

# Steering Your Practice: A Step-by-Step Method

To succeed,  
you need an  
action plan.

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*This article is written exclusively for PM and appears courtesy of the American Academy of Podiatric Practice Management. The AAPPM has a fifty-plus year history of providing its member DPMs with practice management education and resources. Visit [www.aappm.org](http://www.aappm.org) for more information.*

**T**here are serious flaws in how we educate medical professionals in our country. We produce skilled clinicians with extraordinary skills to heal their patients, but we fail to offer them a single course on how to be successful in business. Consequently, most only learn the most basic business practices on the job. And they learn from someone who also learned how to run a practice from someone else who just tried to do the best with what they had.

Furthermore, this creates a crisis of confidence in doctors who believe that the basic tools of business are beyond

their ability to sufficiently comprehend. Balderdash! Anyone who graduates from podiatry school and residency programs can easily understand the tools of running a business. Profit and loss statements, balance sheets, accounts receivable reports, key metrics

how to evaluate information and make independent decisions, the tools of entrepreneurship, and on and on. It makes no sense because having these skills are leading indicators for success.

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can all be easily understood and mastered in less than a week of study. The issue is that no one tries because they believe it's too hard to truly grasp without years of study.

It doesn't make sense. It's like what happens in our K-12 schools which are charged to prepare our future citizens but don't teach them basic life skills like how to balance a checkbook, how to purchase a home, how money works, how to buy insurance,

from a struggling colleague who employs them. This works at first because low volume equals lower complexity, and inefficient systems can get the job done in a reasonable period of time. But as the volume increases, the office becomes more and more buried under the management burdens of the business. To be clear, to operate a medical practice in the U.S. system is complex. In fact, it's ridiculous. Be-

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cause of the system, medical offices spend an inordinate amount of time just trying to get paid.

Michael Gerber, in his classic *The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It*, discussed the complexity that small businesses face and how the skills of, in our case the doctors, are not enough to run and manage a profitable, enjoyable medical practice. They need a system that supports and guides their practices. They need a steering wheel.

Here's a simple way to steer your practice.

### **Know Your Numbers**

Your key performance indicators (KPIs) are metrics and benchmarks to help you discern if your practice is healthy or in a state of disease. Knowing these metrics is essential for anyone who wants to manage their practice and have a personal life.

Here's a short list of your vital KPIs. Your staff needs to report these figures to you weekly, so you can review your progress and take appropriate actions to correct any problems and to enhance the good stuff.

- New Patients Last year
- New Patient Goal for This Year
- New Patients This Year
- Total Patients Last Year
- Total Patients Goal for This Year
- Total Patients This Year
- Total Billed Last Year
- Total Billed Goal for This Year
- Total Billed This Year
- Total Collected Last Year
- Total Collected Goal for This Year
- Total Collected This Year

Track all these metrics and goals by month. That means you compare January's numbers last year to January's numbers this year. You can't compare January's metrics to October's. They'll be different, and as you track this year over year, you'll begin to discern the seasonality of your numbers.

In addition to these key numbers, you must calculate your Per Visit Revenue or PVR. This is done by dividing total collections by total number of patient visits for a period

of time. You should know your PVR for the previous twelve months and for the previous three months; not month by month in this case. It's just one number for the previous year and one number for the previous three months. You can then compare your last quarter to your yearly number to see if there's a variance.

### **PVR/PVC**

Knowing your PVR is one of the most powerful points of leverage in your practice. The national average is \$95. Most healthy practices range from \$120-\$220. You will raise your PVR through better management systems and protocols that allow you to practice more comprehensively, raise patient outcomes, and increase your profitability. Raising your PVR even

months old and real havoc ensues. This is because it's complicated for doctors to get paid, and it's a basic business principle they never learned from anyone.

### **Dollars/Hour**

Just as you can track the revenue generated as your patients visit your office, you can track how much revenue is generated every hour you and your staff are in clinic and seeing patients. This is easily calculated by dividing your total collections by the total number of hours you see patients in clinic and in surgery. Don't use the number of hours you are in the office. You may be there for solely administrative reasons. Instead, use the correct number of how many hours you and your staff are seeing

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\$5 can increase what you pay yourself by thousands of dollars. Managing your practice better makes your patients happier and healthier, and it does the same thing for you.

You can also track your Per Visit Charges (PVC). This is calculated by dividing total billing for a period of time by total patient visits. This is a key number to know because your PVR will be a percentage of what your PVC is. Typically, that is around 55 percent. Most practices collect around 55 percent of what they bill. Your percentage might be higher or lower because of how you bill, but if you know your own percentage benchmark, you can monitor it. If there's a sudden change, you can immediately investigate the cause. In the case of precipitous drops, it often involves a problem with a payer or a biller. This percentage indicator is "a canary in the coal mine" because it's an early warning indicator of a problem that will affect your cash flow.

So often doctors first discover that something's wrong with their collections when they see that there's no money in the checkbook. By the time this happens, the problem is

patients. You will calculate a number that simply tells you what the practice makes in revenue every hour you see patients. This number will reveal how efficient your practice is. The numbers for this vary dramatically from practice to practice and can range from a very low \$250/hour to a high \$1000/hour or higher. The average is \$550/hour. No matter where your number currently stands, raising this number by utilizing your treatment rooms, people, and time more efficiently is the single most valuable use of your time. If patient outcomes increase, your profits will soar.

### **Accounts Receivable (A/R)**

Another early warning sign of trouble in your finances is your accounts receivables (A/R) report. Every accounting program can produce these reports that show how much money is owed to you. They're organized by time like this:

- 0-30 days
- 30-60 days
- 60-90 days
- 90-120 days
- 120+ days

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You should review your A/R at least twice a month. The 0-30-day number should be as big as it can be. This reflects your current business, which you want to be as big as possible. That's why you market your practice.

- 30-60 days should drop off to no more than 25 percent of your total A/R.
- 60-90 days should be less than 10 percent.
- 90-120 days should approach 0 percent.
- 120+ days must be 0 because you are unlikely to ever collect this money owed to you.

Take the Time to Understand Simple Accounting Reports

Smart business owners look at their Profit and Loss Statements and their Balance Sheet every month, too. It is not hard to learn to read these reports. Anyone can do it in thirty

minutes. This is the first week of accounting 101 in school. Once you understand these essential and foundational business tools, you'll be able to rest easier at night. You'll know you're informed about the health of your company, and you can take actions to make it even healthier.

Prioritize by Value

This is a key component of steering your practice. Do the important things first and do only the important things. Get organized. Clear the decks and focus on what you should do, not the endless paralyzing list of what you could do. None of us has

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While there are even more numbers to know, the list isn't endless. Learn how to understand and use these numbers to market and manage your practice more effectively. Do NOT collect these numbers yourself. CEOs don't compile reports; they read them and then review them with their teams to take action. Never do this yourself. Have your staff prepare, share, and help interpret these numbers with you.

unlimited time and energy, and we all have very large to-do lists. Very few doctors understand the need to create a should-do list and focus on that list and that list alone. The top reason to get organized is self-preservation. The following tool is deceptively simple—it's just a list. But it is extremely powerful in enabling

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you to overcome the endless things you think you should do but never have the time to actually do. If you hear yourself say, “I just don’t have enough time to do the things I know I should do,” then this tool is for you. You DO have the time. There are people who have sorted this out, and it’s a key to their continued success.

### **Step One:**

Make an appointment with yourself to go to a safe place where you can avoid distractions and interruptions. This could be a library or coffee shop or park, or even an office. Just be prepared to spend three hours of quality time to accomplish this goal.

250 things, take a ten-minute break. No checking emails or anything. Just relax. Then review the list and assign each task a number 1, 2, or 3.

- 1s are big important tasks or projects that, if you could complete them, it would give you great gain.
- 2s are important tasks, but not as important or urgent as 1s.
- 3s are even less important and shouldn’t be done before the 1s and 2s.

### **Step Four:**

Remove the 2s and the 3s and put them on a separate list that you set aside. Don’t get rid of it, just put it to the side. You’ll want to keep it accessible for review later, but for now, allow them to exit your mind, so you can relax.

As you plan and execute on these top three priorities, you’ll begin to accomplish them. You will, if you stay focused, accomplish more than you ever have before. By the time a year passes, you’ll have completed your top ten tasks. Here’s the great secret: you’ll get 90 percent of the gain you need when you accomplish these ten tasks. The other 140 or 240 items won’t matter. You won’t get them done, and if you review them, you’ll find out many are irrelevant and have become obsolete. You just completed your should-do list, and you won’t believe how good it feels.

Keep at it. Attack your list. Do it over and over again.

It’s deceptively simple because it’s just a list that you rank. You’ll be tempted to think, “I know this. I know how to do this. What’s the big deal?” That’s the deceptive part. Odds are you’ll be like most people and won’t do it. You may plan to get around to it. But here’s the thing. If you don’t do it, years will go by, one spinning into the next, and you won’t have accomplished the most important things.

### **Plan and Execute**

In his book *The 12 Week Year: Get More Done in 12 Weeks than Others Do in 12 Months*, Brian Moran suggests that you execute twelve-week plans, not yearly plans. When the clock is almost out of time and you can see the scoreboard, you get more done. It’s a simple premise: plan your project tasks for the next twelve weeks; and then accomplish the weekly tasks.

The beauty of this is you know right away if you’re serious or not about these plans because you’ll track your progress every week. If you don’t get things done the first week, you either need to re-group, accomplish it the next week, or accept that fact that you don’t care enough about these goals to become happier and wealthier. This is an enormous competitive advantage because 95 percent of people do the bare minimum to get by and then struggle and complain about it to anyone who will listen. Don’t let that be you.

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## **Make a list of everything you must do. Everything. Hold nothing back; no task is too small to make this list.**

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Bring your snacks and drinks. Turn off all connections to the outside world: all computers, phones, you name it, in airplane mode or off. No Wi-Fi. Nothing.

### **Step Two:**

Make a list of everything you must do. Everything. Hold nothing back; no task is too small to make this list. This includes everything you should be doing for work, for your family, your house, chores—everything. Just get it all down on paper or in a document. Spend a good amount of time on this.

The goal is to get it out of your head and into this vault where you can visit it any time you wish, without trying to hold it in your memory. When you keep it all in your head, it’s stressful. It creates a sense of unease and guilt for all that you aren’t getting done. These tasks just pop up in your brain and remind you how ineffective you are, which makes you feel guilty. It’s not good and it’s not healthy. Our modern lives are complex enough without the weight of endless tasks that we don’t get done.

### **Step Three:**

Once you’ve got your definitive list, which could amount to 150 to

### **Step Five:**

You now have the list of your 1s, which is still too much to tackle. Repeat the exercise again, ranking this “1s” list into 1s, 2s, and 3s. What are the big, important, most essential tasks which will give the most gain if you accomplish them? Give them a 1. Work hard to whittle them down to no more than ten of these. Then assign a 2 or a 3 to the other tasks.

### **Step Six:**

Remove the 2s and 3s like you did before, and place that list on top of the original 2s and 3s list for safe keeping.

### **Step Seven:**

Take another short break—about seven minutes.

### **Step Eight:**

Review your list of 1s and rank them in order of most important to least important, assigning them numbers 1 through 10.

### **Step Nine:**

Focus on numbers 1, 2, and 3. Put numbers 4 through 10 on top of the pile with the 2s and 3s from the previous exercises.

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Execution is a key to progress. Here are some execution tools:

- 1) *Twelve-week plans.*
- 2) *Action plans.* Action plans are simple lists that define the task, who's responsible for completing the task, and the date it's to be accomplished. Here are good rules for the use of action plans:
  - a) You don't maintain the action plans for the people who do the work. They are responsible to manage, update, and distribute action plans. When you do this work for them, your people are disempowered. They want and enjoy this level of responsibility. It helps them do good work.
  - b) No one can remove a task from an action plan without agreement by you and any affected team members. You should warn your people that removing tasks from an action plan is a serious offense. No one can remember everything (or most things) on the action plans your teams and you work from. So, if someone removes an item, you wouldn't know, and then at some point you have to ask, "Whatever happened with that?" So, simply compare last week's action plan to this week's plan to make sure nothing dropped off that you weren't aware of.
  - c) No one, including you, can come to a meeting and say, "I didn't get a task done" that was due to be completed. It's another offense that could get someone fired because it's that important.

No Surprises

The rule is No Surprises. No surprises means that the moment you realize a task won't get done, you inform the team. Tell your people, "You can bring anything to me and what we will do is either move the deadline further out because it isn't critical or re-adjust our priorities and assets to get it accomplished. We'll move other deadlines back for less critical tasks."

This is called management. Let's manage the practice together as a team and end the frustration of things never getting done.

If you ever catch yourself asking, "What happened with that?" you aren't using action plans because they eliminate that problem. Don't you hate it when someone on your team agrees to a course of action or a plan and says, "I'll take care of that." And we all assume he or she will, only to find out they forgot about it almost immediately. Then when we ask about it, he or she says, "Oh I forgot that. I'll do it right away."

Evaluate and Adjust

Everything comes back to your numbers. Once you know your numbers, prioritize your projects and plan and execute those plans. Continue to get weekly reports on your key numbers so that you can evaluate your progress, identify your challenges, and focus your attention.

The hardest thing to do is to be consistent with this over and

No surprises means that the moment you realize a task won't get done, you inform the team.

That is so frustrating! Action plans end that problem forever. They are the single most valuable management tool in the history of human endeavor.

A word about meetings: Many people hate meetings because they think they get in the way of people doing work, but well-run meetings are where the work actually gets done.

You can certainly have too many meetings. But weekly meetings that are organized by an agenda, a time limit, and action plans can be tremendous tools for growth. A well-run meeting has a facilitator who has two primary roles:

- Respect and protect the agenda
- Stop unnecessary discussions which don't match the agenda.

A well-run meeting has an agenda with a start and end time. Some meetings are best held standing up. Much can be accomplished in a ten-minute stand-up meeting. The agenda should be driven by a review of the team's current action plan, task by task. Items are discussed, possibly removed because they are completed, or changed because of the challenges the team faces.

In the beginning, your action plans might be lengthy, and your meetings might run long if the problems are big. You will move to shorter, less frequent meetings until you finally settle into a weekly one-hour meeting. Meetings are where the good work gets done.

over. Human beings get bored, routines can become stale, and we stop useful activities that help us so much because we lose focus. This happens to us in all facets of our lives, and we must guard against just "phoning it in." Never stop reviewing your numbers. Find joy in knowing what's going on and always adjust and grow. Nothing stays the same, and if you're vigilant, you can be prepared for anything life sends your way.

Remember, circumstances always change. A competitor dies and their office closes. A new group opens across the street or across town. Endlessly review your to-dos, your action plans, your KPIs, your goals, and your basic business reports because it's the only way to stay sharp and focused for the rest of your life.

Then repeat. PM



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