**CMA 112**

**EXAMPLE ANSWER KEY**

**CASE STUDY- THE DILEMMA**

**Scenario 1: (Keep 1200, cut expenses)**

Our goal this week was to find a solution for Southside to maintain their 1200 OHP patients without cutting expenses, or changing the census. After a lot of discussion and putting our heads together, I think I came up with some great ideas that were outside the box and will make Roger a very happy man.

First, I will have a Health Fair in support of our Health Care Reform and to bring awareness to our patients regarding preventative medicine. I am now recommending that every patient have a yearly physical so that any medical issues can be addressed as early as possible to ensure our patients have the utmost opportunity possible in staying healthy and active.

In 2010, Southside had 1200 OHP patients, 7200 visits per year. That calculates to 27 visits per day, which is two visits over what the National Center for Health Statistics states the average is that a physician will see in one day. We may not know exactly how many patients Southside has, but based on that information we can assume that it is well over 1200 patients. Our research shows that a yearly physical exam cost $2662 and up. If only 75% of 1200 patients that are cash paying or covered by insurance participated in having a yearly physical exam it would be **$239,400**. That is if OHP will not cover yearly physicals. More than enough for Roger to continue providing for the OHP patients.

In addition I think it would be of great benefit for Southside to add an onsite pharmacy to their facility. The National Center for Health Statistics also states that a “physician writes 1.4 prescriptions per visit. If the practice were to make $10 on each of the 35 prescriptions, it would increase daily profits by $350 without occupying any more of a doctor’s precious time. Additional revenue of **$90,300.”1**

This gives us a total of **$239,700**.

**Cited**

1. <http://www.carecloud.com/blog/doctor-dispensed-medications/>
2. Mid-Valley Medical Plaza

**Scenario 2: (Drop some, keep some)**

I had the challenge of keeping some of the OHP patients, and cutting some, while cutting expenses in order to make up the loss of income.

I have come up with the following:

I will cut our OHP patients 10%, which will leave us with a total loss of **$ 149,000**

We will then cut our employees’ salaries 15%

MDs (120,000\*5)\*.15=  **$ 90,000**

PAs (100000\*15)=  **$ 15,000**

Assuming at least 1 PA

MAs (37440\*6)\*.15=  **$ 33696**

Assuming at least 1 MA per MD and PA

FO (33280\*5)\*.15=  **$ 24,960**

Assuming there are at least 5

**For a total profit of**:  **$ 14,656**

I also looked into malpractice insurance. The average yearly premium for primary care physicians is $12,000/year (see website for info). Instead of going to the lowest level, we decided to cut our malpractice insurance 25% and add an additional $100,000/year into our budget.

Another way we will increase profit is to cut office expenses from $75,000 to $50,000. We will have a savings of $25,000.

Profit from OHP and salary cuts: **$ 14,656**

Additional savings from malpractice: **$ 100,000**

Savings from office expenses: **$ 25,000**

**For a total profit of:**  **$ 139,656**

In addition to cutting 10% of our OHP patients, cutting salaries 15%, and eliminating excessive expenses, we are choosing to open our office on one to two Saturdays per month (according to how much participation we have) as a low-cost/fee-for-service, which we will have our employees take turns volunteering to staff. We will charge $20 per patient seen during these times. This will, hopefully eliminate some of the inconvenience of those patients that we had to cut due to hard economic times. With the profit of **$139,656** we will be able to supplement Roger’s income and help pay for the additional costs of the low-cost/fee-for-service. We feel this way we can continue to care for those in the community that may not otherwise be able to obtain medical attention. With this done, we feel it would only be right that after the end of the year, any money left over will go back to the employees as a way to supplement their income loss.

http://work.chron.com/much-doctors-pay-insurance-7304.html

Scenario 3: (Think outside the box)

Saving money is something that everyone strives to do. When it comes to business, sometimes that means downsizing. Unfortunately, that was the route that Itook, but for very valid reasons. I discussed the benefits, as well as the downfalls, to 4 main strategies to save the $165,000, all of which resulted in wage cuts and employment terminations.

Before I turned to cuts and terminations, I considered the other expenses and analyzed how I could save money there and keep the valuable employees who had a great relationship with the business. The first thing that stood out to me was the amount being spent on Supplies. Between Medical Supplies and Office Supplies, $105,000 is being spent annually. This is an absurdly high number, and I strated looking in to new resources and different office suppliers for less expensive supplies. As Susan Graves stated, “Waste is ALWAYS a huge issue in any business. Keeping a tighter rein on use of supplies and amount ordered can really add up and make quite a dent in overhead costs”. Designating a front office assistant the duty of doing inventory on supplies once a month could be the difference of very little monthly, however, over a year that number could grow. Another thing I discussed was to cut the continued medical training expense down. The number seems outrageous, and at this point, the business needs to save in any way they possibly can.

One of the first points that was brought up to save money was to bring in a Kiosk in the front office where patients could check themselves in, as well as schedule their next appointments either online or in the office at the Kiosk. Upon looking into the cost to purchase a Kiosk, we discovered ChARM EHR, which is an Electronic Health Record system that has no installment fee. To put this in the patient’s hands could be as simple as having a computer in the lobby, or even an iPad. With this particular system, there is a monthly fee that is based on the amount of patients that use it. With the estimated 7200 visits a year, that leaves 600 patients in the office in 1 month. According to the ChARM pricing, that would make this a Small Practice, costing us $0.50 per patient resulting in a $300.00 monthly bill (http://charmtracker.com/ehr/ehr-pricing.html). With this Kiosk, a Front Office Assistant would not be necessary; at least not the 7 that we figured were employed here.

Without the exact number of each employee in the office, we analyzed which made the most sense for prime functionality. Originally, I figured that there were 2 Physicians, the original physicians from when Roger started, and they both made $150,000 a year. Knowing that there were 5 providers, we considered 3 Physician Assistants were employed at $100,000 a year. Next, I divided the remaining 18 full-time employees up leaving 10 Medical Assistants at $36,000 each per year, 7 Front Office Assistants at $33,280 each annually, and one Office Manager, Roger, who collected the rest of the revenue. Now, to discuss the wage cuts. To do this, Roger would hold a Staff meeting where he was very open with the position that the office is in. I settled on 10% since that would save a total of $127,310 which is enough when you consider our next move.

As for Employment terminations, we settled on cutting one Medical Assistant, and two Front Office Assistants. We would either cut the most recently hired, or the first hired… perhaps they were ready to retire? We figured that 9 Medical Assistants for 5 providers was an ample amount, and 5 Front Office Assistants was sufficient with the newly acquired ChARM Kiosk. This would save the business another $91,500, bringing the total savings to $218,810.

The Platypus team felt very comfortable with this number considering that the Office Manager’s wage would not be damaged much, and the new $300 monthly cost for the Kiosk would only end up being $3,600 annually, taking the total saved down to $215,210. In the end, Roger’s annual income ended up being $50,210 which is just $4,790 shy of the AVERAGE Medical Office Manager’s salary. If you consider the possible savings from tighter inventory, and the savings from cutting some from the continued education, as well as the discontinuation of the necessity for 3 employees’ continued education, Roger could potentially maintain the $55,000 annual salary. The goal of the 165,000 savings was reached and with such a tightly knit office, with the employees understanding and consideration, the $165,000 savings goal could easily be reached.

For more information on the ChARM EHR, visit www.charmtracker.com

Assignment 2:

I was assigned the objective of eliminating 1200 OHP patients from Southside Clinic. This was not an easy task since the clinic’s owner, Roger Terralta, has done a very thoughtful and excellent job by taking care of the OHP patients despite the fact that he is making no profit and absorbing the loss.

In order to have the least collateral damage possible, we decided to drop these patients for the following reasons:

1. Southside Clinic cannot provide medical care to OHP patients and be able to keep operational for too long. Continuing to lose money will force the clinic to shut down and not only would the 1200 patients on OHP be affected but the rest of the patients as well. Roger cares about all his patients. Therefore, if OHP someday corrects the situation, he would like to serve them once again.

2. Roger cannot reduce physicians or any other employees. If the clinic reduces the number of staff, it could not continue providing health care to the remainder of the patients. This would cause increased pressure on the remaining personnel to do more work with fewer resources. A work environment such as this is very dangerous in a medical setting. Overworked physicians and other staff tend to make mistakes leading to dangerous situations for the patients and possible malpractice suits. Also, the number of patients able to be seen daily will decrease because of the lack of personnel and the clinic would not be able to maintain profitability. The consequences of this situation will be that the clinic would be forced to stop operating and close its doors.

3. Currently, the clinic is losing $2 per visit. Due to this, Roger’s income has suffered a reduction of $14,400 as his annual salary is the clinic’s profit. By cutting those visits, profits will increase to $64,400 and this could enable the clinic to serve members of the community that can’t afford medical care.

4. If Southside Clinic keeps the 1200 OHP clients, it will reduce revenue by a total of $165,600. In order to obtain at least marginal earnings, Roger would be forced to reduce employees’ salaries which could lead to moral issues and increase employee turnover.

5. By returning to the previous method of operation, Roger can once again provide assistance to 400 indigent people, not just the 80 he is serving with the current contract with OHP. He will be able to continue helping the community, resume support for those who were cut due to OHP changes, and still be able to achieve profitability for his clinic.

**LOOK AT CONTENT – NOT FORMAT!**

February 5, 2013

John Smith

123 SW Road

Albany, OR 97321

Dear Mr. Smith:

The purpose of this letter is to communicate to our valuable patients an important change regarding our patient policies. Due to recent changes in the Oregon Health Plan (OHP), Southside Clinic is not able to continue to provide care to OHP patients.

Because of the 50% reduction in funds from the Oregon Health Plan (OHP), Southside Clinic can no longer afford to provide care to patients on the plan. This reduction means a loss of over $165,000 per year which the clinic is not capable of absorbing.

We have always taken pride in providing quality healthcare to all of our patients and for the last decade Southside Clinic has supported the community by absorbing the difference between OHP payments and the cost of patients care. However, Oregon’s Governor has significantly reduced this contribution and now only contributes 50% of the medical services cost to healthcare providers. Due to the severity of the cuts it is not financially feasible for us to continue serving OHP patients.

We will continue to provide routine and emergency medical care to you for the next 30 days as you seek transition to another health provider. Because we care about our patients, we will help you contact your case worker to obtain the necessary information to find a physician that currently is accepting the OHP. Additionally, we will be pleased to assist the physician of your choice by sending him or her a copy of your medical records upon your authorization.

If there are future changes with the Oregon Health Plan that enables our office to once again serve you, we will be very pleased to have you return as a patient to our care facility.

If you have any questions, do not hesitate to contact us.

Sincerely,

Roger Terralta

Southside Clinic