

BENCHMARKING

Key Financial Ratios to Increase Practice Profitability

Sponsored by:

Cooperative of American Physicians

PRESENTED BY:

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PRACTICE & LIABILITY CONSULTANTS, LLC

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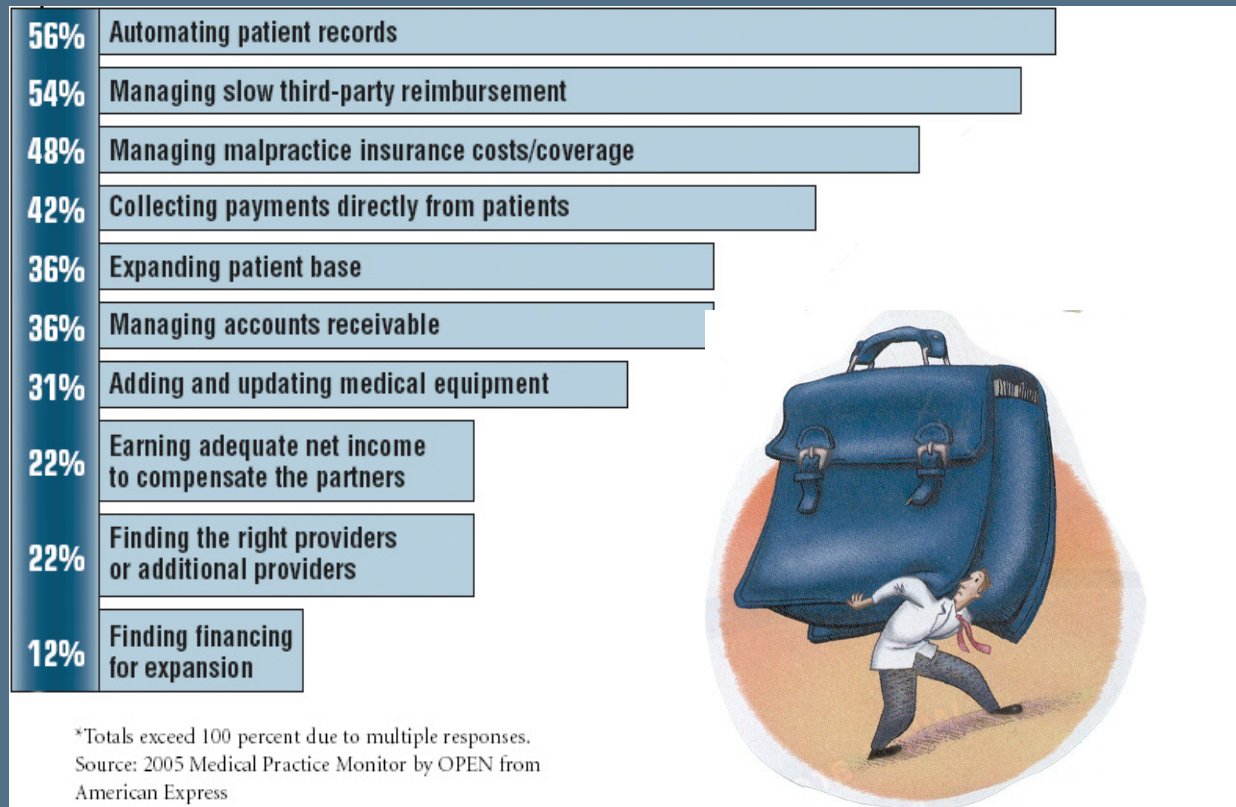
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DOCTORS FEEL WEIGHED DOWN BY BUSINESS RESPONSIBILITIES





Peter Drucker Quote

- “Companies have three responsibilities:
- 1) make a profit,
- 2) satisfy employees *and customers*,
- 3) be socially responsible.”

- 
- “You Can’t Manage What You Don’t Measure”
 - Robert Kaplan, Harvard Business School
 - If you don’t know where you are going, you might wind up someplace else”
 - Yogi Berra



WHAT IS “BENCHMARKING”

- Comparing “Best Practices” key financial data with your peers to identify areas of strengths and weaknesses to improve your financial picture.



PREPARE BETTER PROFIT LOSS REPORTS

- Purchase Software, e.g.. QuickBooks
- Train Managers, or
- Explain to CPA its use as a management tool
- Scrutinize every month – Look for trends to nip negative ones early



REDUCING OVERHEAD

“LEAN, MEAN, FIGHTING MACHINE”

Learn comparison data for overhead line item expenses

Medical Group Management Association (MGMA) (888) 608 5602

- www.mgma.com
- Physician Compensation Report
- Cost Survey Report

Sullivan Cotter & Associates

<https://sullivancotter.com/>

American Medical Group Association AMGA (703) 838-0033

National Society Healthcare Business Consultants (703) 234-4099

Specialty Society Studies



INCOME AND EXPENSE RATIOS

- How does the practice ratios compare to “norms?”
 - Have Manager or CPA prepare profit/loss reports with a column for each line item expense to be divided into actual total collections - % to collections
 - Staff and rent are the two largest expense categories

Sole Proprietor or Partner		
Profit Loss Report	Actual \$	% to Revenue
REVENUE	\$600,000	
Expenses		
Accounting	\$5,000	.8%
Medical Supplies	\$2,000	.3%
Rent	\$25,000	4.1%
Staff Wages	\$120,000	20%
<u>Telephone</u>	<u>\$10,000</u>	<u>1.6%</u>
<u>TOTAL EXPENSES</u>	<u>400,000</u>	<u>66.6%</u>
MD Net INCOME	\$200,000	33.3%

Corporation Profit Loss Report	Actual \$	% to Revenue
REVENUE	\$600,000	
Expenses		
Accounting	\$5,000	.8%
Medical Supplies	\$2,000	.3%
Rent	\$25,000	4.1%
Staff Wages	\$120,000	20%
Officer Wages	\$198,000	33%
<u>Telephone</u>	<u>\$10,000</u>	<u>1.6%</u>
<u>TOTAL EXPENSES</u>	<u>\$598,000</u>	<u>99.66%</u>
Corporation Net Income	\$2,000	.33%

BENCHMARK COMPARISON – FAMILY PRACTICE

Comparison FAMILY PRACTICE	AMGA 2022 Family Medicine	MGMA Physician Comp and Production Survey 2022 Family Medicine	MGMA Cost Survey 2022 Family Medicine	Sullivan Cotter 2022 Family Medicine
Collections (Mean)	\$528,383	\$486,861	\$877.695	\$519,031
90 th Percentile	\$812,072	\$758,585	\$1.328.742	\$794,442
75 th Percentile	\$645,331	\$594,690	\$889.145	\$633,347
Median	\$501,139	\$463,805	\$619.140	\$491,570
25 th Percentile	\$379,022	\$346,354	\$463.924	\$371,456
Expense	*	*	*	*
Net Income (Mean)	\$300.016	\$287,243	\$383,850	\$291,203
90 th Percentile	\$404.105	\$404,225	\$608.953	\$394,793
75 th -80 th Perc.	\$332.749	\$328,402	\$444.431	\$327,718
Median	\$280.494	\$268,919	\$304.823	\$267,609
20 th -30 th Perc.	\$240.528	\$225,708	\$247.930	\$231,109

IT PAYS TO OFFER MORE

Practice management experts often cite addition of ancillary services as a key opportunity to increase revenue, particularly for primary care practices. According to a *Medical Economics* physician survey, electrocardiology is the most commonly offered service in primary care offices. Following is a ranking of the most commonly offered ancillary services for primary care and the services most frequently requested by patients:

SERVICES OFFERED	% of respondents who offer it	MOST REQUESTED SERVICES	% of respondents who selected it
Electrocardiology	46.0	Densitometry	29.4
Lab services	42.8	Complementary/alternative medicine	27.5
Spirometry	41.9	Radiology	22.9
Ambulatory BP	26.8	Cosmetic procedures	21.9
Holter monitoring	25.5	Physical therapy	20.9
Radiology	25.5	Drug dispensing	16.2
House calls	24.3	House calls	15.9
Counseling	23.5	Counseling	14.4
Audiology	20.8	Audiology	13.5
Densitometry	19.2	Holter monitoring	10.7



PRACTICE POINTERS

Stop

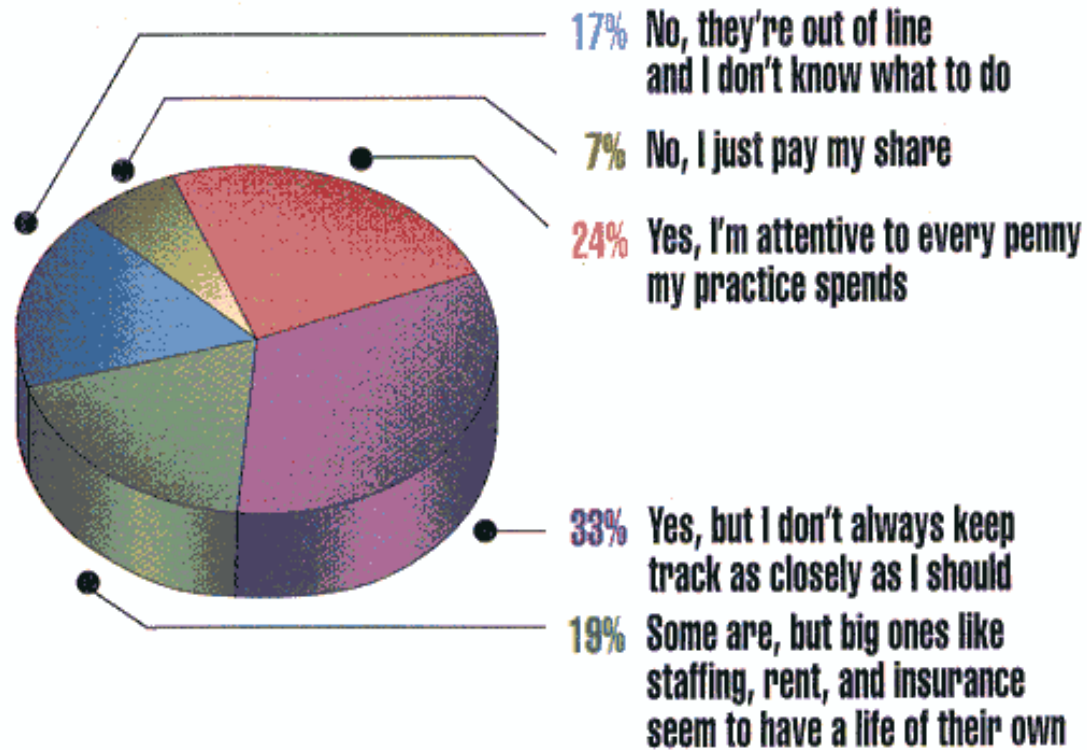
Could careless management be costing you "at least 12 percent of revenue," to quote one expert? Here's how to find and fix the nine most common dollar leaks.

By Deborah A. Grandinetti

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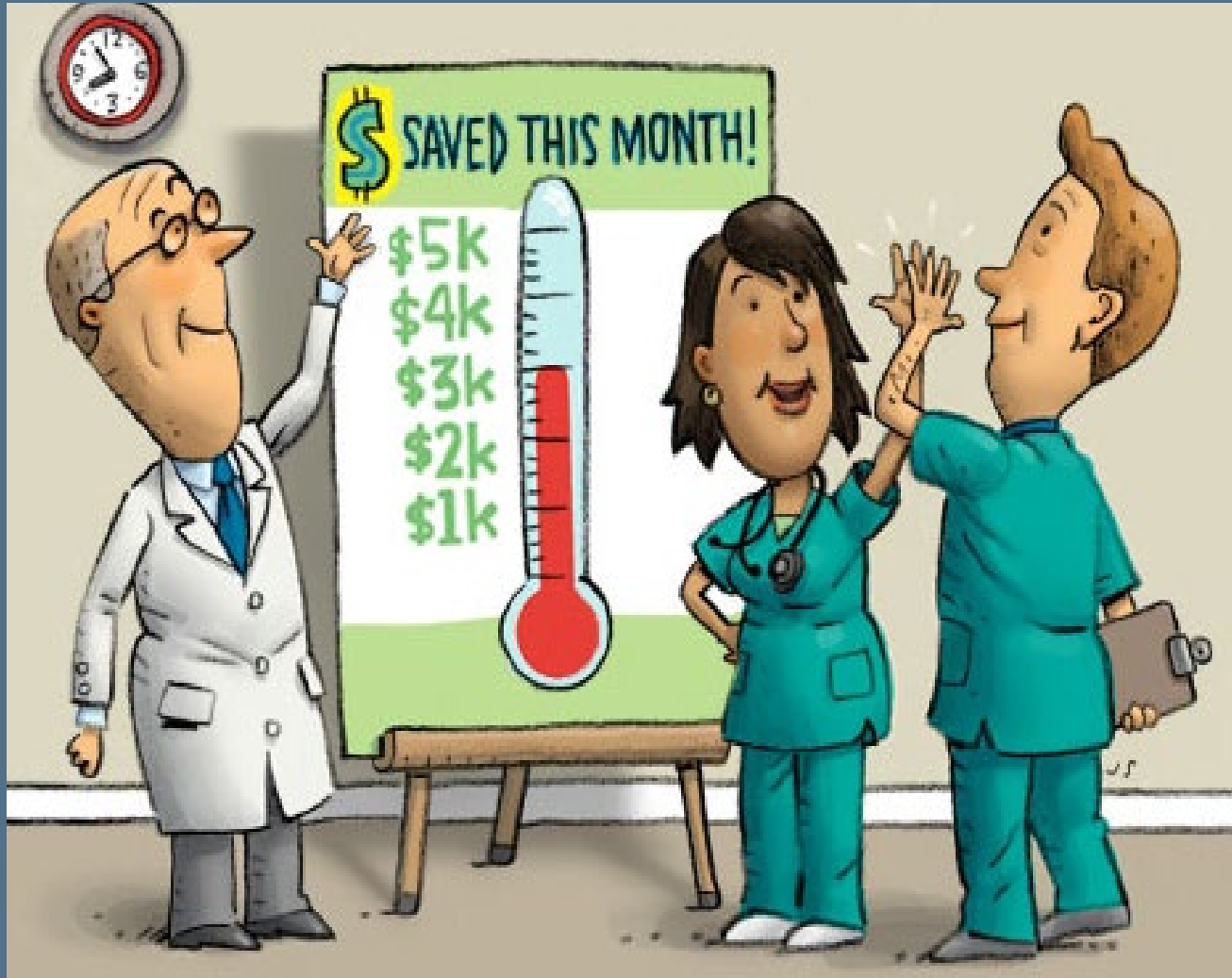
Medical Economics

Are your practice expenses under control?



EXPENSE RATIO COMPARISONS IN % – FAMILY PRACTICE

TYPE IN % FAMILY MEDICINE	Yours	MGMA Cost Survey 2022
Staff Salaries		30.18%
Para-Professionals		11.96
Benefits		*
Clinical Supplies		1.32
Clerical Supplies		.97
Rent		7.67
Telephone		*
Malpractice		1.02
Maintenance		*
Acct./Legal		.07
Promotion		.09
Dues/Subscriptions		*
Auto		*
Depreciation		.43
Cont. Ed/Travel		*
TOTAL EXP. RATIO		61.91%



AMA News 1.9.12



PETER DRUCKER'S BRILLIANT 47-YEAR-OLD IDEA COULD TRANSFORM HEALTHCARE

“The most successful organizations will cultivate a culture of decision making on the front-lines, by instituting processes and methods that support and encourage it.”

Dunn, Lindsey. “*Peter Drucker’s brilliant 47-year-old idea could transform healthcare.*” Becker’s Hospital Review. September 17, 2014. <http://www.beckershospitalreview.com/healthcare-blog/peter-drucker-s-brilliant-47-year-old-idea-could-transform-healthcare.html>

EVALUATE PRODUCTIVITY

- Number of patients seen
- Number of new patients seen to measure practice growth
- Number of office and hospital visits
- Number of surgeries / procedures or high revenue generation
- Income generated by doctor

Monthly Productivity Report

Medical Practice of: _____ Year: _____ Month: _____

	1	2	3	4	5	6
	Monthly Budget	Actual Monthly	Var.	YTD Budget	YTD Actual	Variance
Physician Product.						
Office Visits						
Hospital Visits						
Ratio MD Office Hrs						
Ratio Staff / Pts.						
Staffing						

Reducing Staffing Costs

- Create job descriptions
 - hold staff accountable, e.g., A/R ratios
- Use Interns, College Students/Med Students
- Create incentives
 - reward staff for ideas that make or save the practice money

FTE FULL TIME EQUIVALENT / MD

- What is your total staff payroll as a percentage of gross income?
- What is your Full Time Equivalent staff ratio to physician?
- Varies by Specialty:
 - 2.01-7.08 FTE/MD

STAFFING *PER* FTE PHYSICIAN

FAMILY PRACTICE

TYPE	Yours	MGMA Cost Survey 2022
FAMILY MEDICINE		
General Administrative		0.47
Patient Accounting		0.21
General Accounting		*
Managed Care Administrative		.87
Information Technology		*
Housekeeping, Maintenance, Security		*
Medical Receptionist		1.27
Medical Secretaries/Transcribers		.19
Medical Records		.03
Other administrative support		.80
Registered Nurses		0.38
Licensed Practical Nurses		0.46
Medical Assistant/Nurse Aides		1.59
TOTAL EMPL SUPP STAFF FTE		3.59

STAFF WAGES AS % TO REVENUE

TYPE in % FAMILY MEDICINE	Yours	MGMA Cost Survey 2022
General Administrative		3.95%
Patient Accounting		1.51
General Accounting		*
Managed Care Administrative		3.30
Information Technology		*
Housekeeping, Maintenance, Security		*
Medical Receptionist		6.51
Medical Secretaries/ Transcribers		.84
Medical Records		.51
Other administrative support		3.38
Registered Nurses		2.91
Licensed Practical Nurses		2.27
Medical Assistants/Nurse Aides		8.65
TOTAL EMPL SUPP STAFF		23.01%

“STAFFING ANALYSIS”

Family Practice Associates									
NAME	POSITION	AVG HOURS/ WK	FTE	FTE per DO/PA/NP	MGMA	HOURLY RATE	Per Year	% to revenue YTD	MGMA
				3.3					
								2,442,751	
	Office Manager	40	1	0.30		\$ 21.63	44980		
	Accounting A/P	10	0.25	0.08		\$ 46.75	24310		
	<u>Operations Manager</u>	20	0.5	<u>0.15</u>		\$ 31.84	<u>\$ 33,113.60</u>		
TOTAL		70	1.75	0.53	0.44		\$102,404	4.2%	3.58%
	Front Desk	38	0.95	0.29		\$ 12.00	\$23,712	0.0%	
	Telephone	38	0.95	0.29		\$ 11.00	\$21,736	1.0%	
	<u>Check out</u>	<u>38</u>	<u>0.95</u>	<u>0.29</u>		<u>\$ 16.38</u>	<u>\$32,367</u>	0.9%	
TOTAL		114	2.85	0.86	1.15		\$77,815	1.3%	6.13%
	<u>Insurance /Phones/Medical Records</u>	<u>38</u>	<u>0.95</u>	<u>0.29</u>		\$ 11.85	<u>\$23,416</u>	0.0%	
TOTAL			0.95	0.29	0.50		<u>\$23,416</u>	1.0%	2.93%
	Medical Assistant	38	0.95	0.29		\$ 17.00	\$33,592	0.0%	
	Medical Assistant	38	0.95	0.29		\$ 14.50	\$28,652	1.4%	
	Medical Assistant	38	0.95	0.29		\$ 11.00	\$21,736	1.2%	
	<u>Medical Assistant</u>	<u>38</u>	<u>0.95</u>	<u>0.29</u>		<u>\$ 11.00</u>	<u>\$21,736</u>	0.9%	
TOTAL		152	3.8	1.15	1.46		\$105,716	3.4%	8.62%
Billing	SERVICE ESTIMATED		1.65	0.5	0.31			6%	1.88%
OPERATIONS STAFF		374	11	3.33	3.80		\$309,350	15.9%	24.95%

Analyze Your Accounts Receivable Every Month

- Hold Billing Staff/Co accountable for good ratios –
– **Incentivize or Penalize**
- Accounts Receivable Aging Table
- Accounts Receivable Ratio
- Gross Collection Percentage
- Adjusted Collection Percentage

BIZARRO Piraro

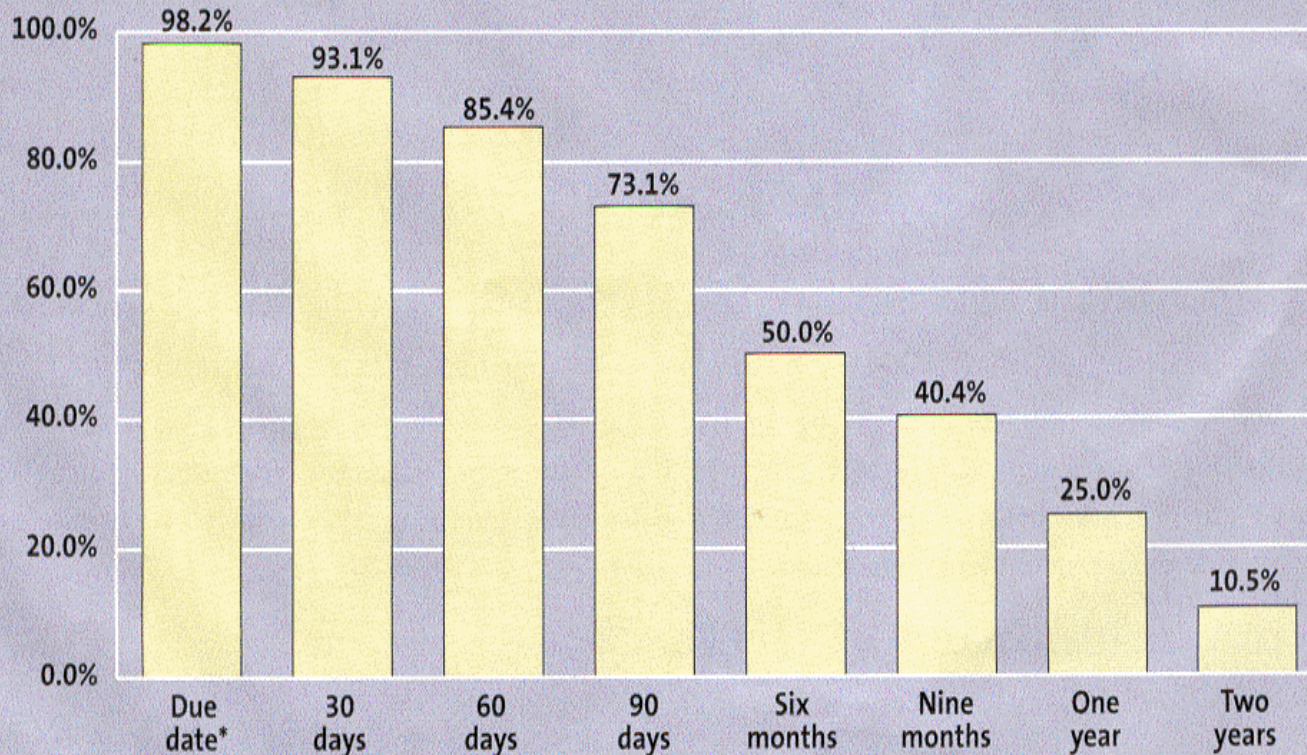


How do your percentages compare ?

Your Practice		Family Practice 2022 MGMA Average
	< 30 Days	45.84%
	31-60 Days	12.85%
	61-90 Days	8.31%
	91-120 Days	6.28%
	> 120 Days	23.47%

Rate of collectability

Collectability of delinquent commercial debts at time intervals after due date



*For some industries, the due date may be several months after the delivery date.

Source: Commercial Collection Agency Section Commercial Law League of America. Reprinted with permission.

Family Practice Gross Collection Percentage

FORMULA:

Actual cash collections

=

Gross Collection
Percentage

Gross Charges

FAMILY MEDICINE	Yours	MGMA Cost Survey 2022
<u>Gross Collection % Collections Charges</u>		49.63%

Family Practice Adjusted Collection Percentage

FORMULA:

$$\frac{\text{Actual cash collections}}{\text{Adjusted Charges (Charges- Adj)}} = \text{Adjusted Collection \%}$$

FAMILY MEDICINE	Yours	MGMA Cost Survey 2022
Adjusted Collection % <u>Collections</u> Charges – Adjustments		96.82%

Family Practice Accounts Receivable Ratio

FORMULA:

$$\frac{\text{Total Accounts Receivable}}{1/12 \text{ Annual Fees or Charges}} = \text{A/R Ratio}$$

FAMILY MEDICINE	Yours	MGMA Cost Survey 2022
Accounts Receivable Ratio <u>Total \$ in A/R</u> 1/12 Annual Charges		1.42

BILLING AND COLLECTION

- Appeals and Denials – Make sure staff has enough time for this
- Patient Payment plans –
 - “We understand your financial problems, lets work out a way to settle your account”
 - Put in writing, red flag rules – identity theft
 - www.carecredit.com
- Collection agencies – may need to use more



BILLING AND COLLECTIONS

- Make front and billing a team
- Have them guest visit shadow each other
- Reduces errors



BILLING AND COLLECTIONS

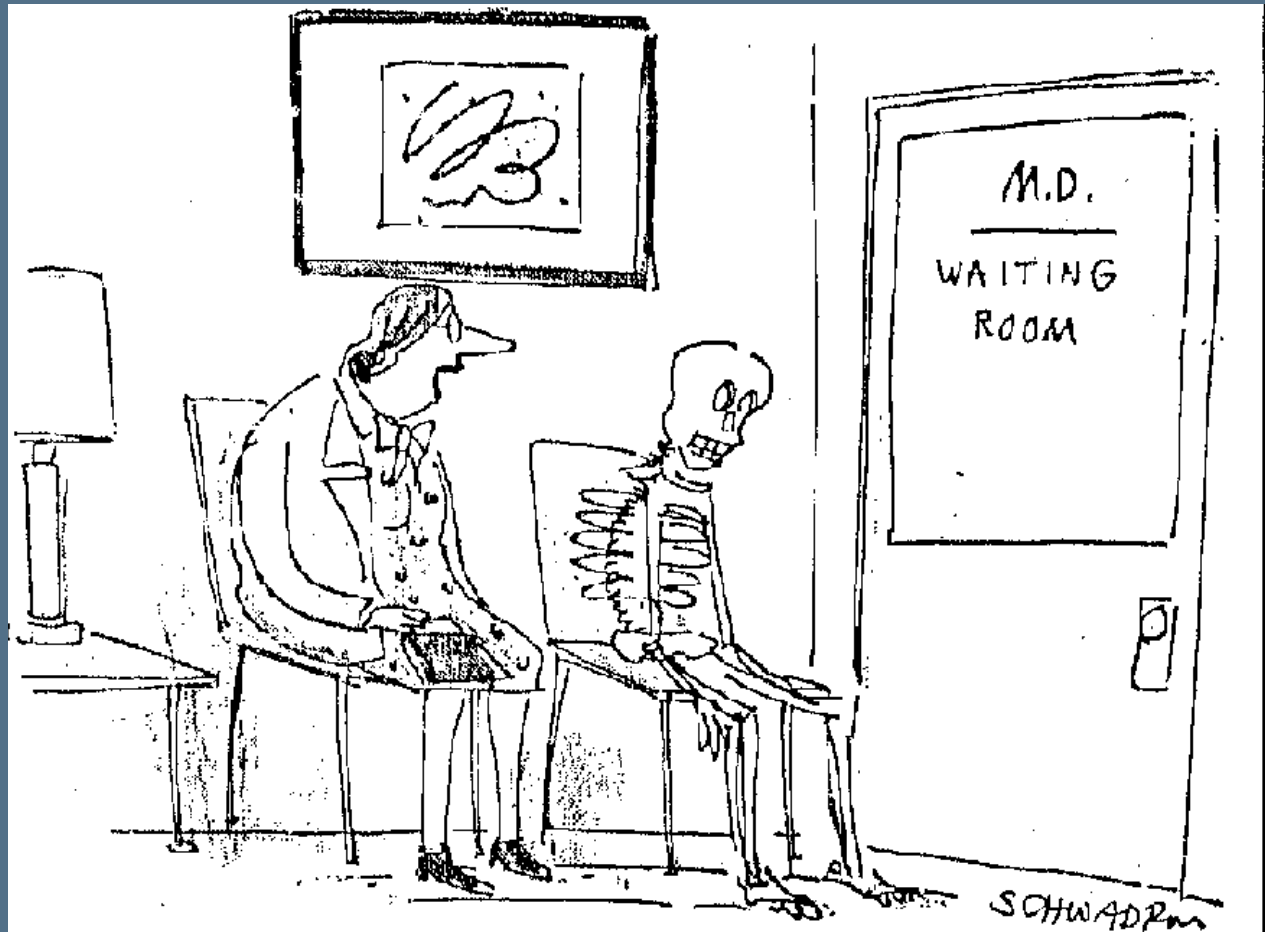
- Health Savings Accounts – Patients need to pay up front with HSA debit cards
- Take Debit and Credit Cards
- Set firm policies and make patients sign when also receiving patient rights and responsibilities

AMBULATORY OFFICE VISITS ENCOUNTERS

FAMILY PRACTICE	Sullivan Cotter 2019	AMGA 2019	MGMA Physician Compensation and Production Survey 2019
Ambulatory Patient Visits Per Week	*	*	*
Patient Encounters Per Year Mean	3,564	*	3,634
Patient Encounters Per Year 25 th %	2,617	*	2,458
Patient Encounters Per Year Median	3,391	3,515	3,359
Patient Encounters Per Year 75 th %	4,162	*	4,334
Patient Encounters Per Year 90 th %	5,185	*	5,531

WRVUS AND \$ PER WRVU

RVU DATA FAMILY PRACTICE	Physician Work RVUs	Physician Work RVUs	Physician Work RVUs	Physician Compensation per Physician Work RVUs	Physician Compensat ion per Physician Work RVUs	Physician Compensati on per Physician Work RVUs
	MGMA Physician Compensation and Production Survey 2019	AMGA 2019	Sullivan Cotter 2019	MGMA Physician Compensation and Production Survey 2019	AMGA 2019	Sullivan Cotter 2019
Mean	5,120	5,177	4,946	\$56.75	\$57.52	\$55.07
90 th Percentile	7,237	7,265	6,940	\$76.52	\$82.51	*
75 th -80 th Perc.	5,915	6,310	5,808	\$60.30	\$65.71	\$59.94
Median	4,914	5,042	4,835	\$51.14	\$51.31	\$50.37
20 th -25 th Perc.	3,963	3,908	3,874	\$45.35	\$44.24	\$44.29



"Have you been waiting long?"



SAVE TIME, MAKE MONEY

Practice Patterns that Contribute to Higher Overhead

- Coming in late, running staff into overtime
- Stay on time, can see another 2-3 patients per day



BUDGETING

- A budget is a financial plan of action and activity.
- Try to live within your budget
- Train managers to use Excel Spreadsheets

Sample Monthly Report Format

Medical Practice of: _____ Year: _____ Month: _____

	1	2	3	4	5	6
	Monthly Budget	Actual Monthly	Var.	YTD Budget	YTD Actual	Variance
Charges:						
Income:						
Collections:						
Other Deposits:						
Expenses:						
Payroll:						
Rent:						
Supplies:						
Total:						

Office Visits Productivity

2022	Jan	Feb	March	YTD	Variance
Dr. A	266	302	273	841	
Dr. B	242	268	284	794	
<u>Dr. C</u>	<u>250</u>	<u>270</u>	<u>278</u>	<u>798</u>	
Total	758	840	835	2,433	

2021	Jan	Feb	March	YTD	Variance
Dr. A	263	295	273	831	(10)
Dr. B	255	272	290	817	23
<u>Dr. C</u>	<u>264</u>	<u>277</u>	<u>253</u>	<u>794</u>	<u>(4)</u>
Total	782	844	816	2,442	9

Collections

2022	Jan	Feb	March	YTD	Variance
Dr. A	60,300	61,500	64,400	186,200	
Dr. B	49,700	45,600	50,500	145,800	
<u>Dr. C</u>	<u>55,700</u>	<u>62,600</u>	<u>68,700</u>	<u>187,000</u>	
Total	165,700	169,700	183,600	519,000	

2021	Jan	Feb	March	YTD	Variance
Dr. A	59,400	58,600	49,900	167,900	-18,300
Dr. B	50,200	47,900	54,300	152,400	6,600
<u>Dr. C</u>	<u>54,800</u>	<u>57,600</u>	<u>62,500</u>	<u>174,900</u>	<u>-12,100</u>
Total	164400	164,100	166,700	495,200	-23,800

Monthly Flash Sheet for ABC Medical Clinic

	This Month			Total
	Dr. A	Dr. B	Dr. C	
Production	\$65,059	\$55,267	\$59,872	\$180,198
Adjustments				\$55,316
Receipts				129,645
Refunds				3,549
Cash on hand				25,145
Gross collections ratio				72%
Adj. collections ratio				101%
MGMA >95%				98%
Total AR				\$375,678
A/R ratio				2.1
MGMA avg.				1.3

Last Month	Last Year
\$175,648	\$166,542
\$56,448	\$40,558
\$115,963	\$103,850
\$2,514	\$2,874
\$14,785	\$24,798
66%	62%
95%	81%
\$380,654	\$335,485
1.7	1.5

	Current	30 days	60 days	90 days	120 days	TOTAL
Aged AR	\$119,487	\$41,325	\$33,811	55,600	80,300	330,523
Percentage	36.20%	12.50%	10.20%	16.80%	24.30%	100%
MGMA avg.	45%	25%	10%	5%	15%	100%
Total operations expense				\$75,645	\$70,587	\$59,466
Overhead percentage				59%	61%	58%
MGMA avg.				48%		



PATIENT WAITING TIMES

WHICH CITIES, STATES HAVE THE SHORTEST PHYSICIAN WAIT TIMES? BECKERS HOSPITAL REVIEW MARCH 24, 2016

- **Wait time and patient ratings are correlated.** Physicians with higher ratings on Vitals' website had shorter patient wait times. Here is a breakdown of the wait time from the highest rated physicians (**5 stars**) to the lowest rated physicians (1 star).
- 5 stars — 12 minutes and 56 seconds
- 4 stars — 18 minutes and 19 seconds
- 3 stars — 21 minutes and 40 seconds
- 2 stars — 26 minutes and 11 seconds
- 1 star — 33 minutes and 1 second





QUESTIONS?

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