Financial Benchmarking 2.0
Creating Meaningful Change in Your Practice

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Financial Disclosure
Andrew and Maureen are consultants with BSM Consulting
BSM Consulting provides practice management consulting services to specialty medical practices.

Objectives
- Understand how to interpret financial benchmarking results.
- Use the case studies presented to identify specific opportunities for practice improvement.
- Develop action plans based on information.
- Integrate financial reporting into the strategic plan of the practice.
What is benchmarking?

The process of measuring and comparing one's practice with other "like kind" and/or better performing practices as well as your own historical results.

What should I measure?

Success in a medical group can be defined in a variety of ways:

- Profitability and overhead management.
- Productivity, capacity utilization, and staffing measures.
- Cash flow management efficiencies.
- Patient and employee satisfaction.

Most importantly:
Use the tool to compare against yourself, set goals, create tactical plans, and IMPLEMENT.

Caveats of Benchmarking

- Know definitions and formulas
- Compare apples to apples
- Ratios result from two numbers
- Know how you can impact a change
- Benchmarks are "directional"
- Don't overreact
- Use more than one benchmark to make decisions
- BSM experience
- Corroboration with experts/AAO database
- 25th to 75th percentile

Most importantly:
Use the tool to compare against yourself, set goals, create tactical plans, and IMPLEMENT.
SOAP

S – Subjective
O – Objective
A – Assessment
P – Plan

Manage your practice the same way that a doctor sees patients

Financial Benchmarking 1.0

Subjective
- Situation analysis
- Perceived issue

Objective
- Benchmarking analysis
- Comparison to historical and industry benchmarks

Financial Benchmarking 2.0

Assessment
- Diagnose the problem
- Main causes

Plan
- Create an action plan
- Prescribe solutions
- Monitor progress over time
Case Study 1

**Background**
- Cataract surgery-focused, comprehensive group eye care practice
- Suburban area
- 4 partners; employed providers and independent contractor
- Multiple office locations
- One surgery center
- All partners are older than 55

**Subjective**
- Staff getting more complaints from the patients.
- Staff feeling “frenzied” to meet patient demands; schedules getting overbooked.
- Doctors feeling pressure, and are unhappy that there doesn’t seem to be enough time in the day to take care of everyone.
Possible solutions they are kicking around

- Recruit another provider
- Stop seeing Medicaid patients
- Close practice to new patients (for busiest physicians)
- Improve staff efficiency

### Objective data: When can I have ________?

<table>
<thead>
<tr>
<th></th>
<th>Chandler</th>
<th>Claire</th>
<th>Phoebe</th>
<th>Curly</th>
<th>Mo</th>
<th>Monica</th>
<th>Curley</th>
<th>Francia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cataract surgery</strong></td>
<td>1.5 months</td>
<td>1 month</td>
<td>1 month</td>
<td>1.5 months</td>
<td>1.5 months</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Consult</strong></td>
<td>1.5 months</td>
<td>1.5 months</td>
<td>2+ months</td>
<td>1.5 months</td>
<td>2.5 months</td>
<td>2 months</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>New Patient Exam</strong></td>
<td>5 months</td>
<td>5 months</td>
<td>4.5 months</td>
<td>1.5 months</td>
<td>2.5 months</td>
<td>2 months</td>
<td>2 months</td>
<td>3 weeks</td>
</tr>
</tbody>
</table>

### Objective Data: Related Benchmarks

- [Graphs showing data related to office visits and net collections per office visit.]

- [Data tables showing median values for office visits per FTE physician and net collections per office visit.]

- [Additional benchmarks and data points are listed in the table.]
Benchmarking: Average Visits per Day

Impact of Efficiency Improvement

Additional Information

- Review of Schedules
- Time Flow Analysis
- Physical Plant Review
- Patient Satisfaction Results
- Clinic Flow and Procedure Observations
### Action Plan

<table>
<thead>
<tr>
<th>Description</th>
<th>Partner in Charge</th>
<th>Responsible Party</th>
<th>Due</th>
<th>Status / Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Complete time flow analysis</td>
<td>Dr. Mo</td>
<td>Clinical Manager</td>
<td>MM/DD/YY</td>
<td>Since EMR does not have &quot;time stamps,&quot; will have to use manual review that will last 2 weeks.</td>
</tr>
<tr>
<td>2. Establish task force</td>
<td>Dr. Mo</td>
<td>Administrator</td>
<td>MM/DD/YY</td>
<td>Criteria for members and scope of responsibilities</td>
</tr>
<tr>
<td>3. Based on information, establish current baseline and key performance indicators</td>
<td>Dr. Mo</td>
<td>Task Force</td>
<td>MM/DD/YY</td>
<td></td>
</tr>
<tr>
<td>4. Review efficiency obstacles discovered during analysis. Prioritize which improvements can/should be tackled</td>
<td>Dr. Mo</td>
<td>Task Force</td>
<td>MM/DD/YY</td>
<td></td>
</tr>
<tr>
<td>5. Propose tactics, action plans, and provide plan for approval</td>
<td>Task Force</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Case Study 2

**Do we have the right number of staff?**

- [Image of healthcare professionals]
2020 Eye Specialists

- 2 FTE MDs
- 1 FTE OD
- $2.4M Annual Collections
- $700K in Staff Wages
- $135K Payroll Taxes and Benefits
- 9 FTE Techs
- 5 FTE Front Desk
- 2 FTE Billers
- 1 FTE Administrator
- 1 FTE Surgical Counselor

Subjective

Owners
- Our payroll is too high
- There is too much standing around

Staff
- More techs are needed on busy clinic days
- Morale is low

Where do we go from here?

Objective

Staffing Benchmarks

- Staff Payroll Ratio
  - Healthy Range: 20% - 26%
- FTE Staff per FTE MD/OD
  - Healthy Range: 4 - 8
- Net Collections per FTE Staff
  - Healthy Range: $140K - $200K
Objective

Staffing Benchmark Results

- Staff Payroll Ratio: Result: 29.2%
- FTE Staff per FTE MD/OD: Result: 6.0
- Net Collections per FTE Staff: Result: $133,333

Assessment

What do the results indicate?

- Payroll ratio is above the benchmark range.
- FTE Staff per MD/OD is within the range.
- Collections per FTE Staff is below the range.
- What other data points are necessary?

Assessment

- Physician Production: Revenue, patient visit, and procedure mix by physician
- Staffing Levels: Review by department and by physician
- Patient Satisfaction: Your patients will gladly give their opinions!
- Staff Satisfaction: What is causing the morale problem?
Plan

- Complete clinic observation
- Review compensation philosophy
- Implement staffing changes if necessary
- Review and monitor results on a regular basis

Additional Tools For In-depth Use of Benchmarks

Benchmarking allows:

- Identifying Opportunities and Setting Goals
- Projecting financial impact of opportunities
  - Adding a provider
  - Adding a satellite location
  - Adding equipment
  - Budgeting
  - Eliminating …
The next level of benchmarking is creating analysis that will help make better decisions.

Incorporating “the numbers” into your daily conversation helps everyone in the organization think differently about how to solve problems.

Reports and “numbers” are to stimulate action: the right action.
Thank You!