

# Financial Controls in the Healthcare Practice

Use emotional intelligence to trust and verify.

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**A**s clinical training is the focus of medical education, and physicians may not be interested in the finances, there may be a lack of understanding of accounting terms and statements, or physicians may simply never have been offered this critical information.

This is truly a case where knowledge is power. Considering adding a service? Adding more income generating space? Preparing a financial forecast? A “pro forma” will help you gauge realistic costs and projected income. Your administrator and accountant are your best friends for helping you learn the terminology that will give you the entire financial picture of your practice.

One of the first principles taught in any accounting class is to “trust but verify.” Both trust and verify can apply. While a physician’s priority is always patient care, it is just as important to keep your finger on the pulse of the practice’s financial activities. Meaningful data include financial information.

We have to know our history to move forward. Utilize resources and experts to learn what you need for your practice and your future. With revenue formulas shifting, a physician really needs to know their operating revenue and expenses. Also keep in mind that the physician typically is the administrator’s check and balance. This is a healthy measure on every level.

Some physicians’ financial knowl-

edge is so substantial that it enables them to have strong independent practices. One example is the ability to successfully negotiate with insurances by owning the knowledge and monetary impact of your billing practices.

Being aware of your practice’s finances helps to quickly identify most typical revenue cycle and accounting patterns. For instance, you could be attentive if there were a sudden lack

regrouped during the process. Or so they thought. While going through the daily mail, the staff noticed a bank statement to one of the physicians from a bank they did not recognize. It turned out to be an account from a building loan from several years back. They had been advised to keep it open—just in case. The administrator immediately contacted the bank and personally reviewed all

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of income or increase in expenses. Knowing your revenue per payer mix, most common procedures, and diagnoses helps you know where you can have the most impact with certain services while maintaining efficiencies.

Physicians need to understand and can benefit greatly by knowing the basics of finance so they can work with the administrator and others to ensure financial controls are in place. A good place to start the bridge of communication and financial awareness is the physician’s role as financial liaison. This reflects an ongoing participation and can be especially warranted with large projects such as a building addition or adding a new service line.

## **Story: How Many Bank Accounts Do You (Really) Have?**

An administrator of two newly merged practices understood that all bank accounts had been handled and

activity since the loan to confirm no suspicious activity had occurred.

Having a trustworthy administrator is a wonderful asset, but we need our checks and balances, too! It is essential to be aware of ALL accounts. Maintain a list and confirm the activity with each institution for the fiscal tax year. These statements are easy to verify with balance sheets and other financial statements.

Keep track of employees who handle currency or electronic funds by documenting as they receive training. Ensure that keys are turned in, and that access to company accounts, cards, and passwords is changed as per your employee exit checklist.

## **Vulnerability Results from Too Much Trust**

We want to like and trust the people with whom we work. Trust and

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confidence increase as co-workers become more familiar and relaxed with each other. This juncture is where financial controls are beneficial as they automatically govern any shortcomings or rationalization in procedures.

We can separate the money from the care, which allows the patient to minimize their financial concerns and be able to focus on their treatment and health! We listen and ask questions; we listen and respond. That is emotional intelligence.

Almost half of what is stolen from practices is cash. Therefore, developing a secure system of multiple checks and balances with financial protections at each step of reconciliation is vital to minimize risk. Prevention strategies are particularly important because a practice's insurance may not cover the loss, which can be significant. Review your general office insurance policy as soon as possible to include bonding and other riders you feel are pertinent to protect your practice. Your liability carrier and risk management staff can add more practice-specific points.

The key to theft prevention and loss is to have rigorous accounting controls with staff fully aware that their tasks are monitored. They should know that they are held accountable for every penny and each item in inventory.

Physicians also should always be a part of daily accounting processes. It is essential to be aware of practice patterns, charges, payments, and other basic daily and monthly numbers. It takes three minutes to sign off on a daily dashboard or report of money coming in and going out. Remember, too, that the physicians are often the administrator's check and balance, and they are crucial to have in place for financial controls.

Ten percent of embezzlements are from misuse of non-cash assets. Take advantage of inventory controls for medical supplies, equipment, prescription pads, and drugs, which are necessary for every office. There is no limit to what some people will steal if items are readily available—from sample medications to dermatological samples, crutches, and other durable medical equipment.

## **Implementing General Accounting Controls**

Consider the following areas of risk and make sure you are able to answer “yes” to all these questions:

- Are vacations required for the individuals who have contact with money? Does another staff member do their job while they are away?
- Are all employees who handle cash bonded?
- Do you have adequate insurance coverage for employee misconduct?
- Does the physician liaison have the final approval for new vendors?
- Do employees know that physicians and management review daily transactions?
- Is there a mechanism in place for employees to report suspected fraud anonymously?
- Do you have a staff exit checklist that includes all passwords, keys, and access to all accounts?

rates to determine their accuracy? You may also consider outsourcing payroll and other human resources administrative services to save time and ensure another layer of financial controls. Simple steps can be most effective in preventing embezzlement. Additionally, your honest staff will welcome reliable accountability. You can rely on and substantiate their work at the same time.

## **Some Ways to Ensure That Your Staff Is Reliable:**

- Keep a CURRENT list of money handlers.
- Income other than fee-for-service, practice-based income should have its own deposit: e.g., medical records, depositions, facility director, rental, or other income.
- You may need to reference each provider's contract. Deposition income, for example, may need to

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## **Limit the monetary amount, maximum transfers, and withdrawals from all accounts.**

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### **A Few Troubleshooting Tips:**

- At least one physician leader should have all passwords and codes.
- The validity of every patient refund should be confirmed and verified with someone other than the employee requesting that refund.
- Limit the monetary amount, maximum transfers, and withdrawals from all accounts.
- Create good habits. Meet monthly with administrator(s) to review reports and financial activity.

### **Payroll Equals Endless Opportunities for Financial Loss**

The processes involved in embezzlement in wages and payroll are not difficult but contain a million details that no one likes looking at—which is the point!

Just as with revenue and expenses, it is imperative to know your practice's payroll patterns. There are so many questions to address. Who approves wages, leave time, and other benefits? Do the owners regularly review the staff's pay

be given directly to the doctor.

- The administrator and physician must be present in daily reconciliations and deposits, monthly operations reporting, and so on.
- A physician's participatory role has a dynamic impact that aids in ensuring a financially secure practice.

Expense reports should always, always, always require 100% backup for reimbursement. Although this process may be a little labor-intensive, it fulfills a necessary accounting function.

Although we tend to think and act in short-term results, we can reduce the risk of monetary loss by guarding against the opportunity. The temptation of a tantalizing piece of rich dark chocolate cake sitting on the kitchen counter can be resisted for just so long! Psychologically, when we diet, and give in just a little, and gain weight back, we can easily rationalize by saying, “Why not, I have already broken the diet,” which is instantly gratifying.

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The scenario is not so different with money if it is easy to access—especially when the cash drawer is never balanced! If that money is just sitting there, why not take it?

### **What Should You Do If You Believe Someone May Be Committing Fraud or Embezzling?**

If you suspect that a co-worker may be taking money or inventory, first meet with your administrator and any other appropriate staff to advise them of your suspicions. There are ways you can approach someone without 100% evidence of that accusation. Contact your consultant and attorney to clarify best approaches and state-specific rules. Reach out to your liability coverage representative to confirm coverage that can help recoup your funds lost. This is the key moment when trust kicks in, hopefully to your benefit. Depending upon

your coverage, you may need to report this incident to local authorities to recover money or items stolen.

Protect every dollar that enters and leaves your practice! Implementing solid financial management processes and procedures strengthens controls and substantially reduces chances of theft.

### **Patient Bills and Communication**

As we consider patient collections and working with emotional intelligence, we must consider the many factors that could be affecting why a patient is not paying your particular bill. Emotional intelligence is a strong determinate of our success in this area. Deliberate these points as you hire collections staff and the practice's potential for success using emotional intelligence:

- Poor collectors average 80% of their goals.
- Great Collectors average 163% of their goals

Using your emotional intelligence to work for you, which employee would you prefer to have?

We know our patients best. Step-by-step planning includes clearly designated points of information and assistance to carry collections through successfully, from the first time a patient calls. It is our responsibility to administer the patient's payment plan as best we can for the benefit of the patient. This can be as easy as we make it. Offering your staff 100% of the tools they need to conduct the most unpleasant tasks benefits everyone and gets your bills paid. **PM**



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