How to Organize and Operate a Successful Oral and Maxillofacial Surgery Practice

The key to operating a successful oral and maxillofacial surgery practice can be separated into three distinct areas of concern: A) Human Resource Management, B) Accounts Receivable Management, and C) Qualified Retirement Planning. Combined, the three parts form the “ABCs” of operating a successful oral and maxillofacial surgery practice. The common threads that run through the “ABCs” are the need to organize, communicate, and hold individuals accountable for their performance. We will explore the proper use of the “ABCs” in the ensuing article.

**Human Resource Management**

The goal of Human Resource Management is the ability of the staff to function at its highest level of efficiency and quality of work. Conceptually, it is the ongoing leadership efforts of management to organize, communicate and hold the staff accountable. These goals can be accomplished with the aid of an employee handbook, formal pay scales, job descriptions and cafeteria benefit plans.

**Employee Handbook** – An employee handbook is a decision-making document created to protect your practice. It is a basic communication tool that will improve employee relations and morale while decreasing turnover. It allows you to organize and communicate all existing personnel policies and procedures, and establish accountability standards which, in turn, will decrease employee misunderstandings about pay, vacations, overtime, absenteeism, discipline and safety regulations. Employee manuals should be reviewed and adjusted annually to accommodate such changes as: 1) expanded or substantially changed organizational structure, 2) changed management structure or established new organizational goals/objectives, or 3) a new practice location, etc.

**Formal Pay Scales** – Pay scales are established with the help of information from the U.S. Department of Labor and Statistics, professional society studies of compensation by staff position, and local area market trends. Pay scales organize and communicate the timing of raises and the level of compensation that the staff may achieve in their current positions. Staff then has the ability to improve their capabilities to advance to higher paid positions. Once pay scales are instituted they may be adjusted for changes in market conditions, cost of living, etc. The use of pay scales is a key factor in staff expectations of raises in their annual reviews.

**Job Descriptions** – Employees are more efficient and accountable for their jobs when they know exactly what is expected of them. Job descriptions are used to organize and communicate a written basis for evaluation, professional goals, and accountability for areas of responsibility. Job descriptions should define job tasks and form a basis for formal job evaluations in annual reviews. The physical standards of the job, including ADA (Americans with Disabilities Act), should also be included.

**Cafeteria Plan** – A cafeteria plan is a written plan under which all participants are employees who can choose to receive cash or other qualified benefits. The most significant advantage of a cafeteria plan is selection. Surveys indicate that individual employees have vastly different preferences for fringe benefits depending on their personal situation. Employees expect a certain level of fringes in addition to cash. A cafeteria arrangement allows choice; a benefit similar to cash. The advantage for the employer of a fringe benefit cafeteria plan is...
attracting, motivating, and retaining quality employees. Additionally, the employer can fix the benefit cost for all employees. The employee tax advantage is a salary reduction allocated to non-taxable benefits, which are not subject to FICA taxes. Salary reduction allocations to non-taxable benefits are not included in gross income; thereby resulting in tax savings for the employee.

**Accounts Receivable Management**

The goal of accounts receivable management is to maximize the cash flow through the collection of billed professional services and the minimization of controllable losses. Effective management is accomplished by the organization, control, and monitoring of the billing and collection process. These goals can be accomplished with the aid of the following procedures and controls:

**Internal Controls** — Internal control can be defined as the system instituted by management of an organization to provide reasonable assurance in achieving objectives for the effective and efficient use of the entity’s resources. Internal controls help safeguard the cash, accounts receivable, and other assets of the practice. They are a series of monitors and procedures that need to be reviewed constantly to ensure the safeguarding of all practice assets and the achievement of collection goals. An example of a common internal control is the reconciliation of the day sheet activity to manual totals of the day’s transaction and with the monthly business checking account bank statement by an individual without billing or collection responsibilities.

**Staff Training** — The staff needs to be trained to understand the components of the billing cycle and their individual responsibilities in the billing and collection process. The use of well-organized and defined job descriptions along with proper training will allow the organization to hold staff members accountable in achieving predetermined goals and levels of performance.

**Financial Monitors** — Financial monitors are benchmarks that should be established to assist in assessing the ongoing financial health of a practice. The calculation and tracking of fiscal changes in financial monitors aids in the maximization of management control over the billing and collection process when compared with established industry standards. Financial monitors include, for example, the calculation of the net percentage collection, the adjusted percent collection, and the days in receivable, in addition to monitoring the accounts receivable financial classes. Accounts receivable financial classes segregate patient balances by such categories as type of commercial insurance, personal balances, Medicare, payment agreements, etc. The categorizing of patient balances into classes assists in the identification of common problems by types of collection categories. Collection staff can be assigned the monitoring of specific classes of patient balances which maximizes efficiency of the collection process by holding staff accountable.

**Collection Follow-up** — The establishment of a written cyclical follow-up program to progressively deal with the collection issues is necessary to maximize the potential for collecting the highest level of amounts owed to the practice.

**Controllable Losses** — Controllable losses are losses from collectible patient accounts receivable that are caused by inefficiencies and/or ineffective staff performance. The elimination of controllable losses in the collection processes results in maximizing the cash flow to the practice.

**Qualified Retirement Planning**

We recommend that every 3-5 years, a reevaluation be performed of the needs and opportunities available through qualified retirement plans. Each type of plan has attributes and constraints, which make the plan advantageous. The following decision criteria could be used to evaluate the need for qualified retirement plan implementation or changes:

1. Available funds for tax deferral
2. Age of physician and staff
3. Long- and short-term goals
4. Associated costs
5. Plan administration financial responsibility
6. Size of staff

**Types of Qualified Plans**

**Defined Benefit Plans:** Defined benefit plans promise a participant a specific benefit. The benefit is usually expressed as a percentage of compensation or a specified dollar amount times years of service. The benefit is payable over the life of the participant and usually commences at the participant’s normal retirement age. The benefit must be provided regardless of the investment return generated on the employer’s contributions to the plan. Accordingly, the investment risk is assumed by the employer.
**Defined Contribution Plans:**
Defined contribution plans specify the contribution, which may be discretionary, that the employer will make to the plan. There is no promise of a specific benefit. Rather, the participant will receive the contributions to the plan, plus or minus the investment return on the contributions. Accordingly, the investment risk is borne by the participant.

A. **Profit Sharing Plans.**
Contributions are discretionary with the employer.

B. **Money Purchase Pension Plans.**
The level of contributions is specified in the plan. The contribution is usually defined as a percentage of compensation.

C. **Target Benefit Plans.** A target benefit plan is a hybrid of a defined contribution plan and a defined benefit plan. The contribution is actuarially determined to provide an anticipated benefit. However, there is no guarantee that the benefit will be provided. As with all defined contribution plans, the benefit will only equal the contributions plus investment growth.

D. **401(k) Plans.** Under a 401(k) plan, the employee elects to have a portion of his or her compensation contributed to the plan on a before-tax basis. The plan may provide that the employer will make a matching contribution equal to a portion of the employee’s salary reduction contribution.

It is our recommendation that following the ABC concept will help practices focus on the most important aspects of their business. To be successful, you need to focus on your people (Human Resource Management), your uncollected earned money (Accounts Receivable Management), and providing a foundation for security (Qualified Retirement Planning).

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