



Non-CME Webinar Series
designed with the trainee in mind

first Tuesday of the month



Business 101: **Financial Basics for Your 1st Year Pain Practice**

B. Todd Sitzman, MD, MPH
Advanced Pain Therapy, PLLC
Hattiesburg, MS



Disclosures

No industry conflicts of interest



Where is Mississippi





Where is Hattiesburg, MS

Mississippi





Hattiesburg, MS

2022 Demographics

✓ Population	city	46 K
	metro area	172 K
✓ Demographics	black	54 %
	white	39 %
✓ Median Age		29 yrs
✓ Income		\$ 38 K
✓ Cost of Living (of national avg)		79 %
✓ Unemployment rate		6.3 %
✓ Without health insurance		14.6 %
✓ Median Home Cost		\$152 K

Sources: www.census.gov and www.bestplaces.net



Mississippi Health

✓ # 1 in poverty	19.6 %
✓ # 1 in low birth weight	11 %
✓ # 2 in morbid obesity	8 % (BMI>40)
✓ # 1 in diabetes	41 %
✓ # 50 life expectancy	74 years
✓ # 1 disability	18 %
✓ # 1 heart disease deaths	245 per 100K
✓ # 49 primary care	6.7 per 10K
✓ # 50 intensivist	0.3 per 10K

Sources: statehealthfacts.org and worldpopulationreview.com



My Pain Practice





My Pain Practice





My Pain Practice

- ✓ # patients seen 19,464 (20 years)
- ✓ # patients 30 patients/day
- ✓ Age (mean) 63 yo
- ✓ Pain Treatment “Everything”
- ✓ Payer Mix
 - 58 % Medicare
 - 25 % Commercial
 - 10 % Workman's Comp
 - 7 % Self Pay (No Pay)



Business 101

Pain Practice Survival 101

$$\text{Profit} = \text{Revenue} - \text{Expense}$$

- **Medical practices are not free market driven.**
- **We do not set our prices.**
- **We can only control expenses & patient volume.**



Business Expenses

1. Lease / Mortgage (monthly)
2. Capital Expenses (one-time, upfront)
 - ✓ Build-Out / Leasehold Improvements
 - ✓ Furnishings
 - ✓ Computers
 - ✓ Setup: *EHR & PM Software*
 - ✓ Supplies: “3 C’s”
 - ✓ Fluoroscopy Unit: *lease versus own*
3. Utilities (monthly)
 - ✓ Internet Access (high-speed capacity)
 - ✓ Phone System
 - ✓ Electricity
 - ✓ Water / Sewer
 - ✓ Security / Alarm Monitoring Service
 - ✓ Common Area Maintenance
 - ✓ EHR / Scheduling Software



Business Expenses

4. Insurances

- ✓ Professional Liability
- ✓ Business Overhead / Umbrella Policy
- ✓ Staff Medical and Dental

5. Staffing

- ✓ Experienced Front Desk
- ✓ Nurses
- ✓ Medical Assistant

6. Contractual Services

- ✓ Office Cleaning
- ✓ Accounting / Payroll
- ✓ Billing Services
- ✓ IT Services
- ✓ Transcription



Business Expenses

7. Clinical Supplies (monthly)

- ✓ Needles, epidural trays, RF, etc.
- ✓ Corticosteroids, LA's
- ✓ Syringes, IV supplies, sedation Rx

8. Clerical Supplies (monthly)

- ✓ Printer paper
- ✓ Printer toner
- ✓ Pens, paperclips, folders, etc.

9. Cleaning Supplies (monthly)

- ✓ Bathroom cleaner
- ✓ Window cleaner
- ✓ Floor cleaner
- ✓ Paper: toilet, tissue, hand drying



Business Expenses

10. Taxes

- ✓ Payroll (940, 941, state withholding)
- ✓ County property tax
- ✓ County privilege tax
- ✓ Business personal property tax

11. Miscellaneous

- ✓ Licensure
- ✓ Dues (AMA, ASRA, NANS, AAPM, ...)
- ✓ Pest control
- ✓ AC/Heat maintenance
- ✓ Shredding of PHI documents
- ✓ Radiation dosimetry
- ✓ Banking fees / credit card processing
- ✓ Advertising
- ✓ Website maintenance



Financial Statements

- **Income Statement**
 - Are you profitable?
- **Balance Sheet**
 - Are you stable?
- **Cashflow Statement**
 - Will you survive?



Income Statement

- **Structure:** **revenue minus expenses**
- **Revenue:** what you earn in services
- **Expenses:**
 - a. **costs of products sold**
not applicable to most pain practices (we sell services)
 - b. **overhead:**
costs required to run your business



Income Statement

Expenses = Overhead Costs

- **Variable Costs**

increase or decrease based upon
level of activity
(clinical and clerical supplies)

- **Fixed Costs**

do not change with level of activity
(lease/mortgage, utilities, EHR,
staffing, insurances, contractual
services, cleaning supplies).



Balance Sheet

- **Structure: $\text{Assets} = \text{Liability} + \text{Equity}$**
- **Tells if your business is healthy**
- **Assets: what you own**
 - ✓ cash
 - ✓ inventory
 - ✓ accounts receivable
 - ✓ real property (equipment, land, building)



Balance Sheet

- **Structure:** **Assets = Liability + Equity**
- **Focus:**
 - ✓ do current assets cover liabilities
 - ✓ can practice meet its debt obligations
 - ✓ what is the debt-to-equity ratio?
- **Liabilities: what you owe**
 - ✓ accounts payable
 - ✓ tax payable
 - ✓ mortgages and long-term debt



Cashflow

- **Cash received over a period of time from:**
 - ✓ Financing
 - ✓ Operations
 - ✓ Investments

Asks the questions:

Can your practice survive from operations or is it alive because of financing or investments?

Is cashflow positive?



Financial Statements

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Business Challenges:

- **Payment cuts** (Medicare and all insurances)
- **Restrictive payer policies** (clinical & economic)
 - a) higher specialist copays
 - b) higher deductibles
 - c) restrictive treatment guidelines
 - d) 3rd party reviews
 - e) prior authorizations, calls, appeals
 - f) limited Rx formularies
- **Excessive time** spent on unreimbursed, non-clinical tasks.
- **Patients do not understand** these challenges.



Guiding Principles

- Medical practices are not free market driven. We do not set our prices.
- We only control expenses & patient volume.
- Must know: **Profit = Revenue – Expense**
- Profit is not a legitimate purpose of a medical practice.
- Legitimate purpose of a private pain practice is to provide services to individuals in need, and do it so well that it's profitable.

Thank You and Best Wishes in Business



B. Todd Sitzman, MD, MPH
toddsitzman@msn.com