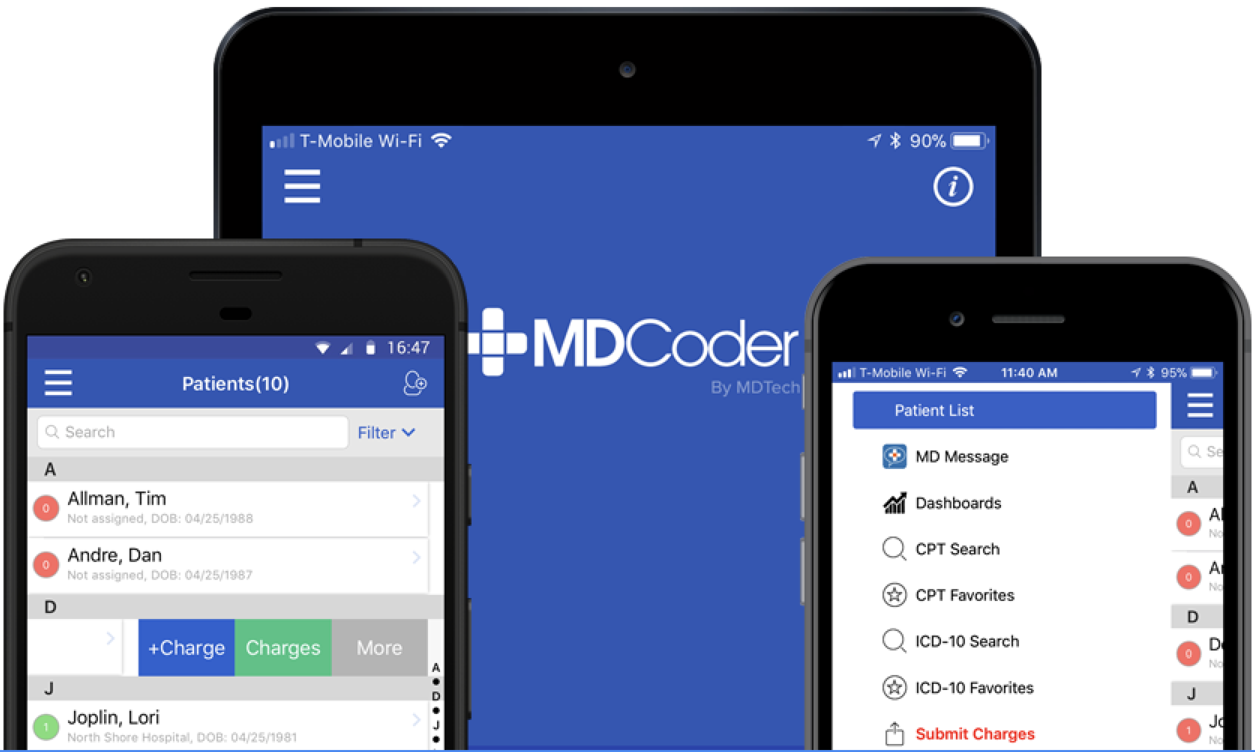
MDCoder by MDTech

# Diving In: The Story of Our Integration with a Growing Pulmonology Clinic

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# Primer – The Goal of the Modern Medical Practice.

There are many possible goals and objectives for a medical practice in today's age. Most commonly, these surround the metrics of patient visits, quality of care, health outcomes, or some other qualitative factor(s) related to them. Stated otherwise, the practice goals always tend to hover around the *patient*.

But why doesn't anybody ever talk about the *practice*?

While you'll receive no argument from us on the critical importance of delivering high-quality patient care, an oft-unmentioned reality of the modern medical practice is that they are profit-oriented businesses. **MD Coder exists to help bridge the gap between the health-outcome-focused physician and the bottom-line-focused practice support staff**. The effect of this bridging is more *profitability*, via both revenue-growth and expense reduction. Simultaneously. And practice profitability is not at all mutually exclusive to any of the patient care metrics mentioned earlier.

In this paper, we'll outline the pre-and-post effects of MD Coder's integration with Pulmonary Associates of Richmond ("PAR"), a high-growth pulmonology clinic based in Richmond, VA.

# The Effect of MD Coder on Practice Revenue

PAR began their engagement with us in July of 2014. At the time, they had 20 doctors. In 3 years, they've nearly tripled in size, to 55. MD Coder has helped with their growth by contributing to revenue in the following ways:

- Reduction of Missed Charges
- Reduction of Charge Lag & Receivables Cycle

**Reduction of Missed Charges**
How important is capturing *all* charges earned by a physician?

Relaying this question back to PAR, whose salary information we're not privy to, let's assume that their average pulmonologist earns $292,000 annually. The Medical Group Management Association ("MGMA") also tells us that the average operating cost percentage of a physician-owned clinic is 47%. From the point-of-view of the practice, they'd need to generate $615,000 of charges to pay for a single pulmonologist's assumed salary of $292,000, and have a gross profit percentage of 53, using the 47% cost assumption. We're also assuming a 50-patient-visit workweek for the average pulmonologist.

Thus, a rundown of the assumptions:

- $292,000 salary
- 47% operating cost percentage, $615,000 in charges needed to maintain this.
- 50-patient-visit workweek

PAR tells us, conservatively, that there was a minimum of 1-missed charge per day, pre-MD Coder. If each pulmonologist visits 10 patients/day, and with each patient amounting to an average of 10 billable charges, the value of **1** missed charge, using the above assumptions, is **$1,230**.

And if PAR's assumption of 1 missed charge every 2 days holds true, that means that they're losing **$3,075** of billable charges, each week, per pulmonologist, and due solely to having an unreliable charge capture system.

Coincidentally, the value of an annual license for MD Coder is $1,200. Interpreting this another way, if even *one* charge is forecast to be missed over the course of the year, and assuming that our technology will capture that charge, the MD Coder expense will have paid itself back the day that it gets activated.

**Reduction of Charge Lag & Receivables Cycle**

"Charge Lag" is an efficiency metric used in the industry. It's measured just as it sounds; the amount of time it takes from the physician performing the procedure to the client getting invoiced.

While there's no tracking of this available, PAR tells us anecdotally that this may be the most impactful benefit of MD Coder. Prior to MD Coder, charges would be sent to support staff via:

- E-mail
- Fax
- "Sticky Notes"

These are both grossly inefficient and fraught with error potential. Errors lead to declined charges, an obvious and direct reduction of revenue.

MD Coder, through its direct syncs to billing systems, captures and transmits, immediately, all relevant charges. No exposure to errors or paperwork being lost in transit. Further, the quicker that the charges can be billed to the client, the quicker that money will be in the door. This is the Receivables Cycle – the length of time it takes to actually get the *cash* in the door after invoicing your clients. Logically, the quicker you bill your client, the quicker you'll see those funds. And this is what MD Coder directly helps out with.

And, under the Time Value of Money construct, this is incredibly valuable.

# The Effect of MD Coder on Practice Expenses

PAR began their engagement with us in July of 2014. At the time, they had 20 doctors. In 3 years, they've nearly tripled in size, to 55. MD Coder has helped with their growth by reducing expenses in the following ways:

- Reduction of FTE Headcount
- Reduction of Ancillary Expenses

**Reduction of FTE Headcount**

When PAR first began their engagement with us, in July of 2014, they had 20 doctors in their practice, and 6 dedicated support staff for all billing-related items for those 20 doctors. Fast forward 3 years, after MD Coder's integration, and PAR has 55 doctors, and only *2* dedicated support staff for all billing-related items for them.

Since the MD Coder integration, their FTE:Doctor ratio has gone from 1:3.3 to 1:27.5. At an average annual salary of $31,200 for a billing clerk, MD Coder has substantially increased the practice's profitability by virtually eliminating this expense.

**Reduction of Ancillary Expenses**

Related to the FTE Headcount reduction benefit, some directly avoided ancillary expenses of this include FICA taxes and fringe benefits. Some of the less-closely related expense reductions, though certainly linked, include:

- Office Supplies – supplies are purchased and consumed by 2 staff members only, rather than 6. Further, some of the more expensive ones – ink, paper, and the like – are mitigated even further by nature of MD Coder's electronic workflows.
- Office Rent – a reduced headcount may allow a company to reduce one of their most expensive line-item expenses of each month, rent. Rent would also certainly include storage, either on-or-offsite, for client records, amongst other things. This is expensive real estate, and it's no longer needed when MD Coder is implemented.
- Utilities – less of virtually every utility will be consumed, lowering the expense burden.

# Conclusion

Since implementing MD Coder, PAR has nearly tripled in size, and they've done it through reinvestment of newfound profits, made possible by operational efficiencies gained by MD Coder.

MD Coder's focus is on leveraging workflow to maximize profitability by making it easier and faster to capture charges and bill clients, while simultaneously reducing expenses through technological advantages.

We have displayed above that if you're even concerned that you're missing 1 – *one* – charge annually, you have a logical motive to sign up for MD Coder, since the annual expense can be less than the value of a single missed charge.

This is a tool *for* physicians, *for* practices. We're confident that MD Coder will be able to drive the processes that will result in better operational performance across the board, leading to, ultimately, a more profitable firm. And, like we said earlier, there's no reason that high quality care *and* high practice profitability need to be mutually exclusive.