



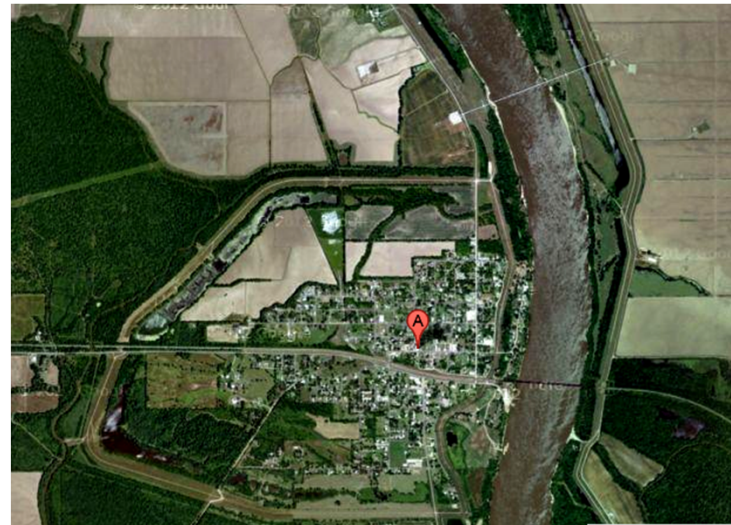
Budgeting for Pediatric Practices

Paul D. Vanchiere, MBA

Paul@PediatricManagementInstitute.com

800-470-0430

Important Business Lesson from Melville...



Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA





Report a problem Image Date: April 2009



Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



How Many Do I Have To Sell To Recover The One Missing Bottle of Coke?



- Revenue \$1.00
- Cost \$0.98
- Margin \$0.02
- Margin % 2.04%

Calculation: $\$0.98 / \$0.02 = 49$ Units

Does not include labor, floor space, utilities
and credit card fees.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA

Cost Accounting Theory

Definition of 'Cost Accounting'

- A type of accounting process that aims to capture a company's costs of production by assessing the input costs of each step of production as well as fixed costs such as depreciation of capital equipment. Cost accounting will first measure and record these costs individually, then compare input results to output or actual results to aid company management in measuring financial performance.
- A way to determine the profit of each revenue center in your practice.
 - You do this by segmenting revenue and expense.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Cost Accounting Allocation Methods

1. Allocation by Revenue Center- Non- Surgical
2. Percentage of Revenue- All Specialties
3. Job Costing- Pathology- Histology
4. Process Costing- Clinical Laboratory
5. RBRVS- Professional Services- Office Visits & Procedures-
Not Ancillary Services

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Practice Allocation Methods

Billed Charges or Collections Received
Professional Services vs. Ancillary Services

Building / Lease Square Footage
Janitorial & Utilities

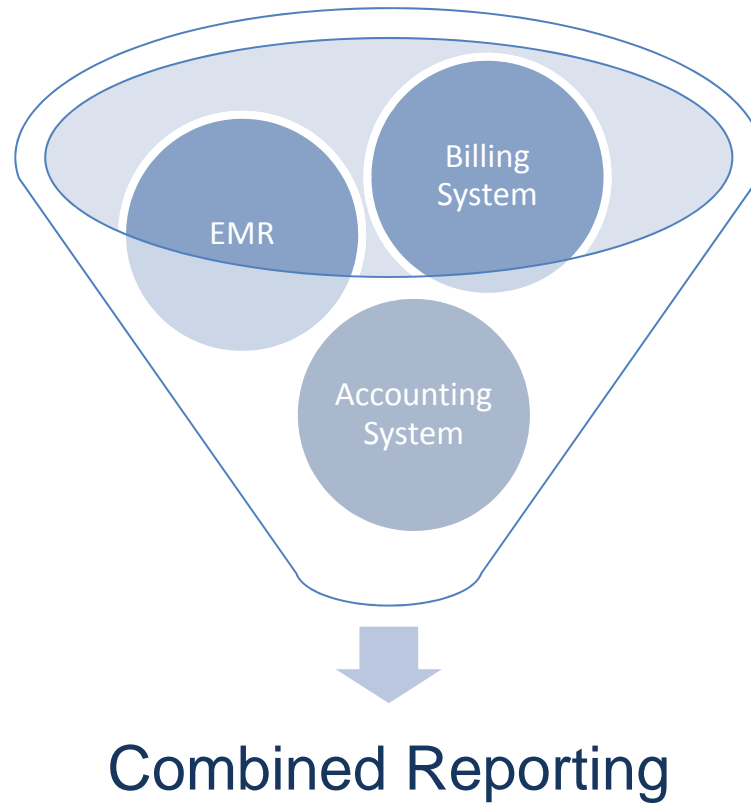
Employees- FTE
Retirement Plan & Health Insurance Benefits

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



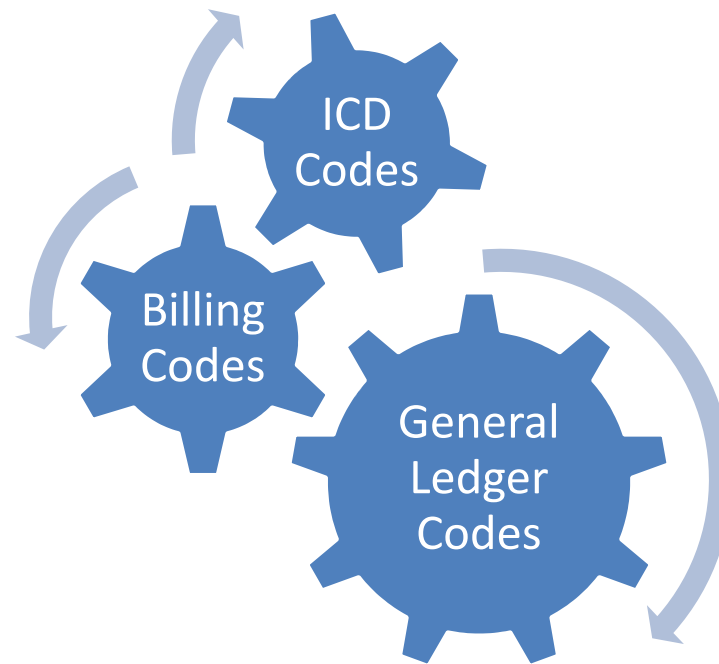
Cost Accounting Challenges



Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA

Cost Accounting Challenges



Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA

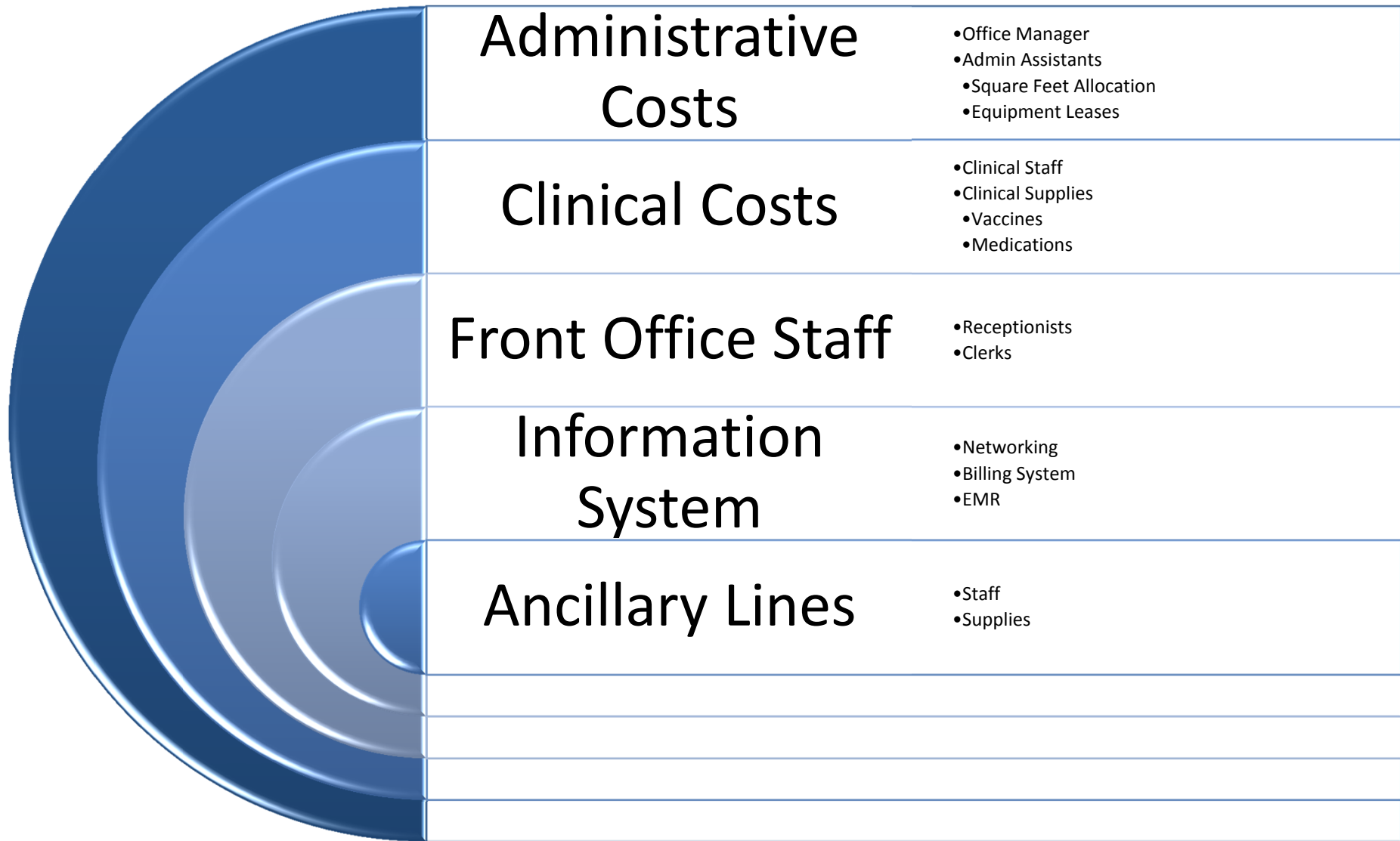
Cost Accounting Challenges...Make Them All Get Along...



Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA





Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Two Largest Expenses...

-Labor-
-Vaccines-

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Labor Cost

Labor Cost Item	Direct	Employer
Wages - Staff	X	
Wages - Physicians	X	
Wages - Overtime	X	
Bonuses - Staff	X	
Bonuses - Physicians	X	
Severance Pay	X	
Employer FICA		X
Employer Medicare		X
Workers' Compensation Insurance		X
Federal Unemployment		X
State Unemployment		X
Vacation Pay		X
Holiday Pay		X
Sick Pay		X
Parking		X
Employer Provided Health Insurance		X
Employer Provided Life Insurance		X
Employer Provided 401 K Contributions		X
Employer Provided IRA Contributions		X
Employer Provided Pensions & Retirement		X

Labor Cost Allocation

1. Clinical Staff
2. Clerical Staff
3. Billing Staff
4. Administration
5. Physician Salary & Bonus
6. Ancillary Services

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Labor Cost Tracking

Revenue Center		Hours				Wage Cost				Wage Cost Allocation		
		Count	Regular	Overtime	Shift Diff	Total	Regular	Overtime	Shift Diff	Total	Regular	Overtime
Clinical	6	480	16	8	504	\$ 5,760	\$ 192	\$ 96	\$ 6,048	23.84%	0.79%	0.40%
Laboratory	2	160	20	4	184	\$ 3,200	\$ 400	\$ 80	\$ 3,680	13.24%	1.66%	0.33%
Radiology	1	80	7.5	0	87.5	\$ 1,600	\$ 150	\$ -	\$ 1,750	6.62%	0.62%	0.00%
Front Office	6	480	23	8	511	\$ 3,840	\$ 184	\$ 64	\$ 4,088	15.89%	0.76%	0.26%
Billing Office	4	320	5	0	325	\$ 2,560	\$ 40	\$ -	\$ 2,600	10.59%	0.17%	0.00%
Administration	3	240	0	0	240	\$ 6,000	\$ -	\$ -	\$ 6,000	24.83%	0.00%	0.00%
	22	1,760	72	20	1,852	\$ 22,960	\$ 966	\$ 240	\$ 24,166	95.01%	4.00%	0.99%

Total Hours	1,851.50
FTE's	23.14
FTE / Provider	4.63
Comparative*	4.25
Variance	0.38

Patient Visits	4,000
Cost / Patient	\$ 6.04
Comparative*	6.25
Variance	-0.21

Budget Amount	\$ 25,000
Actual amount	\$ 24,166
Variance	\$ 834.00

*Can be Survey or Annual/Seasonal Average

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Allocation of Revenue and Expenses

1. Copy of Charges and Revenue by CPT code or Revenue Center
2. General Ledger Details
3. Assign Corresponding Income and Expenses

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



5-FTE Pediatric Sample	Total	Professional Services	Laboratory	Radiology	Vaccines	Support Staff	Billing Office	Administration
Professional Fees	\$ 6,450,000	\$ 5,440,000	\$ 300,000	\$ 60,000	\$ 650,000			
Contractual Adjustments	\$ (1,550,000)	\$ (1,383,550)	\$ (76,258)	\$ (15,193)	\$ (75,000)			
Bad Debt	\$ 16,250	\$ 12,500	\$ 2,000	\$ 500	\$ 1,250			
Net Revenue	\$ 4,916,250	\$ 4,068,950	\$ 225,743	\$ 45,308	\$ 576,250	\$ -	\$ -	\$ -
Other Income	\$ 2,600	\$ 2,600						
Total Revenues	\$ 2,600	\$ 2,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonuses - Physicians	\$ 500,000	\$ 500,000						
Bonuses - Staff	\$ 25,000	\$ 9,200	\$ 2,600	\$ 1,400		\$ 4,800	\$ 2,400	\$ 4,600
Severance Pay	\$ 1,500							\$ 1,500
Wages - Overtime	\$ 18,500	\$ 18,500						
Wages - Physicians	\$ 675,000	\$ 675,000						
Wages - Staff	\$ 625,000	\$ 200,000	\$ 65,000	\$ 35,000	\$ 30,000	\$ 120,000	\$ 60,000	\$ 115,000
Total Salaries & Wages	\$ 1,845,000	\$ 1,402,700	\$ 67,600	\$ 36,400	\$ 30,000	\$ 124,800	\$ 62,400	\$ 121,100
Employer FICA	\$ 115,000	\$ 89,301	\$ 4,214	\$ 2,269		\$ 7,779	\$ 3,889	\$ 7,548
Employer Medicare	\$ 25,000	\$ 19,413	\$ 916	\$ 493		\$ 1,691	\$ 846	\$ 1,641
Federal Unemployment	\$ 1,500	\$ 1,165	\$ 55	\$ 30		\$ 101	\$ 51	\$ 98
State Unemployment	\$ 6,000	\$ 4,659	\$ 220	\$ 118		\$ 406	\$ 203	\$ 394
Workers' Compensation Insurance	\$ 2,500	\$ 1,941	\$ 92	\$ 49		\$ 169	\$ 85	\$ 164
Total Payroll Related Expenses	\$ 150,000	\$ 116,480	\$ 5,496	\$ 2,959	\$ -	\$ 10,146	\$ 5,073	\$ 9,846
Employer Provided 401 K Contributions	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Employer Provided Health Insurance	\$ 100,000	\$ 77,653	\$ 3,664	\$ 1,973		\$ 6,764	\$ 3,382	\$ 6,564
Employer Provided IRA Contributions	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Employer Provided Life Insurance	\$ 350	\$ 272	\$ 13	\$ 7		\$ 24	\$ 12	\$ 23
Employer Provided Pensions & Retirement	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Holiday Pay	\$ 15,000	\$ 11,648	\$ 550	\$ 296		\$ 1,015	\$ 507	\$ 985
Parking	\$ 2,300	\$ 1,786	\$ 84	\$ 45		\$ 156	\$ 78	\$ 151
Sick Pay	\$ 5,000	\$ 3,883	\$ 183	\$ 99		\$ 338	\$ 169	\$ 328
Vacation Pay	\$ 85,000	\$ 66,005	\$ 3,114	\$ 1,677		\$ 5,750	\$ 2,875	\$ 5,579
Total Benefits	\$ 230,150	\$ 178,719	\$ 8,433	\$ 4,541	\$ -	\$ 15,568	\$ 7,784	\$ 15,106
Answering Service	\$ 12,000	\$ 12,000						
Billing Service	\$ 135,000	\$ 113,860	\$ 6,279	\$ 1,256	\$ 13,605			
Books & Subscriptions	\$ 250	\$ 250						
Building Maint & Repair	\$ 1,000	\$ 710	\$ 39	\$ 52		\$ 39	\$ 97	\$ 65
Cell Phone	\$ 600	\$ 400						\$ 200
Computer Lines	\$ 8,500	\$ 7,500					\$ 500	\$ 500
Consultants	\$ 2,500							\$ 2,500
Copying Machine Rental	\$ 2,400	\$ 1,500				\$ 500	\$ 200	\$ 200
Depr - L/H Improvement	\$ 15,000	\$ 10,645	\$ 581	\$ 774		\$ 581	\$ 1,452	\$ 968
Depr - Major Moveable Equipment	\$ 2,500							\$ 2,500
Depr - Minor Moveable Equipment	\$ 7,500	\$ 2,500	\$ 2,500	\$ 2,500				
Educational Materials	\$ 1,200	\$ 1,200						
Equipment - General	\$ 150							\$ 150

5-FTE Pediatric Sample	Total	Professional	Laboratory	Radiology	Vaccines	Support Staff	Billing Office	Administration
Equipment - General - Maintenance	\$ 200							\$ 200
Equipment - General - Repairs	\$ 500							\$ 500
Equipment - Medical	\$ 17,750	\$ 17,750						
Equipment - Medical - Maintenance	\$ 1,500	\$ 1,500						
Equipment - Medical - Repairs	\$ 1,000	\$ 250	\$ 750					
Interest Payments	\$ 1,200	\$ 1,000		\$ 200				
Janitorial	\$ 2,000	\$ 1,419	\$ 77	\$ 103	Depending on Set Up	\$ 77	\$ 194	\$ 129
Janitorial Supplies	\$ 500	\$ 355	\$ 19	\$ 26	Depending on Set Up	\$ 19	\$ 48	\$ 32
Laboratory- Fees	\$ 1,200		\$ 1,200					
Laboratory- Supplies	\$ 35,000		\$ 35,000					
Licenses	\$ 600	\$ 200	\$ 200	\$ 200				
Malpractice Insurance	\$ 30,000	\$ 30,000						
Marketing	\$ 15,000	\$ 15,000						
Meetings	\$ 1,000		\$ 1,000					
Office Equipment	\$ 500							\$ 500
Office Supplies	\$ 13,500	\$ 7,500	\$ 500	\$ 500			\$ 2,500	\$ 2,500
Offsite Storage - Medical	\$ 2,400	\$ 2,400						
Offsite Storage - Office	\$ 1,200							\$ 1,200
Postage Meter	\$ 1,500	\$ 250					\$ 1,000	\$ 250
Rent	\$ 120,000	\$ 85,161	\$ 4,645	\$ 6,194	Depending on Set Up	\$ 4,645	\$ 11,613	\$ 7,742
Society Dues	\$ 600	\$ 600						
Software - Development	\$ 3,500							\$ 3,500
Software - Maintenance	\$ 12,500	\$ 10,000						\$ 2,500
Software - Purchase	\$ 75,000	\$ 70,000	\$ 2,500	\$ 2,500				
Supplies- Medical	\$ 50,000	\$ 50,000						
Supplies- Vaccines & Injectables	\$ 500,000				\$ 500,000			
Telephone Lines	\$ 15,000	\$ 12,000				\$ 1,000	\$ 1,000	\$ 1,000
Trash	\$ 850	\$ 603	\$ 33	\$ 44		\$ 33	\$ 82	\$ 55
Travel Expense	\$ 2,500							\$ 2,500
Triage Service	\$ 50,000	\$ 50,000						
Uniforms	\$ 600	\$ 120	\$ 120	\$ 120		\$ 120	\$ 120	
Utilities	\$ 20,000	\$ 14,194	\$ 774	\$ 1,032	Depending on Set Up	\$ 774	\$ 1,935	\$ 1,290
Operating Expenses	\$ 1,165,700	\$ 520,868	\$ 56,217	\$ 15,500	\$ 513,605	\$ 7,788	\$ 20,741	\$ 30,981
Total Expenses	\$ 3,390,850	\$ 2,218,766	\$ 137,746	\$ 59,400	\$ 543,605	\$ 158,303	\$ 95,998	\$ 177,032
Physician Related Items (Sal & Bon Only)	\$ 1,175,000	\$ 1,175,000						
Total Non-Physician Related Expenses	\$ 2,215,850	\$ 1,043,766	\$ 137,746	\$ 59,400	\$ 543,605	\$ 158,303	\$ 95,998	\$ 177,032
Earnings Before Physician Comp	\$ 2,700,400	\$ 3,025,184	\$ 87,997	\$ (14,093)	\$ 32,645	\$ (158,303)	\$ (95,998)	\$ (177,032)

Learn Excel



ABOUT PMI ▾

SERVICES ▾

PMI ACADEMY ▾

KEY PERFORMANCE INDICATORS

BLOG

Online Videos

My Registrations

Webinars

Seminars

Online Videos

Please enjoy our complimentary videos related exclusively to Pediatric practice management.

Performance Indicators for Pediatric Practices

How and Why to Collect Everything You are Owed

Tips to Running a Successful Pediatric Practice

Introduction to Cost Accounting

Excel Tips for Pediatric Practices



Excel Tips for Pediatric Practices

How to collect everything you are owed



Intro to Cost Accounting

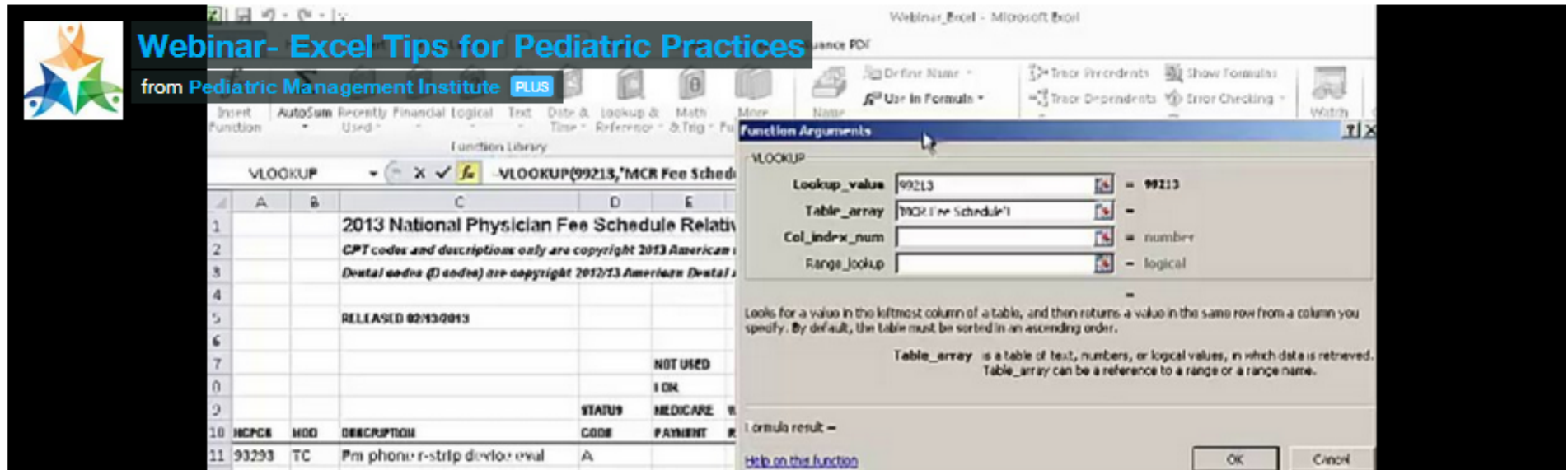
Performance Indicators for Pediatric Practices

Excel Tips for Pediatric Practices

Description

Teacher

Watch Video



Webinar- Excel Tips for Pediatric Practices
from Pediatric Management Institute PLUS

Webinar_Excel - Microsoft Excel

Function Arguments

VLOOKUP

Lookup_value: 99213 = 99213

Table_array: MCR Fee Schedule

Col_index_num: [blank] = number

Range_lookup: [blank] = logical

Looks for a value in the leftmost column of a table, and then returns a value in the same row from a column you specify. By default, the table must be sorted in an ascending order.

Table_array is a table of text, numbers, or logical values, in which data is retrieved. Table_array can be a reference to a range or a range name.

Formula result =

Help on this function

OK Cancel

ICD9	ICD10	DESCRIPTION	CODE	PAYMENT
93293	TC	Pm phone r-strip devic	eval	A

What are the Most Important Variables?

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Most Important Variables

1. Revenue per Encounter
2. Encounters per Day
3. Days per Year

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



1. Revenue per Encounter

Encounter Revenue / Office Encounters

\$725,000 / 4,000
\$181.25

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



2. Encounters per Day

Total Encounters / Provider Days

**4,000 / 200
20**

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



3. Days per Year

- Count weeks & week / year
- Count actual days by month

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Need Data!!

What 2 Things Am I Looking For?

You want a report, by month, showing the number of office visits and revenue generated by each provider.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Where Do I Get This Information

The easiest thing to do is to get a report showing the frequency of each office visit billed from your practice management system over the past 12 months. Obtain a report containing the revenue amounts, by payor, over the past 12 months and you are ready to begin.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



What Do I Do With This Information

Once you have the information, you want set up a simple spreadsheet.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



You want to end up with a spreadsheet that looks similar to this for each provider in the practice:

Month	Revenue	Encounters	Revenue Per Encounter
January	\$ 40,827	375	\$108.87
February	\$ 48,387	400	\$120.97
March	\$ 43,011	320	\$134.41
April	\$ 46,297	310	\$149.34
May	\$ 49,781	300	\$165.94
June	\$ 59,000	320	\$184.38
July	\$ 64,700	370	\$174.86
August	\$ 68,000	345	\$197.10
September	\$ 56,765	320	\$177.39
October	\$ 55,878	350	\$159.65
November	\$ 51,727	360	\$143.69
December	\$ 47,848	370	\$129.32
Annualized	\$ 632,222	4,140	\$152.71

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



What Does Revenue Per Encounter Tell Me?

Revenue per encounter is an excellent barometer of your financial health. There are many things that influence the revenue per encounter and consequently allow you to see the impact of things such as:

- Are your claims being processed timely?
- Are your claims being paid properly?
- Are you being paid fairly?
- Is your payor mix excellent, fair or poor?
- Are you following proper CPT coding guidelines?

PMI recommends avoiding the temptation to simply use one revenue per encounter rate for an entire year.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



How Do I Use This Information To Estimate Future Revenue?

Now that you have the revenue per encounter by month, you will estimate the number of days each provider will work along with the number of patients they will see each day for a monthly total. This will calculate the expected revenue per month to be used in your practice budget.

For employed physicians, this method can also be used to validate the numbers used during your contract negotiations.

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 1- Estimate Revenue

	Days Per Week	Encounters / Week (18 Per Day)	Estimated Work Weeks per Year	Estimated Revenue Generated (\$125/Enc)
Provider 1	2	36	48	\$ 216,000
Provider 2	4	72	50	\$ 450,000
Provider 3	2	36	50	\$ 225,000
Provider 4	4.5	81	50	\$ 506,250
		225		\$ 1,397,250

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 2- Estimate Expenses based on 2013 Actual

Employ EE Gross Pay	\$220,100	Professional fees expense	\$ 13,500
Employ EE - ER Taxes & Contributions	\$ 55,400	Medical supplies/Vaccines	\$ 59,100
401K employer contr.	\$ 26,000	Computer services	\$ 6,500
Advertising	\$ 4,600	Electronic medical record system	\$ 16,500
Telephone	\$ 10,200	Meals & representation	\$ 200
Dues and subscriptions	\$ 1,100	Training	\$ 5,500
Office supplies & postage	\$ 13,600	Rent - Office	\$ 46,700
Bank fees	\$ 5,600	Rent - mini storage	\$ 1,900
Admin fee - health insurance	\$ 300	Contributions	\$ 1,800
Repairs & maintenance	\$ 3,600	Janitorial services	\$ 12,000
Taxes & licenses	\$ 1,400	Utilities	\$ 11,600
Insurance expense	\$ 21,700	Interest expense	\$ 3,800
Health Insurance- Employee	\$ 40,000	Total Practice Expense	\$ 403,600

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 3- Determine Margin Before Provider Compensation (Revenue - Expenses)

Revenue	\$ 1,397,250
Expenses	\$ 582,700
Margin	\$ 814,550

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 4- Determine Provider Costs to Calculate Margin Before Shareholder Compensation

Provider 1	\$ 65,000	
Provider 2	\$172,500	(\$150k base plus 15%)
Provider 3	\$ 65,000	
	<hr/>	
	\$302,500	

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 5- Determine Incentive Bonus Cost for Physician

Part A	Revenue Generated (From Above)	\$ 506,250
	Calculate Overhead (Expense / Revenue)	41.70%
	Allocated Overhead	\$ 211,123
	New Physician Cost (From Above)	\$ 172,500
	Earnings on New Physician	\$ 38,623

Part B	Determine Threshold	\$ 450,000
	Determine Rate	35%

Part C	Expected Revenue Above Threshold	\$ 56,250
	Estimated Bonus	\$ 19,688

Practice Profit \$ 18,936

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 6- Determine How Much Left for Shareholders After Expenses and Providers Paid

Revenue	\$	1,397,250
Expenses	\$	(582,700)
<hr/>		
Margin	\$	814,550
Providers	\$	(302,500)
Bonuses	\$	(19,688)
	\$	492,362

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 7- Assume Shareholder Salary & Benefits Are The Same as 2013

S1- Mgt Fee	\$ 22,000
S1- Salary	\$105,600
S1- Total	\$155,100

S2- Retirement Contribution	\$ 24,000
S2- Health Ins	\$ 22,900
S2- Life Ins	\$ 4,800
S2- Salary	\$205,000
S2 Total	\$256,700

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA



Step 8- Determine Practice Profit (Margin Before Shareholder Distribution)

Revenue	\$	1,397,250
Expenses	\$	(582,700)
<hr/>		
Margin	\$	814,550
Providers	\$	(302,500)
Bonuses	\$	(19,688)
	\$	492,362
S1	\$	(155,100)
S2	\$	(256,700)
	\$	80,562

Budgeting for Pediatric Practices

Presented by: Paul D. Vanchiere, MBA





Budgeting for Pediatric Practices

Paul D. Vanchiere, MBA

Paul@PediatricManagementInstitute.com

800-470-0430