Optimization of a Pediatric Cardiology & Subspecialty Practice

Business Plan

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Table of Contents

**Project Summary**.................................................................................................................4

**Executive Summary**...............................................................................................................5
  - The Company
  - Market Opportunity
  - Capital Requirements
  - Mission Statement
  - Management
  - Competitors
  - The Company’s Competitive Advantages
  - Financial Projections (next 3 years)

**Organizational Plan**..........................................................................................................14

**Summary Description of Business**
  - Mission- (short- and long-term goals)
  - Business model
  - SWOT Analysis
  - Strategy
  - Strategic relationships
  - Key stakeholders/key decision-makers
  - Products or Services
- Administrative Plan
- Operational Plan

**Marketing Plan**
- Market Analysis
- Market Strategy
- Implementation of Marketing Strategy
- Research and Development

**Summary of Financial needs**
- Pro Forma Cash Flow Statement
- Three-Year income projection
- Projected balance sheet
- Break-even analysis
- Profit & Loss Statement (Income Statement)
- Balance Sheet
- Financial Statement analysis
- Business Financial History

**Innovative elements and expected business outcomes**
Project Summary

Healthcare practices today face growing challenges to financial viability due to high overhead, competing institutional missions, and suboptimal physician productivity due to suboptimal processes and information technology inefficiencies. Practices have been caught in the middle of increasing costs and falling reimbursements.

This business plan will provide insight into the key optimization metrics this specialty practice used to improve and ensure patient satisfaction and financial stability within their large Pediatric Cardiology and sub-specialty practice. As the healthcare industry continues to evolve the primary goal is to always take great care of the patient, but the other most important key factor is maintaining efficient and effective operations within each Body of Knowledge domain. Taking a large complex cardiology practice that had been missing opportunities due to historical processes’ that had not been using newer methods to analyze and create an environment of new workflow strategies was the game changer for this practice, and after 9 months of hard work and determination by the entire team it has now turned them into an improved patient centric practice with an increase in 2018 of 7% in net revenue. Through optimization efforts in their workflow processes, benchmark and metric tracking, improved marketing efforts, improved patient satisfaction/service excellence scores through Press Ganey surveys, reduction in scheduling time, implementation of patient portal, implementation of electronic (HIE) Health Information Exchange of patient
information, and the ability for each physician to see one more patient on their schedule by extending office hours until 5 pm are all key changes that improved numerous aspects of this practice.

Executive Summary

The Company

This Pediatric Cardiology group works as part of a team that specializes in comprehensive, family-centered care for children from the simplest to the most complex heart conditions. Historically the business environment for this practice was that they were one of the only Pediatric Cardiologist in the surrounding Bay area. In today’s volatile economic environment there are many factors that have to be carefully monitored in order to ensure that the key stakeholders have a solid understanding of their business environment. These factors include clients and suppliers, competition and owners, technological improvements, laws and government activities, market, social and economic trends. The business environment pressures for this practice include a large portion of their patient volumes are government insured patients which equates to lower reimbursement, the increased amount of competitive practices in partnership with large hospital systems and higher values and expectations patients have to choose care based on which physician and practice will meet their needs.

For over 25 years the practice has served this community and currently have a
team of thirteen board-certified pediatric cardiologists which provide General Cardiology, Interventional, Electrophysiology, Fetal Cardiology and Adult Congenital Heart Disease services. Their services include inpatient and outpatient services in over 20 facilities within a 50-mile radius of the Bay area and they partner with hospital facilities to provide excellent cardiology and healthcare services to their patients and community. This group is consistently supporting optimization improvement efforts while emphasizing on reduction in operational expenses and maximizing their resources for optimal patient service excellence and care.

This practice is part of a national health solutions partner therefore the physicians’ and employees have access to a larger network of support from different departments like Information management, office-based support, managed care, provider enrollment, human resources, risk management, compliance, coding, marketing, clinical services, education, research and development.

**Market Opportunity-Customers**

The target audience for this Pediatric Cardiology group is from fetus to 18 years of age and then the adult patients transition over to the adult congenital cardiology practice within the same group. Specifically, they specialize in cardiology both pediatric and adult congenital and provide an array of ancillary services including ECG- (Electrocardiogram), Holter, Event, MCT- (Mobile Cardiac Telemetry), APB- (Ambulatory blood pressure monitoring),
echocardiograms, stress and metabolic stress testing. Their patients, employees, and referring physicians are their number one focus. Business growth initiatives within this practice create a market opportunity that smaller pediatric cardiology practices cannot provide. Having a large practice with thirteen highly skilled physicians’ in the practice both specialty and subspecialties, provides an array of services to their customers and is inherent in this market. One growth initiative that was implemented included the improvement of patient access, which allowed for one additional patient to be added to each physicians’ schedule daily and provided an increase of $700,000+ in revenue. Currently in close proximity, pediatric cardiology services are being provided at a high cost Children’s hospital facility where additional facility charges are being passed on to the insurance payers and self-pay patients. Our goal is to provide lower cost, better outcomes, high patient satisfaction cardiology care to patients in the community.

**Capital Requirements**

Capital requirements- This practice requires the funds to support a group of thirteen physicians' and support staff of 58 employees within the practice. Currently the capital equipment in the practice include ten ultrasound machines manufactured by GE, Philips, and Hitachi, ten ECG machines manufactured from GE. All other ancillary equipment is an office expense to the practice by contract pricing through a vendor. Total operating expenses are twelve million dollars per year and this practice is now meeting the revenue threshold required to sustain the business and able to give back a return on investment to the corporation.
Mission Statement

To provide quality services to their patients and take great care of their patients every day and in every way through our commitment to our values of building trust, celebrate success, empower all, be accountable, demonstrate respect, and embrace change.

Management

- Director of Operations- drives and ensures Optimum Practice Lifecycle for multiple practices within the national healthcare partner system. Works closely with regional and practice leadership to drive optimum Practice Life Cycle Management. Primary driver to successful development and maintaining strong relationships with all hospital partners and services that support the practice. Master’s degree required, seven to ten years of healthcare experience.

- Medical Director-drives and ensures Optimum Practice Lifecycle with the group of physicians and at practice level. Experience as a successful physician leader, Medical Degree, ten plus years as a practicing physician, Master’s in Business or Health Administration preferred.

- Administrator- effectively interface with the practice and division structure. Responsible for the operational, financial and managerial oversight of the office-based ambulatory practice. Ten plus years of Healthcare experience. Equivalent combination of relevant education and experience.
- Practice Manager- Coordination and oversight of daily operations and staffing for the nine clinic sites. Effective communication methods and the ability to work with all levels of the organization in order to evaluate, modify and develop business processes while enhancing practice profitability and improving daily operations. Ten plus years of healthcare experience and combination of relevant education and experience in lieu of degree.

- Practice Supervisor- Coordination and oversight of daily operations for the practice and all sites within the practice including the scheduling department. Monitors workflow, delegating work assignments, training, problem resolution, performance reviews. Associates degree or equivalent education and experience.

- Billing Manager- coordination and oversight of daily coding and billing of entire practice. Adherence to all policies and regulations. Coding and billing knowledge and experience. CPC certification.

- Clinical Supervisor- support for clinical staff. Assisting all clinical staff in problem resolution and best practice in the clinical setting. Osha training and new employee orientation and sign off on new hire clinical checklist. APRN or RN license required. 3 plus years of experience.

- Chief Sonographer- support for sonography staff and IAC accreditation monitoring. Certified sonographer and five plus years of experience.
Competitors

This group has local competitors which consist of a few larger pediatric cardiology groups along with several individual private practice solo pediatric cardiologists in the area. There is a large local competing pediatric children’s hospital which is a direct competitor. There also are multiple larger hospital institutions that are indirect competitors which have their own pediatric cardiologist on staff.

Strengths-

- Heart Transplant program
- Well known Children’s Academic Hospital name backing the facility.
- Similar services offered
- Practices may take additional insurance plans that our practice might not take like MMA plans through the health place market.

Weaknesses-

- Recent event of bad press in the community due to negative clinical outcomes.
- Higher cost due to facility charges
- Because of the groups previous affiliation with this facility many referrals are still sent to the competitor due to this factor.
The Company’s Competitive Advantages

Because this Pediatric Cardiology group provides services, as opposed to a product, their success is only as strong as their referral patterns and patient satisfaction. Aside from ensuring their team is providing great service to their patients, their physicians provide quality care and manage the most complex cardiovascular cases presented to them while achieving a high rate of positive outcomes. Our physicians are trained, board certified in Pediatric Cardiology and can provide the following supportive consulting services:

- Fetal cardiac care
- Electrophysiology
- Cardiac Catheterization /Interventional
- Adult Congenital
- Develop close relationships with hospital facilities to perform remote echocardiogram and ECG interpretations.
- Partners with a highly recognized children hospital in the North west that provides surgical services to our partner hospital, while collaborating on mutual patients with their surgeons.
- Support staff include 3 licensed APRN’s, 4 licensed Registered nurses, and a team of certified medical assistants.
- 10 convenient locations throughout the 3 local counties.
- Convenient office hours 8:00 am – 5:00 pm and Saturday appointments.
Organizational Plan

Summary Description of Business

Mission

To provide quality care to their patients each and every day.

Short term goals- continue to improve their patient service scores which ultimately translates into a successful practice of patients continuing to return to the practice and referring physicians’ continuing to send their patients for excellent care.

Long term goals are to remain financially stable in order to continue the ability to provide great care to their patients and community.

Business Model

This Cardiology practice is a business that was acquired by a national health solutions partner that acquires and administers physician practice groups. This cardiology practice consists of thirteen pediatric cardiologist that provide comprehensive cardiology services to three counties in the area.
## SWOT Analysis

### STRENGTHS
- Benefits to Patients
  - Additional Access
- Benefits to Stakeholders
- Body of Knowledge
  - Strengths learned and improvements to the practice from each domain
- Physician and staff engagement in owning the optimized processes

### WEAKNESSES
- Inability for certain staff to make necessary changes.
- Marketing challenges with no marketing team and a lot of territory to cover in the surrounding communities.
- Ensuring transparency when rightsizing the practice

### OPPORTUNITIES
- Increase net revenue
- Benefits to stakeholders
- Body of knowledge
  - Strengths learned and improvements to the practice from each domain
- Physician and staff engagement in owning the optimized processes

### THREATS
- Numerous other well-trained pediatric cardiologist in the area/competition
- Physicians and staff not buying into the plan
- Staff turnover all at once if unhappy with the changes
This physician led organization partners with hospitals, health systems and healthcare facilities to offer cardiology services as well as optimization of revenue cycle management, patient engagement and perioperative improvements. In performing this SWOT analysis, it has been determined that the external threats were determined to not be high risk.

**Strengths**

The strengths identified above will support the competitive advantages for this practice. Additional patient access and growth in operating income and from the learning experience for many of the team members are key performance indicators for this service line.

**Weaknesses**

In order to overcome the weaknesses, leadership will continue to engage team members and provide the vision and support to assist in embracing the necessary changes. Tracking of marketing initiatives, database analysis and patient and referring physician satisfaction will be performed to monitor and track areas of weakness regarding patient referrals.

**Opportunities**

Opportunities are endless since improvements can be found and made every day in our everchanging healthcare environment. Education and training will provide support to staff and supervisors, increased patient access will increase revenue, decrease in no show and cancellation rates will provide opportunity.
**Threats**

As previously mentioned, threats seemed to be weak. Due to engaged Leadership within the practice in keeping employees engaged and fulfilled in addition to collaborative efforts with the competing practices in taking great care of the patients who may seek second opinions from either group seems to keep threats at bay.

**Strategy**

These clinicians cultivate relationships with their local referring physician community and collaborate with their local and state hospital administrative teams to remain as a leading provider of cardiology services. Their primary purpose is to take great care of their patient. Short term goals include capturing an additional patient visit per day per physician. Pediatric Cardiology intends to continue to increase their net revenue each year by 8-10% through ongoing efficient and effective planning, tracking and monitoring.

**Key Stakeholders/ Key Decision makers**

This group has key stockholders, Investors and are the key decision makers along with the medical management Leadership team. The practice physicians' have the ability to make clinical determinations for the practice. The Medical Director along with the Administrator and Director of Operations are the key decision makers at the practice level.
Services

- Fetal cardiac care
- Electrophysiology
- Cardiac Catheterization / Interventional
- ADHD Screening
- Echocardiography
- Electrophysiology
- Event Monitoring
- Holter Monitoring
- ABP Monitoring
- MCT Monitoring
- Exercise Testing
- In Patient Care
- Outpatient Care
- Preventative Cardiology
- Sports Clearance

Conditions Treated

- Adults with Congenital Heart Disease
- Arrhythmia
- Cardiomyopathy
- Heart Murmur
- Hyperlipidemia
- Long QT Syndrome
- Syncope
Administrative Plan

- Partner with hospital system to provide leading cardiology services to inpatient and outpatient population.
- Deliver and coordinate a comprehensive scope of hospital-based services along with outpatient services.
- Achieve clinical and financial goals to balance cost containment and quality care issues.
- Cultivate relationships with referring physician in the three communities.

Operational Plan
This practice has identified major milestones and roadblocks when determining the operational timeline.

- December 2017-Engage and get buy in from physicians and staff. Townhall meeting with staff.

- March 2018-Analyze each dept workflow processes. Find areas for optimization through work group process mapping.

- June 2018- Regroup with physicians and staff to implement workbooks and Standard Operating procedures.
Milestones-

Major improvements made across each department within the practice.

- Increase patient access - Historical 11-12 patients per day per physician.
  Goal - 13-14 patients per day per physician.

- Decrease scheduling wait times - Historical 1-2 hours. Goal - 45 minutes or less

- Decrease no show rates - Historical 13-14%. Goal 6-7%

- Decrease cancellation rates - Historical 10-12%. Goal 6%

- Increase Press Ganey patient satisfaction scores - Historical 85%-90%.
  Goal 95% or higher.

- Increase revenue - Historical minimal. Goal to increase by $1.5 Million.
Major roadblocks-

Initial lowered employee and physician morale. Asking them to do more and trying to gain buy in. Staff frustration changing processes they have been doing for years to new more efficient processes.

Strategies to address roadblocks- engage staff in workgroup workflow process so they own the process based on leader providing lean techniques during workflow mapping. Celebrating small wins with pizza parties, ice cream socials. Continuing to communicate to staff and continue to engage and empower.

The operational plan to optimize consisted of the Administrator and three other supervisors that evaluated each department workflow processes. Here is an outline of the items taken into consideration when evaluating.

**Scheduling Department:**

- Time studies on how long it takes to schedule a new and established patient.
- Evaluate the workflow process of scheduling an appointment and all of the steps.
- Evaluating all of the other processes performed like reviewing reports, no show, cancellations, reschedules, amount of time physicians blocked or cancelled clinics.
• Once these areas were analyzed the team then had a workgroup of a couple of schedulers, supervisor of scheduling and the Administrator. Together they performed workflow mapping and analysis to eliminate unnecessary steps in the process. Example- sending new patient letter to patients, a few steps within the HER system that really were not necessary for the appointment (redundant fields). The team then evaluated how to decrease no shows, cancellations, and reschedules. The following processes were implemented:

• Physician agreement to only allow for two physicians to be on PTO or out of the office at the same time.

• Manual calls for all no-show patients and patients that did not mark yes on the Televox automated phone messages.

• Tracking and monitoring of no show and cancellation rates. The practice improved these rates by 3-4% in each category.

• Improved patient access by adding one additional appointment slot which has increased the NPSR by $700,000+.

**Billing Department:**

• Workflow process of entire department from verification, authorization to billing a clean claim.

• Improvements made were as follows: We found that numerous codes were not being billed because the physician may have left an important ICD-10 code for the claim, so the biller added a No charge to the code. We immediately implemented where the physician is tasked with the issue
and they have to correct the billing so that we can appropriately bill for the missed codes. This increased revenue by 2%.

- Improved reconciliation of hospital and outside testing claims were implemented which on average captured $10,000 - $20,000 per month.
- Identified a couple of processes that the corporate managed care department had put into place which kept our staff from billing two procedures properly which caused a historical revenue loss of $50,000. Uncovering this error and improving the process through a standard operating procedure document has now allowed for us to bill and collect revenue on the previously missed opportunity.

**Medical Records:**

- After careful review of the sheer volume of records this department has to obtain for approximately 400 patients per week, the decision was made to implement HIE interface with our hospital affiliation in order to have all of our patient records filter into our EHR.
- We carefully analyzed the numerous different protocols the department was requesting particular records within particular date ranges for each of the thirteen physicians. We then standardized this process with physician engagement and now the team is obtaining the same records within the same dates for each patient.

**Clinic Staff:**

- We implemented the use of physician and staff laptops to decrease the amount of printing of medical records that was historically being performed
for each patient visit so that the physician would have records to view in the room.

**Marketing Plan/ Strategy**

**Overview**

The following information is an overview of the Strategic Marketing Plan for this business plan. The long-standing strategy for this large Cardiology practice to continue to grow and care for established and new patients. The key stakeholders are always working to continue to build strong relations and position themselves with our partnering hospital system and referring physicians, APRN’s in order to provide excellent care to patients in the surrounding communities.

This Cardiology Practice has an established brand recognition with their logo and reputation amongst their colleagues in the community for over 30 years. Their group is well known and respected in the as highly skilled Cardiologist with great outcomes. The group prides themselves in taking great care of the patient every day and in every way no matter how simple or complex the patients’ medical situation might be. Through the optimization efforts we have been able to reduce our no show and cancellation rates along with improve our tracking metrics to ensure our patients and referring physicians are being well taken care of. That alone is a key driver for keeping physicians happy and seeing patients while driving our revenue to higher gains.

**Market Analysis**
1. **Target audience** - The primary target audience in order to build a successful Pediatric Cardiology practice is to care for pediatric patients with heart problems and adult congenital patient with heart disorders.

The target customers for this pediatric cardiology group are fetuses, newborn babies, infants, toddlers, children, teenagers and adults. One area of market research we perform is tracking the birth rates within our state and analyze the information by county. Monitoring the birth rates to see what percentage of patients are expected to be born with heart problems based on research and birth rate studies in the state. Studies show that Congenital Heart Disease affects nearly 1% of 40,000 births per year in the United States.

<table>
<thead>
<tr>
<th>Hospital Name / REGIONS</th>
<th>2010 Total Deliveries</th>
<th>2011 Total Deliveries</th>
<th>2012 Total Deliveries</th>
<th>2013 Total Deliveries</th>
<th>2014 Total Deliveries</th>
<th>2015 Total Deliveries</th>
<th>2016 Total Deliveries</th>
<th>2017 Total Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals/Statewide</td>
<td>213,585</td>
<td>212,179</td>
<td>207,403</td>
<td>208,637</td>
<td>213,526</td>
<td>218,177</td>
<td>219,573</td>
<td>216,766</td>
</tr>
</tbody>
</table>

**Implementation of Marketing Strategy**

Several marketing tools will be used in order to introduce this Pediatric Cardiology practice to our target market group. The array of services includes caring for patients in need of preventative heart disease care, non-congenital care, congenital care and surgical care. This practice can accommodate patients on most all major insurance plans, self-pay and patients with financial hardship. We are creating a full-service concierge like service to meet their healthcare
needs.

To capitalize on opportunities that are geographically close as we continue to provide patient centric services. This cardiology group will specifically target executives and administration within hospital facilities, referring physicians’ and new physicians’ establishing themselves in the same communities. This will allow for them to take advantage of the company’s close proximity to hospitals (one of the largest employers in the region).

The major competitors are the local well-known larger children’s hospital and the few large cardiology physician groups in the area. Their strength is their academic institution, but their weakness is currently related to some recent negative cardiac surgical outcomes that have been publicly displayed in recent news feeds and articles.

Research is performed on potential referring physicians’ through payer directories and tracking of monthly referral patterns from existing referring sources.

The general description of the percentage of budget allocations for marketing efforts are less than 1% of the overall net revenue therefore the (ROI), return on investment is excellent. This group has really established their name in the community through their outcomes, patient care, and service to their patients and respect from their colleagues in the community.

Outreach to hospital emergency rooms, echo labs and referring physicians is
performed by the staff and physicians with one on one customer service and organic growth has been successful for this practice.

Annual Pediatric Emergency Room Visits within the county

<table>
<thead>
<tr>
<th>Year</th>
<th>PEDS ER VISITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,761,613</td>
</tr>
<tr>
<td>2012</td>
<td>1,896,680</td>
</tr>
<tr>
<td>2013</td>
<td>1,922,318</td>
</tr>
<tr>
<td>2014</td>
<td>2,020,792</td>
</tr>
<tr>
<td>2015</td>
<td>2,028,095</td>
</tr>
<tr>
<td>2016</td>
<td>2,119,248</td>
</tr>
<tr>
<td>2017</td>
<td>2,020,148</td>
</tr>
</tbody>
</table>

Research and Development

The practice has a centralized operational support system of investigators and research staff that have established a Research Advisory Committee which allows for our physicians’ the ability to participate in a safe, effective, legally compliant research opportunities: Their efforts contribute to better patient outcomes, reduce long term health system costs. Research and development include:

- Published articles
- Press Releases
- Education through ACCME accredited provider, ANCC accredited provider of continuing nursing education.
• Quality and Safety- team of clinical experts that lead and provide oversight for several national quality and safety programs.

• Innovation- Access to collaborative innovation which is the pathway towards excellence in research, education, quality and safety. The team strives to integrate the latest technological advances, artificial or augmented intelligence, genetic discoveries, mobile applications into everyday care. The teams engaged in designing projects that will allow to prevent disease, offer precision care and further optimize patient outcomes.

• Advocacy- to promote their public efforts at both the state and national levels. Their Government Relations team collaborates with physician groups, professional societies and hospital partners to safeguard access to care for clinical services.
Summary of Financial Needs

Growth Strategy

To grow the company, Pediatric Cardiology will do the following:

• Network with current referring sources along with new pediatricians, family practice, internal medicine, Maternal Fetal Medicine, Adult Cardiologist, Pediatric Surgeons, Orthopedics, ENT, Gastroenterology, Sports Medicine.

• Continuous improvement of company website that contains engaging content about our services

• As the business grows, advertise in publications that reach our target industries.

• Continue to cultivate relationships with referring physicians’ and healthcare facilities by providing optimal care and follow up communication through electronic HIE exchange.
Corporate Aggregate Cash Flow

3-year proj
Period Ending 12/31/18 12/31/19 12/31/20
Net Income $ (1,097,316.00) $ (2,344,720.00) $ (3,753,681.00)
Operating Activities, Cash Flows Provided By or Used In
Depreciation 285,104 250,000 200,000
Changes In Accounts Receivables -36,598 -717,102 -431,679
Total Cash Flow From Operating Activities 1,345,822 1,877,618 3,522,002
Investing Activities, Cash Flows Provided By or Used In
Capital Expenditure 141,544 120,000 160,000
Investments - - -
Dividends Paid - - -
Sale Purchase of Stock - - -
Effect Of Exchange Rate Changes - - -
Change In Cash and Cash Equivalents $ 248,506.00 $ 467,102.00 $ 231,679.00

Financial Projections / Future of the Company

This Pediatric Cardiology group is a fast-paced, multi-specialty cardiology group in this evolving healthcare industry. In response to this climate, this Pediatric Cardiology group will seek to offer improved patient services, continue to reduce wait times, improved transitional care, including specialized diagnosis monitoring and telemedicine.

The three-year financial projection is to increase revenues through continued
optimization efforts and increased patient access by adding one additional patient per day per physician.

**Three Year Income Projection**

The three-year financial projection is to increase revenues by 6-8% through continued optimization efforts and increased patient referrals even if we are affected by decreasing reimbursement.

Through continued optimization efforts, social media and online marketing support, the company will increase awareness to our targeted customers through collaborative relationships and partnerships.

<table>
<thead>
<tr>
<th>Revenue Metrics</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Visits Per Day</td>
<td>143</td>
<td>169</td>
<td>182</td>
</tr>
<tr>
<td># of Business Days</td>
<td>254</td>
<td>254</td>
<td>254</td>
</tr>
<tr>
<td>Visits per Day per Physician</td>
<td>11</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Total Visits</td>
<td>36,322</td>
<td>42,926</td>
<td>46,228</td>
</tr>
<tr>
<td>Visit Collection Rate</td>
<td>$402.00</td>
<td>$404.00</td>
<td>$406.00</td>
</tr>
<tr>
<td><strong>TOTALS (Proj. Net Income)</strong></td>
<td>$14,601,444.00</td>
<td>$17,342,104.00</td>
<td>$18,768,568.00</td>
</tr>
</tbody>
</table>
Projected Balance Sheet

If the company remains on the same track as the previous 3 years below is the projected balance sheet:

<table>
<thead>
<tr>
<th>Projected Summary Balance Sheet</th>
<th>12/31/18</th>
<th>12/31/19</th>
<th>12/31/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$2,778,419</td>
<td>$3,128,989</td>
<td>$3,791,929</td>
</tr>
<tr>
<td>FFS AR Receivable</td>
<td>$2,859,765</td>
<td>$3,576,867</td>
<td>$4,008,546</td>
</tr>
<tr>
<td>Fixed Assets, net</td>
<td>$7,645,834</td>
<td>$7,016,578</td>
<td>$6,599,849</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$13,284,018</strong></td>
<td><strong>$13,722,434</strong></td>
<td><strong>$14,400,324</strong></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$2,489,000</td>
<td>$2,600,000</td>
<td>$2,700,000</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>$8,783,844</td>
<td>$9,047,359</td>
<td>$9,068,779</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Loans</td>
<td>$559,255</td>
<td>$425,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Equity</td>
<td>$2,570,429</td>
<td>$2,500,786</td>
<td>$260,1545</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td><strong>$14,402,528</strong></td>
<td><strong>$14,573,145</strong></td>
<td><strong>$14,400,324</strong></td>
</tr>
</tbody>
</table>

Metrics

<table>
<thead>
<tr>
<th>Days in AR</th>
<th>30</th>
<th>30</th>
<th>30</th>
</tr>
</thead>
</table>

**FFS A/R Receivable Calculation**

- FFS Revenue: $14,637,761, $15,651,480, $16,741,140
- # of Operating Days: 254, 254, 254
- Average Revenue per day: $57,629, $61,620, $65,910
- Days of Revenue in A/R: 30, 30, 30
- FFS A/R Receivable: $2,859,765, $3,576,867, $4,008,546

**Accrued Payroll Calculation**

- Annual Compensation: $9,577,784, $9,577,784, $9,577,784
- # of Operating Days: 254, 254, 254
- Compensation Per Operating Day: $37,707.81, $37,707.81, $37,707.81
- Payroll Days Outstanding: 7, 7, 7
- Accrued Payroll: $8,783,844, $9,047,359, $9,068,779

**Accounts Payable Calculation**

- Non-Payroll/Rent Expenses: $240,000, $247,200, $254,616
- Accounts Payable: $2,489,000, $2,600,000, $2,700,000
## Break Even Analysis

Fixed cost/ (sales price per unit- variable cost per unit) = break even

Based on the current financial statements this cardiology practice currently has a break-even point of $37.21 per unit when averaging 83,288 units.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>%</th>
<th>2019</th>
<th>%</th>
<th>2020</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net FFS Revenue at Break Even</td>
<td>$14,637,761.00</td>
<td>100%</td>
<td>$15,651,480.00</td>
<td>100%</td>
<td>$16,741,140.00</td>
<td>100%</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$9,577,784.00</td>
<td>65.43</td>
<td>$9,577,784.00</td>
<td>61.19</td>
<td>$9,577,784.00</td>
<td>57.21</td>
</tr>
<tr>
<td>Total Facility Cost</td>
<td>$240,000</td>
<td>1.65</td>
<td>247,200</td>
<td>1.58</td>
<td>254,616</td>
<td>1.52</td>
</tr>
<tr>
<td>Total Supplies/expenses</td>
<td>2,489,000.00</td>
<td>17.13</td>
<td>2,600,000</td>
<td>16.61</td>
<td>2,700,000</td>
<td>16.13</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$12,067,332.00</td>
<td>82.44</td>
<td>$12,424,984.00</td>
<td>79.72</td>
<td>$12,532,400.00</td>
<td>74.86</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$2,570,429</td>
<td>17.56</td>
<td>$3,173,696.00</td>
<td>20.28</td>
<td>$4,208,740.00</td>
<td>25.14</td>
</tr>
</tbody>
</table>
# Profit Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>2018 YTD Actual</th>
<th>2017 YTD Actual</th>
<th>VAR$</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Patient Service Revenue</td>
<td>14,637,761</td>
<td>13,364,692</td>
<td>1,273,068</td>
<td>9.53%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries - All</td>
<td>7,193,483</td>
<td>7,570,001</td>
<td>(376,518)</td>
<td>-5.05%</td>
</tr>
<tr>
<td>Benefits</td>
<td>1,899,096</td>
<td>1,904,623</td>
<td>(5,527)</td>
<td>-0.3%</td>
</tr>
<tr>
<td><strong>Total Salaries, Bonuses &amp; Benefits</strong></td>
<td>9,577,784</td>
<td>9,477,624</td>
<td>100,160</td>
<td>1.04%</td>
</tr>
<tr>
<td>Discretionary Expense</td>
<td>112,403</td>
<td>220,714</td>
<td>(108,311)</td>
<td>-49.07%</td>
</tr>
<tr>
<td>Amortization</td>
<td>23,100</td>
<td>23,100</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,655,044</td>
<td>2,376,641</td>
<td>278,393</td>
<td>11.85%</td>
</tr>
<tr>
<td>Advertising</td>
<td>838</td>
<td>836</td>
<td>2</td>
<td>0.02%</td>
</tr>
<tr>
<td>Computer Expense</td>
<td>141,544</td>
<td>120,040</td>
<td>21,504</td>
<td>17.93%</td>
</tr>
<tr>
<td>Equipment Rent</td>
<td>7,216</td>
<td>1,800</td>
<td>5,417</td>
<td>299.87%</td>
</tr>
<tr>
<td>Insurance - WC</td>
<td>8,213</td>
<td>5,379</td>
<td>(2,834)</td>
<td>-53.34%</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>50,221</td>
<td>46,300</td>
<td>3,921</td>
<td>8.52%</td>
</tr>
<tr>
<td>Meetings</td>
<td>1,666</td>
<td>2,464</td>
<td>(798)</td>
<td>-32.38%</td>
</tr>
<tr>
<td>Moving Expense</td>
<td>2,500</td>
<td>2,900</td>
<td>(400)</td>
<td>-13.79%</td>
</tr>
<tr>
<td>Postage &amp; Delivery</td>
<td>7,116</td>
<td>24,809</td>
<td>(17,693)</td>
<td>-71.41%</td>
</tr>
<tr>
<td>Firming &amp; Office Supplies</td>
<td>20,237</td>
<td>4,257</td>
<td>15,980</td>
<td>372.05%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>53,310</td>
<td>53,390</td>
<td>(890)</td>
<td>-1.67%</td>
</tr>
<tr>
<td>Recruitment</td>
<td>5,803</td>
<td>5,026</td>
<td>777</td>
<td>15.47%</td>
</tr>
<tr>
<td>Rent</td>
<td>963,015</td>
<td>900,025</td>
<td>62,990</td>
<td>7.01%</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>102,493</td>
<td>83,622</td>
<td>18,871</td>
<td>22.51%</td>
</tr>
<tr>
<td>Taxes &amp; Licenses</td>
<td>16,994</td>
<td>14,002</td>
<td>2,992</td>
<td>20.73%</td>
</tr>
<tr>
<td>Telephone</td>
<td>125,867</td>
<td>165,033</td>
<td>(39,166)</td>
<td>-23.96%</td>
</tr>
<tr>
<td>Travel</td>
<td>63,609</td>
<td>50,205</td>
<td>13,404</td>
<td>26.73%</td>
</tr>
<tr>
<td>Utilities</td>
<td>30,521</td>
<td>33,447</td>
<td>(2,926)</td>
<td>-8.45%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>62,918</td>
<td>54,476</td>
<td>8,442</td>
<td>15.53%</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td>2,489,548</td>
<td>2,678,316</td>
<td>(188,768)</td>
<td>-7.09%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>12,687,932</td>
<td>12,188,364</td>
<td>(499,568)</td>
<td>-4.09%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>2,704,203</td>
<td>1,506,740</td>
<td>1,197,463</td>
<td>79.34%</td>
</tr>
</tbody>
</table>
### Business Financial History

This practice historically had a surplus of overhead costs due to increased staffing ratios per FTE physician. Due to the decrease in variable and fixed costs by closing an unproductive clinic location that was under served, rightsizing staff, and increase in patient volume this practice is now thriving with a higher ROI.

### Innovative Elements and Expected Business

#### Outcomes:

This cardiology group will soon transition over to new technologies to improve patient service and quality of care. One new technology with improved capabilities is the Hitachi PACS system for their echocardiograms which will allow for integration of their ECG readings, device monitoring interpretations and echocardiograms into their NextGen Medical Management software.

They are also in the process of transitioning to a patient portal which will allow patients convenient and secure online website to schedule their appointments online.
their medical record summaries, lab results, secure messaging to their doctor, request prescription refills, check benefits and coverage, make payments, register online and complete practice patient intake forms. This patient portal will allow their patients to be in control of their health and care while saving time in communicating with the office.

The expected business outcomes are to achieve through consistent optimization and improvement efforts in our ever-changing healthcare environment will include increased patient kept appointments, increased employee/physician retention rates, increased revenue, reduced costs, process efficiencies, cultural change, increased profitability through lean efforts.

The next steps are to align the practice leadership team with timelines and milestones for the implementation of the new elements to have the least amount of negative workflow impact as possible during implementation. Training and one on one support by having super users to support staff will be on hand for use with the new systems. The value that these improvements will bring to the patients is exceptional and should continue to drive their patient satisfaction scores above 92%.

Having a leadership team of business professionals with the skill set and knowledge required to manage a medical practice is a key factor to ensuring that the business operations of the practice are appropriately managed. The Business Operations domain demands mastery of professionalism, communication, critical thinking skills, and leadership. There has been an enormous amount of dedication and efforts put in by
everyone at this practice and the continuous monitoring and tracking of all the benchmarks and goals they implemented will keep this practice on the right track.

Citations:

https://www.cdc.gov/ncbddd/heartdefects/data.html

cnn.money.com