

Practice Management Benchmarking:

Basic Benchmarking for Medical
Groups

Certified Public Accountants & Business Consultants



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STRENGTH IN NUMBERS

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Benchmarking

- Our Credentials
 - Clark Schaefer Hackett (*Accounting & Consulting Firm*)
 - Bill Clayton, MBA works with medical groups in five states on all types of practice management strategies.

Benchmarking

- The purpose of this session is to explain some methodologies for benchmarking a medical group, the three types of benchmarks and the key elements in benchmarking. We will review benchmarking sources, benchmarking philosophy and key success factors in benchmarking.

Benchmarking - Overview

- What is Benchmarking? *Comparison to a Known Standard*
- Compare to
 - MGMA Median (50th Percentile)
 - Number of missed appointments
 - RVU or Charges compared w/other physicians in the group

Benchmarking - Overview

- Three types of benchmarking
 - Practice management system data
 - Internal self monitoring
 - Financial (*P&L, balance sheet, cash flow schedules*)

If you do not measure it, you cannot manage it.

Benchmarking – Practice

Management System Data

- Data Format (*Labor Saving Methodology*)
 - Save files in special folder in the PMS (*use the filtering system or buy one time custom reports*)
 - Make it easy – only have to change the date ranges
 - Export into Microsoft Excel
 - If multiple locations – get the coordinators at each location to send you the data (in Excel) after the close of the month (*Labor Saving Method*)

Benchmarking – Practice

Management System Data

- Labor Saving Methodology
 - Save files in the PMS & notes how to create them
 - Save to Microsoft Excel
 - Create a template in Microsoft Excel
 - Use v-lookups on parts of the spreadsheet
 - Create an additional page every other month
 - Force it to work as automatically as possible

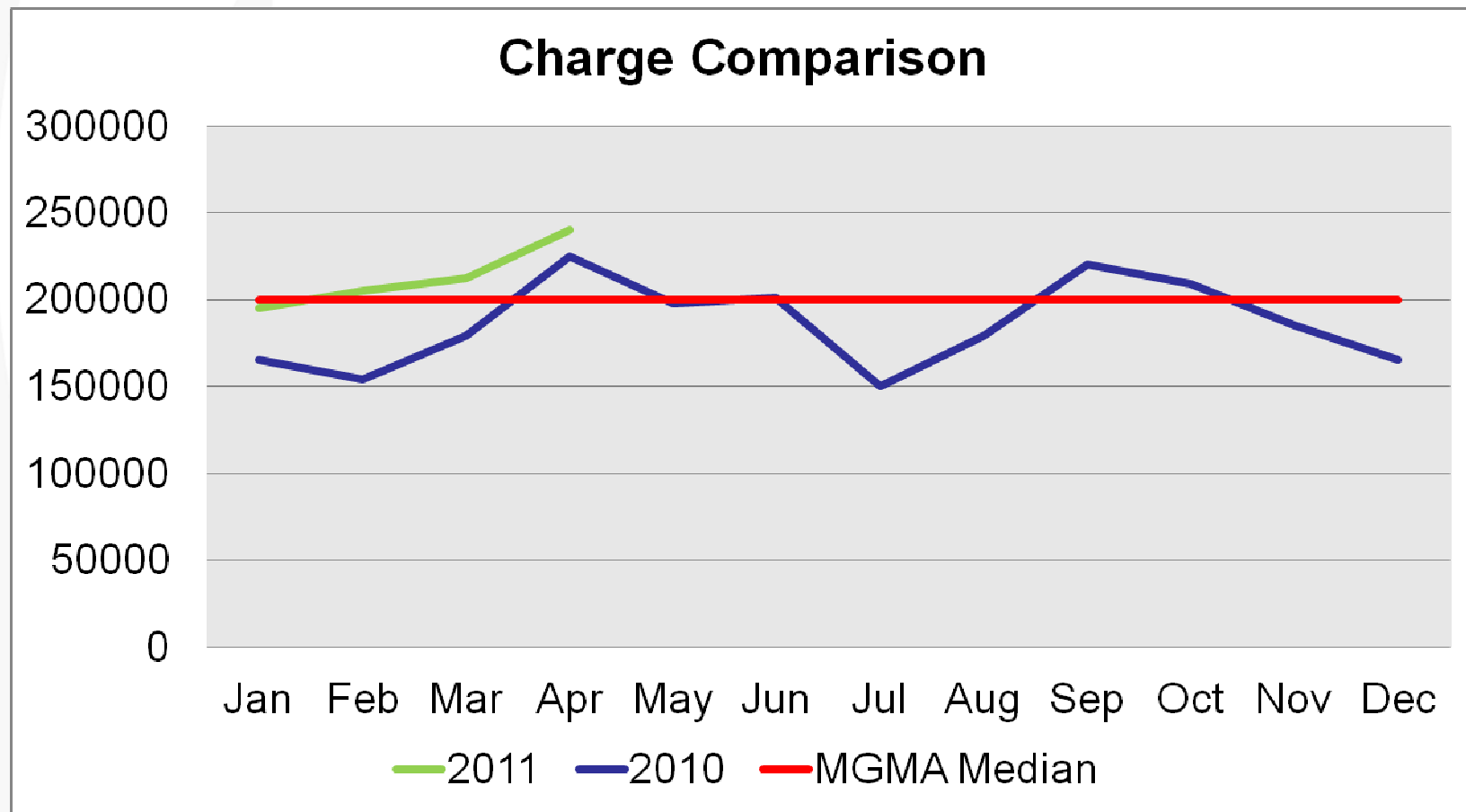
Rule of thumb is spend less than two hours, per physician, in creating monthly benchmarks.

Benchmarking – Practice

Management System Data

- What to measure?
 - Charges & cash collected monthly
 - Can compare to MGMA and to yourself
 - Compare same time periods, i.e., Jan through March 2011 & 2010 (YTD this year and YTD last year)
 - What is the difference in dollars
 - What do you do with the data?

Benchmarking Charge Graph Example



Benchmarking – Practice

Management System Data

- What to measure?
 - Gross Collection Rate
 - We do not normally compare to industry norm w/GCR
 - Compare to yourself (*note if you change the charges*)
 - What do you do with this data?
 - Formula below (*higher % is better*)

$$\text{Gross Collection \%} = \frac{\text{Total Revenue}}{\text{Total Charge}}$$

Benchmarking – Practice

Management System Data

- What to measure?
 - Days in AR
 - We do compare to the industry norm on this formula (*MGMA Data in Cost Survey*)
 - Compare to yourself (no not include bad debt)
 - What do you do with the data?
 - Formula (Lower number is better)

Days in AR = $\frac{\text{Total AR (Less Bad Debt)}}{\text{Average Daily Charges (formula below)}}$

Average Daily Charges= $\frac{12 \text{ Months of Total Charges}}{365}$

Benchmarking – Practice

Management System Data

- What to measure?
 - AR Aging Report
 - We do compare to the industry norm on this formula
(MGMA Data in Cost Survey)
 - Include another page listing the payors

	Current	31-60	61-90	91-120	121 & Above	Total
October 2011	\$58,167	\$22,029	\$11,737	\$4,924	\$41,392	\$138,250
% of Total	42.1%	15.9%	8.5%	3.6%	29.9%	100%

Benchmarking – Practice Management System Data

- Percentage of AR over 120 Days =
$$\frac{\text{AR over 120}}{\text{Total AR}}$$

The lower the better

Benchmarking – Practice Management System Data

- How do we make change based on the **A/R data**?
 - Length of time to input charges in the system
 - Frequency of sending out claims to the clearing house
 - Clearing house denials
 - Length of time to input EOB information
 - Denials
 - Statements to patients, follow-up w/patients, move to collection agency
 - Any front end collection efforts?

Benchmarks only work if you take action to make change.

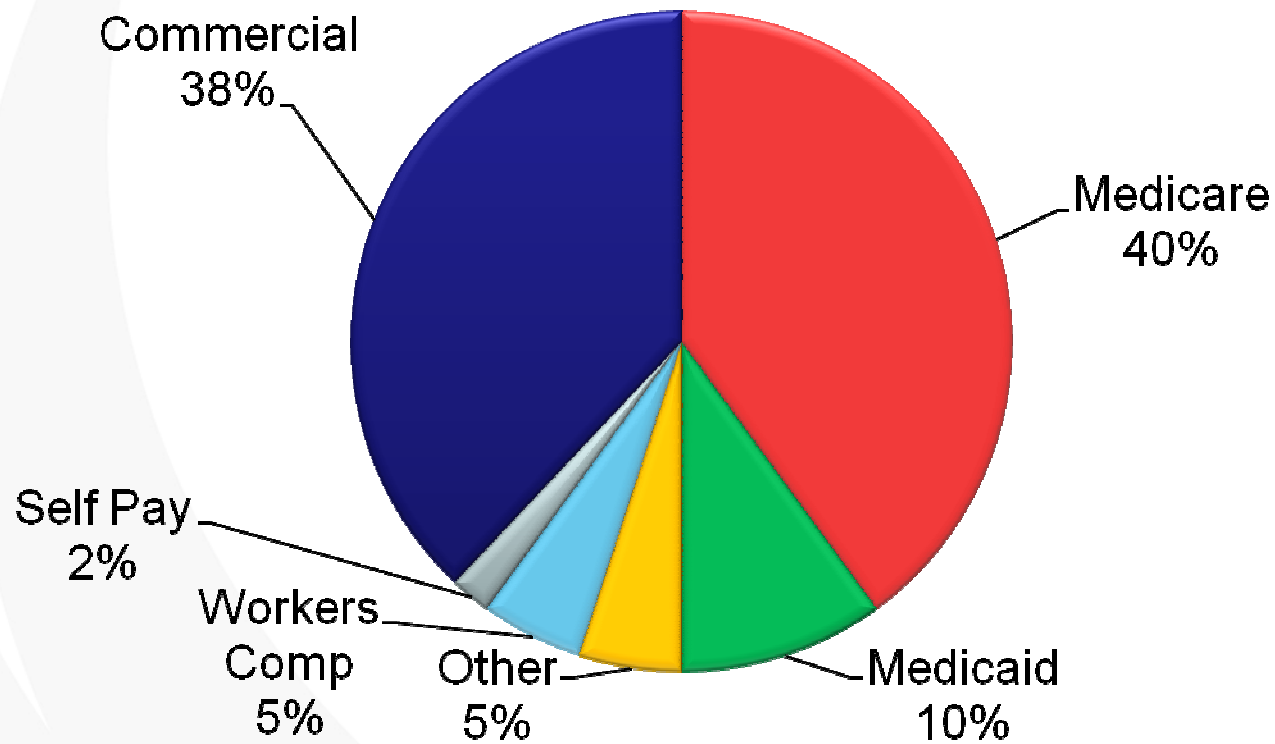
Benchmarking – Practice

Management System Data

- What to measure?
 - Payor Mix Analysis
 - We do compare to the industry norm on this formula (*MGMA Data in Cost Survey*)
 - Use charges (not receipts) & do a percentage of total
 - Compare this period to last years period
 - Use a pie chart, line chart & table (be creative) based on the percentage for each provider
 - What do you do with this data?

Benchmarking - Payor Mix Graph

Payor Mix



Benchmarking – Practice Management System Data

- **Cost Per Patient Visit**

- Measures the cost to see the average patient.

Total Operating Expenses
Office Visits

- **Charge Per Visit**

- This measures the average charge generated by an average office visit. A higher figure indicates adequate charges are being made to produce practice revenue.

Total Charges for Office Visits
Office Visits

Benchmarking – Practice Management System Data

- **Collections Per Patient Office Visit**

- This measures average income collected per patient visit.

Total Collections

Office Visits

- **Total Collections per FTE Physician**

- Shows the average amount of actual revenue collected from all sources per full time physician.

Total Collections

Total FTE Physicians in Practice

Benchmarking – Practice Management System Data

- Top # of referring physicians (*frequency, charge, payments*)
- Top # of CPT codes (*frequency, charge, payment*)
- Appointment Analysis (*# scheduled, # kept, # cancelled, # of no shows*)

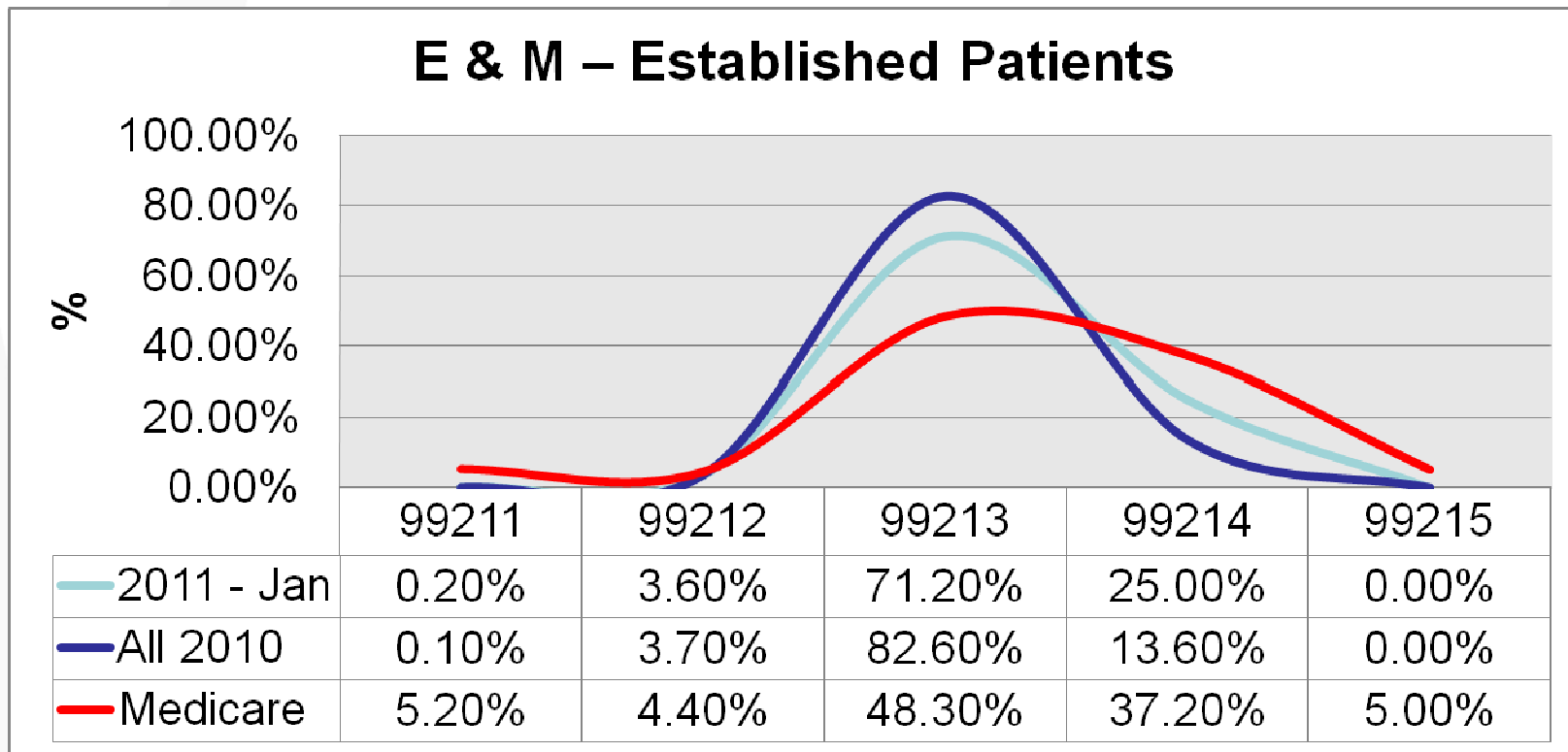
Benchmarking – Practice Management System Data

Evaluation & Management Benchmarking

- New Patients E&M Codes – 99201 through 99205
- Established Patients E&M Codes – 99211 through 99215
- Consultation, Office Other Outpatient – 99241 through 99245
- Consultation, Initial Inpatient – 99251 through 99255

Benchmarking – Bell Curve

- E&M Coding



Benchmarking – Practice Management System Data

- How do we make change based on the **coding data**?
 - Coding review w/providers
 - Provide coding articles to providers
 - Identify coding seminars for providers
 - Conduct coding audits
 - Measure coding quantitatively after education
 - Determine \$ impact on practice for incorrect coding

Benchmarking – Internal Self Monitoring

- Patient satisfaction surveys percentages
- Tracking of how new patients find us
- Dollars collected at front end
- Number of patients prepaid for surgery
- Number of e-mail addresses collected
- Patient wait time (average)
- Number of unfilled patient slots per day
- Number & type of phone calls, per day, per identified hours
- Number of patients waiting for permission to be seen in the practice
- Number of prescriptions of certain types, per day
- Number of patients per day
- Number of patients transferring out of the practice

Benchmarking – Financial

(P&L, balance sheet, cash flow schedules)

Key Items to Track

- Cash
- Line of credit
- Physician compensation & draw account
- Payables
- Practice overhead
- Personnel overhead

Benchmarking – Summary

Leaders Make Benchmarks a Positive Experience *(8 Success Factors)*

1. Educate the physicians on the processes *(provides confidence)*
2. Relate the importance of benchmarks to the physicians *(Compare to driving a car. Discuss the philosophy of benchmarking.)*
3. Review the benchmarks on a higher frequency (monthly)
4. Do NOT lay the benchmarks on the provider's desk for them to review *(make it a group or one-on-one meeting w/providers)*
5. Have a combination of graphs and tables with only one or two variables per page
6. Indicate what the course of action is required when going over the benchmarks *(builds confidence)*
7. Rotate the items to review *(different benchmark variables at different times of the year)*
8. Realize physicians move and react positively to benchmarks

Benchmarking

- Discussion
- THANK YOU!
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