



Controlling Payroll in Your Medical Practice

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As medical practices across the US face decreasing reimbursements from insurance carriers along with patients delaying medical care because of general economic conditions, the need to control practice costs to maintain profitability is more important than ever. In virtually every practice the largest expenditure is staff payroll and the related employee benefits.

Payroll is also one of the few costs within a practice that is not “fixed” and, therefore, can be successfully or unsuccessfully managed. Practice owners need to be evaluating this expenditure on a regular basis considering the following questions:

- 1) Is your Practice staffing structure in alignment with the needs of its physicians and the Practice’s patient base?** What might have once been the appropriate staff mix may no longer be prudent for the current practice model. For example, a practice may have implemented an electronic medical records system and now needs to make an adjustment to its administrative and medical records personnel.
- 2) Has your Practice carefully analyzed staff payroll to determine who should be paid an hourly rate and who should be salaried?** An employee may have started out as a part-time front desk person on an hourly basis and now years later is the practice manager without having been transitioned to a salary.
- 3) Does your Practice have significant overtime and if so, do you understand the cause?** If doctors are seeing patients into the evening hours, the schedules of the nursing staff and medical assistants can be staggered to accommodate the physicians but avoid the additional overtime costs. If the primary cause is gaps in patient scheduling, then counsel the scheduling department to reschedule appointments allowing the overall staff hours to be reduced. Incentivize the office manager by setting a goal for a reduction in overtime and if the goal is met, reward him or her with a year-end bonus.

If your analysis leads to a decision to economize, this can often be done without issuing pink slips. First, assess whether certain employees may want fewer hours. That nurse or front desk person in her late 50’s may want Mondays and Fridays off but was afraid to ask for it for fear of loss of her job. If there is no wiggle room with the employee census, freeze salary for a year or two or limit increases to cost-of-living adjustments.

Consider possible non-cash rewards. Flexible working hours or an occasional Friday afternoon off can be very meaningful to your staff. To maintain morale, counsel the staff, thank them for their hard work and reassure them that with a team approach, prosperity will return and raises will follow.

If somebody does leave, analyze whether this presents an opportunity to economize; do you have to refill the position? Remember also that if terminations or changes in staffing are required, a meeting should be held with the staff to explain the changes and to reassure the remaining staff that their positions are secure.

A reminder of caution, while cost control is critical to the financial health of your Practice, remember that service cannot be compromised as this is the greatest factor that will create positive impressions by your patients. One out of every two new patients are referred by satisfied patients.

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