

Eli's Rehab Report

Business Strategies: Re-Examine Your Existing Insurance Contracts

You've read about how to examine managed-care plans when you're shopping the market, but you don't want to forget about the plans you already have.

One or two existing insurance contracts could be draining your resources without your knowing it. Check out these tips to help you weed out a bad plan in your mix of insurance contracts:

Review critical benchmarks: From a financial standpoint, you'll want to compare each plan's average income per visit (what you actually receive and deposit) versus cost per visit (the costs to deliver a visit: labor, supplies and fixed costs), says **Harvey Schmiedeke**, president of Burbank, Calif.-based Survival Strategies, in reference to his co-authored article in the consulting firm's newsletter, Private Practice Solutions.

Look beyond the numbers: "There's the human element to consider as well," Schmiedeke says. The calculations you did may reveal important information on revenue and cost, but hidden factors affect your resources as well, such as a contract that doesn't authorize enough care, which in turn hurts the patient and thus pulls more time from your staff.

For example, one person in your billing department may be spending 30 percent of her week handling one company that's problematic, and that company only represents 5 percent of your income, Schmiedeke says.

"So it's a good idea to interview your staff because you'll usually find out that there are one or two contracts creating a real headache."

Note: Check out the "clip and save" spreadsheet in the next issue on further analyzing your costs and profitability with contracts.