**Pop quiz:** How long have I been writing that private medical practices are businesses, whether we like it or not, and like any other business, they require consistent, sensible business management? If you answered that I’ve been harping on that point from the very beginning, congratulations; you’re a long-time reader. And yet, the most basic and important business tool – preparation of an annual budget – continues to be ignored by most private practitioners.

The usual excuse is lack of time – and besides, the practice seems to be doing fine without one. But like anything else, you can’t fix problems you never look for.

You can’t identify needless, wasteful, or redundant purchases, under- or over-staffing, or misappropriated funds if you don’t track your practice’s expenditure data.

There is no way to make intelligent decisions on such basic issues as fee adjustments, new equipment purchases, and marketing strategies without a firm grasp of your expenditures, and a reasonable idea of where those numbers are going in the foreseeable future.

Without a budget, you cannot know your costs of doing business, let alone whether they are too high or too low. Chances are excellent that you are overpaying your taxes, too.

Embezzlers typically continue their nefarious ways far longer than they should (and some are never caught at all) because all too often, nobody is watching the budget numbers. And if you are planning a refurbishment or expansion, no self-respecting bank will approve a loan in the post-TARP era without seeing a well-organized budget.

There is no need to wait to take action until, one day, your cash flow is too low to meet payroll. A similar crisis convinces you that budgeting is important. Now, at the beginning of a new year, with last year’s financial data accumulated and readily at hand – and before significant changes mandated by the recent health care reform legislation take effect – is an ideal time to get a budget in place.

If your practice is incorporated and your fiscal year does not begin on Jan. 1, don’t use that as an excuse; draw up a limited, “partial” budget for the remainder of the fiscal year, then start a new one when your next fiscal period begins.

Creating a budget is not the formidable or expensive task you may be envisioning. Unless your practice situation is unusually complex, you can probably do it yourself – although, if this is your first time, you will probably want to enlist the help of your accountant.

A good spreadsheet program such as Excel or iWork simplifies the process considerably, and financial software packages such as QuickBooks or NetSuite make it even easier. (As always, I have no financial interest in any company or product mentioned in this column.)

Start by creating a list of practice expense categories, or “chart of accounts” (COA) in financial lingo. Each component of a COA is called a “line item,” and in general, the more line items, the better. Commercial software products typically provide a standardized COA, but you will want to customize it to your individual needs. (Your accountant can help with that.)

This is a critical step, so take your time, and do it right. The more detailed you make your COA, the more flexible your budget will be, the easier it will be to identify deductible expenses at year’s end, and the harder you will make it for an embezzler to operate unnoticed.

Then, using last year’s records (or if possible, an average of several years’), assign a dollar amount to each line item. Right away, some rude surprises may be in store (“We spend how much on print-er ink?”), but already you are gaining valuable information that can be acted on immediately.

If you are not sure whether you are over- or underspending on a specific line item, or the category is a new one and you don’t know how much to allot, check with local colleagues or your accountant. Some practice management firms post lists of “benchmarks” averaged from surveys of their clients. Benchmark numbers can be deceptive, however, especially if the surveyed practices are in different parts of the country or have different socioeconomic populations.

Creating a budget is only the beginning; periodically, you must compare your actual expenditures with those you budgeted. (Most businesses do this quarterly; more frequent reviews can trigger more frequent at first; but as time passes and your financial management skills improve, your practice will sail along on a progressively smoother financial course.)

**Bloginosis**

**The Office**

Finally, a Budget

**Mom and Dad – Still Active After All These Years**

I’ve always suspected it, but a week at Disney World has convinced me: My parents could be some sort of superhumans from another planet.

To celebrate their 67th wedding anniversary, my 80-year-old dad and 87-year-old mom took their five adult children (and 2 of the 27 grandkids) to Disney World for a week.

Mom and Dad are old in years only. Dad has some idiosyncratic neuropathy in his lower legs and feet, so he now uses a cane and was in a wheelchair for most of the theme park walking. But Mom proceeded to – how can I put this nicely – kick our butts.

She walked all day, every day, pushed my dad part of every day, and demanded that we meet for breakfast at 8 a.m. each day to organize our transportation to the next park. Wheelchair notwithstanding, Dad was right there with her, complaining if we were late or whining.

My parents are models of what the research community now calls “successful aging.” They are fortunate enough to have had the same family physician for more than 20 years, who’s monitored their health (including Dad’s serious hypertension and Mom’s mild emphysema) and made a few suggestions, but who generally sits back in amazement while they forge ahead.

In the spirit of this week’s theme park walking. But while Mom does the weight circuit and cardiovascular exercise, Dad goes to the gym on leg strength training rather than cardio, while Mom does the weight circuit and the treadmill. They bowl once a week, walk around the block, and stroll the easier trails in Shenandoah National Park. And they drive themselves (and their kids) to Disney World once or twice a year.

**Physical Activity**

**What they do:** They go to the gym three times a week. Because of his lower extremity neuropathy, Dad concentrates on leg strength training rather than cardio, while Mom does the weight circuit and the treadmill. They bowl once a week, walk around the block, and stroll the easier trails in Shenandoah National Park. And they drive themselves (and their kids) to Disney World once or twice a year.

**Mental Activity**

**What they do:** Mom is an artist who finds constant joy in creating new works in ceramics. Dad went back to college after retirement to study music. Now he’s writing his memoirs of an early 1900s childhood in Montana. Both of them usually enjoy reading two or more books at a time.

**The evidence:** A 2009 study looked at 4 years of data among 1,477 Japanese elders (aged 66 years or older). Increasing exposure to intellectual activities was significantly associated with an increased chance of maintaining and even increasing their ability to live independently.

“This study … provides preliminary support for promotion of exposure to intellectual activities among older adults as an opportunity to prevent disability in the older segment of the population,” the authors said (Int. J. Geriatr. Psych. 2009;24:547-55).

**Diet and Smoking**

**What they do:** They eat very little meat; fish several times a week; lots of fruits and vegetables; nuts; dark chocolate; and a small glass of wine or cocktail several times a week; daily omega-3 supplements. Neither has ever smoked.

**The evidence:** A 2009 review found numerous studies suggesting that diets rich in antioxidants and anti-inflammatory components – such as those found in fruits, nuts, vegetables, and spices – may lower age-related cognitive declines and the risk of developing neurodegenerative disease (J. Neurolsci. 2009;29:12795-801).

**Social Activity**

**What they do:** They go to church every Sunday and bowling with buddies every Thursday. They visit with their children and grandchildren at least once a week. Although he no longer flies a