

Benchmarking to Improve Your Practice

CPTA 2005 Annual Conference – Ontario, CA - 10/21/2005



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CPTA Annual Conference
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Objectives

- What is benchmarking?
- Why do I need it?
- How can it help me?
- What is available?
- Is it safe & legal?
- Examples & comparisons
- How much is it?

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What is Benchmarking?

- Comparison across multiple companies in a given industry
- Comparison to best practices in an industry
- Bridges the gap between great ideas and great performance
- Discovering best practices
- Quality improvement process

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History of Benchmarking

- Manufacturing firms in 1970s
 - Process to improve products
- Service companies in the 1980s
 - Customer service improvement
- Baldrige National Quality Program
 - Benchmarking is important part of program
- Learn – don't just do!

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Why Is It Important To Benchmark?

- Identify areas for improvement
- Compare to similar businesses
- Analyze reasons for differences
- Improve business aspects of practice
- Rational method to set performance goals
- Gain market leadership
- Broader more accurate perspective

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Why Benchmark?

- Validate performance
- Improve decision making
- Improve management
 - Compare to other practices
 - Focused financial analysis
 - Assess performance & identify outliers
 - Develop an action plan
 - Monitor progress over time

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Benchmarking Provider Questions

- Who is performing the study?
- What is their background?
- How will confidentiality be assured?
- How specific is the data?
- How reliable is the data?
- How is the report distributed?
- Does the report provide specific results?

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Is Benchmarking Legal?

- FTC Antitrust safety zone – 3 Keys
- Study managed by 3rd party
 - Consultant, etc...
- Data at least 3 months old
- At least 5 providers, none >25%
 - Confidential data

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Competition

- Likely to increase - Be ready to compete
- Define value & Provide value
- Michael E. Porter
- Elizabeth Olmsted Teisberg
- Harvard Business Review - June 2004
- *“Redefining Competition in Health Care”*

What Areas Should Be Examined?

- Financial – Income, Expense, Profit
 - Labor, Variable, Fixed, Profit, per visit, etc...
- Productivity
 - Visits, financial, etc...
- Accounts Receivable
 - Aging, size, etc...
- Wages
 - By employee type, experience, etc...

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Key Indicators

- NP & Visits
- Charges – per NP & Visit
- Income – per NP & Visit
- Expense – Labor, Variable, Fixed
- Profit – per NP & visit
- Accounts Receivable – size & aging
- Charges & Collect per Licensed FTE hour

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Can Benchmarking Help Me?

- Provides owner with objective data for comparison
- Provides “report card” on business performance
- Is your practice...
 - ...as profitable & productive as others?
 - ...spending more or less on key areas?
 - ...compensating staff on a similar basis?

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How Can I Use The Data?

- Provides targets to shoot for
- Assists in goal setting
- Assists in budget preparation
- Provides a yardstick for comparison
- Evidence based decision making

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What Are The Limitations?

- Sample size affects the reliability of the data
- Sample composition affects the validity for your comparison
- Regional differences – real or imagined
- Advantages/disadvantages of actual numbers vs. rounding vs. percentages
- Stats – descriptive vs. comparative

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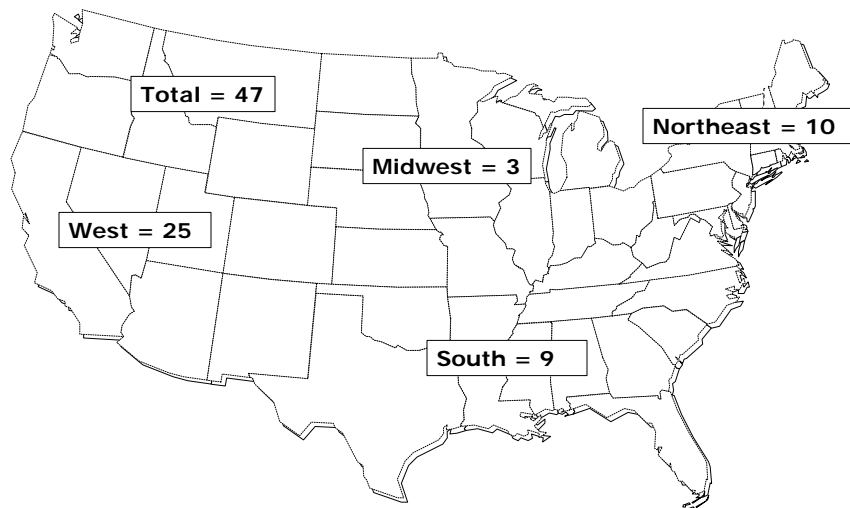
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What Information Exists For PT?

- Local studies
- Single company data over time
- APTA Studies
- PPS Best Practices Guide
 - Based on FY2002 data
- PT Benchmark 2003, 2004 & 2005
 - Based on FY2002, FY2003 & FY2004 data

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PT Benchmark 2005



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Study Format

PT Benchmark 2005

- 400+ Excel based questions
- Specific data
 - Data questioned
- Report peer groups
 - < \$1MM income
 - >= \$1MM income

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Reporting Format

PT Benchmark 2005

- Total
- Group data
- Charts
- Comments
- Peer group report
- Practice specific report with direct comparisons

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PT Benchmark Report

- Customized report for each participant showing percentile rank compared to peer group by line item
- Comments, charts & tables
- Part 1 = All participants & comments
- Part 2 = < \$1MM income peer group
- Part 3 = >= \$1MM income peer group
- Part 4 = Trends report

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Facility Expense

Fixed Expense	Great PT	%tile	n =
Facility expense	7.1%	37th %tile	47
min	med	avg	max
1.3%	8.4%	9.0%	23.6%
std dev	25th %tile	50th %tile	75th %tile
4.8%	5.8%	8.4%	11.2%

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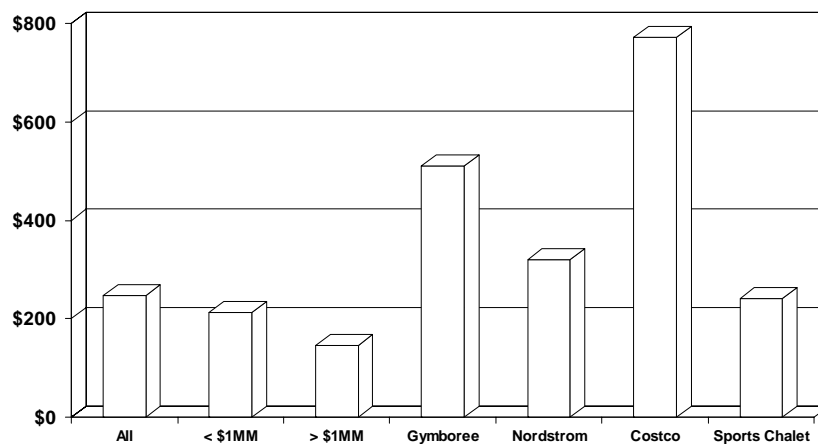
Sample Results & Uses

- Review some of the key parameters
- How owner can use the data

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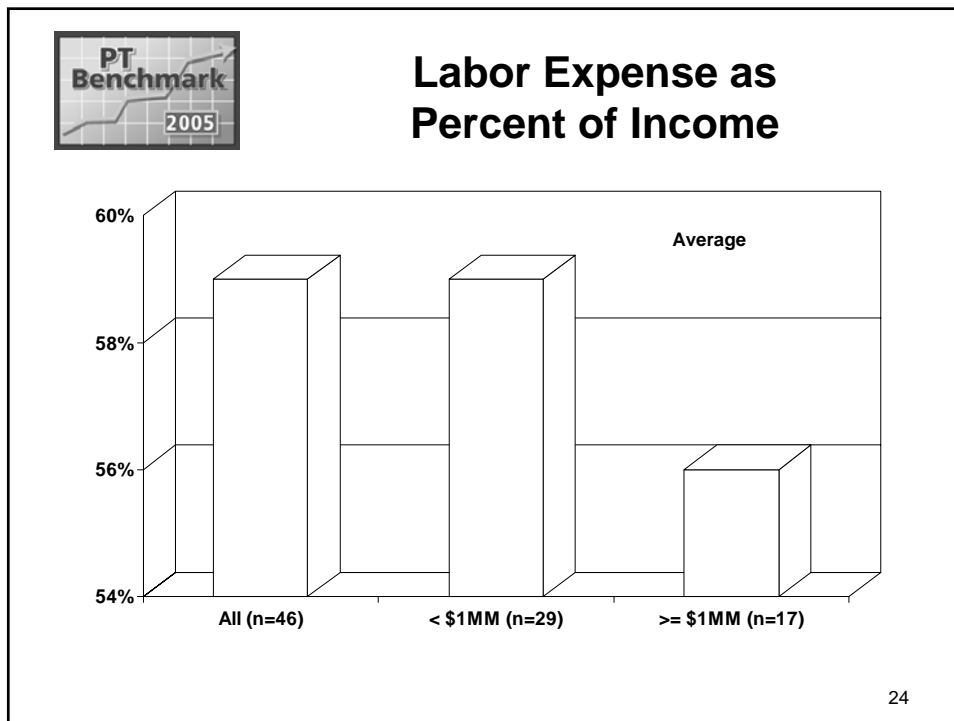
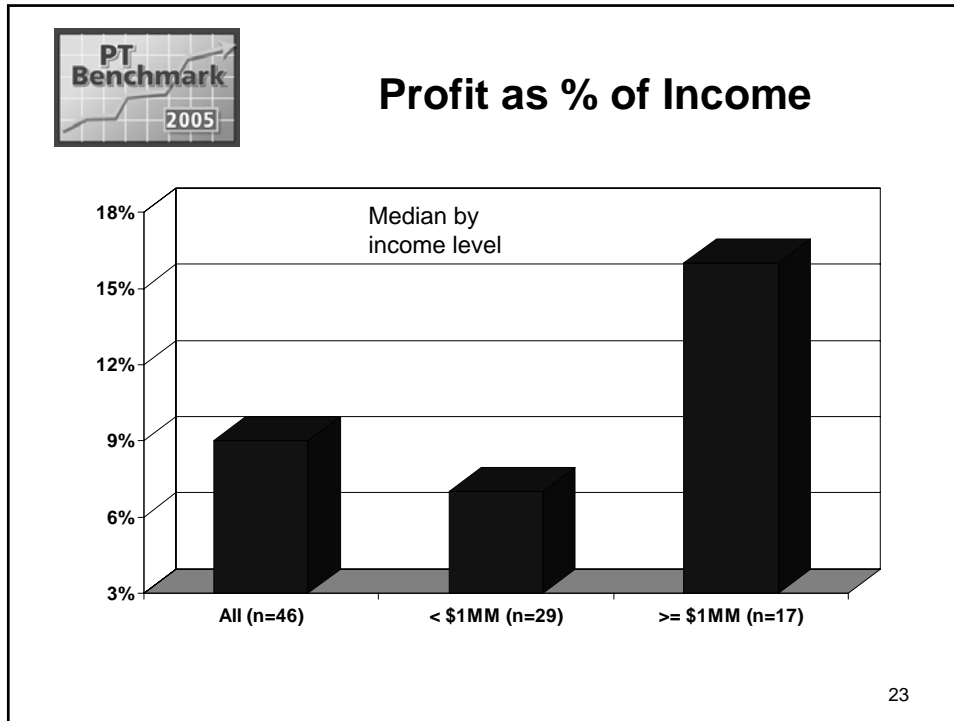
Income per Square Foot



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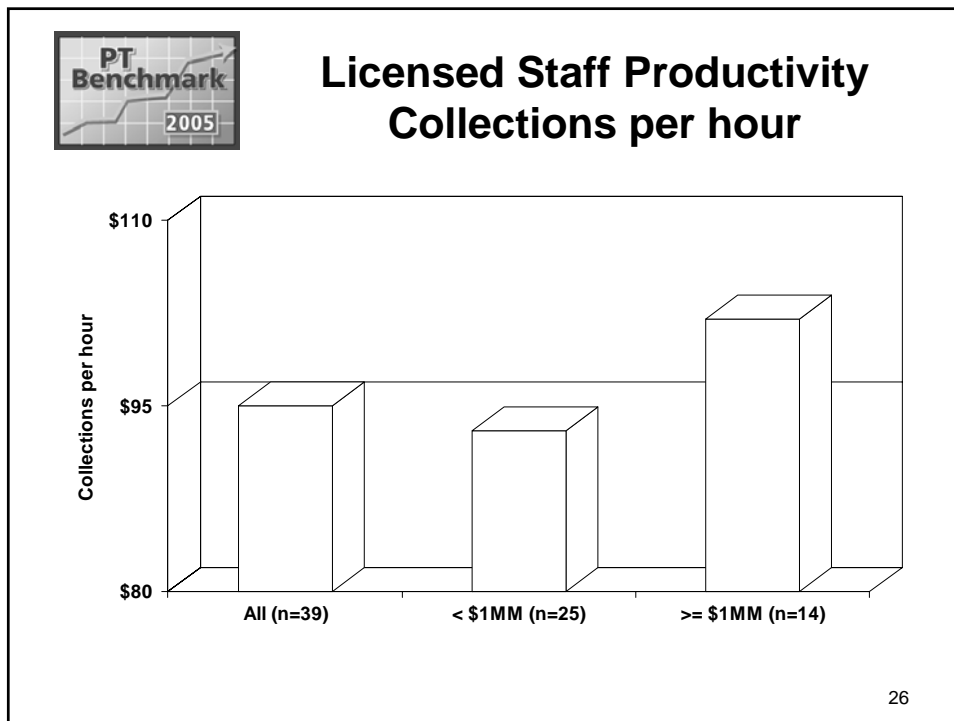
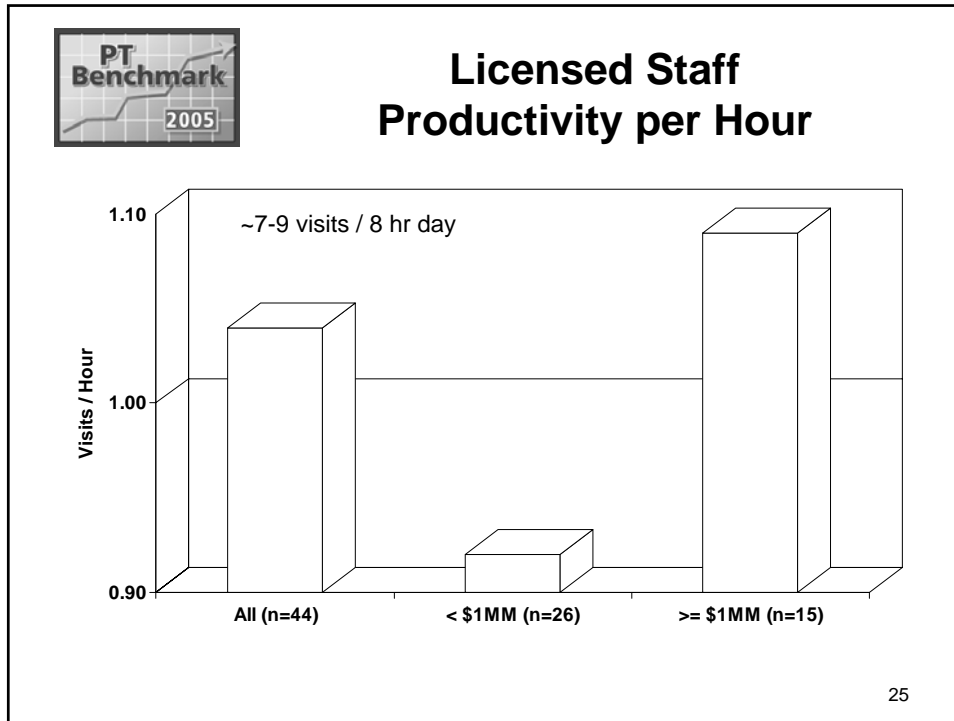
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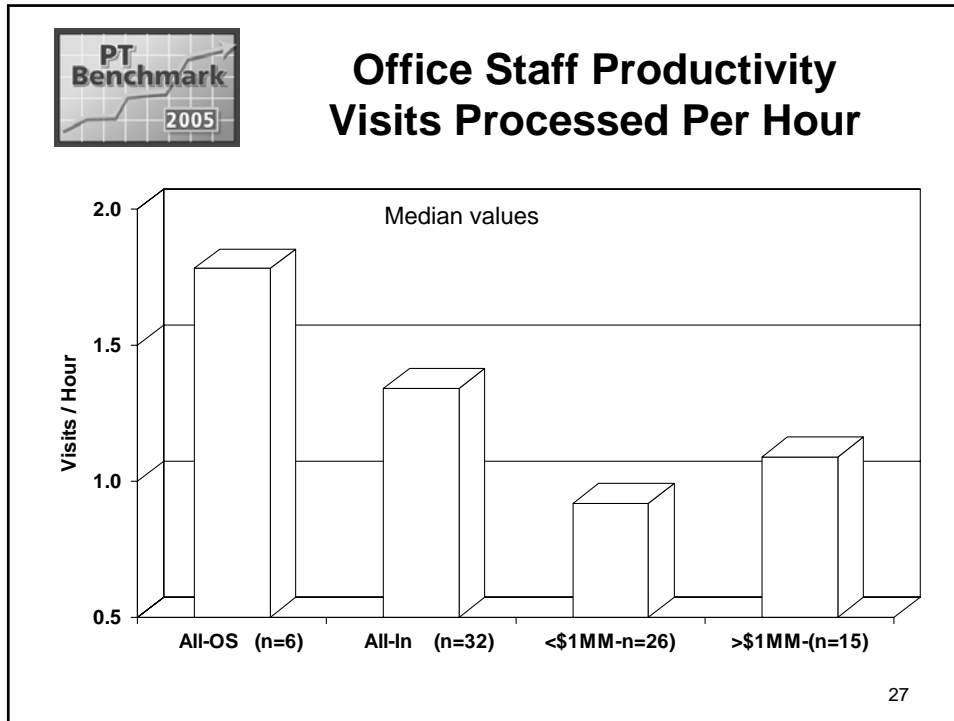
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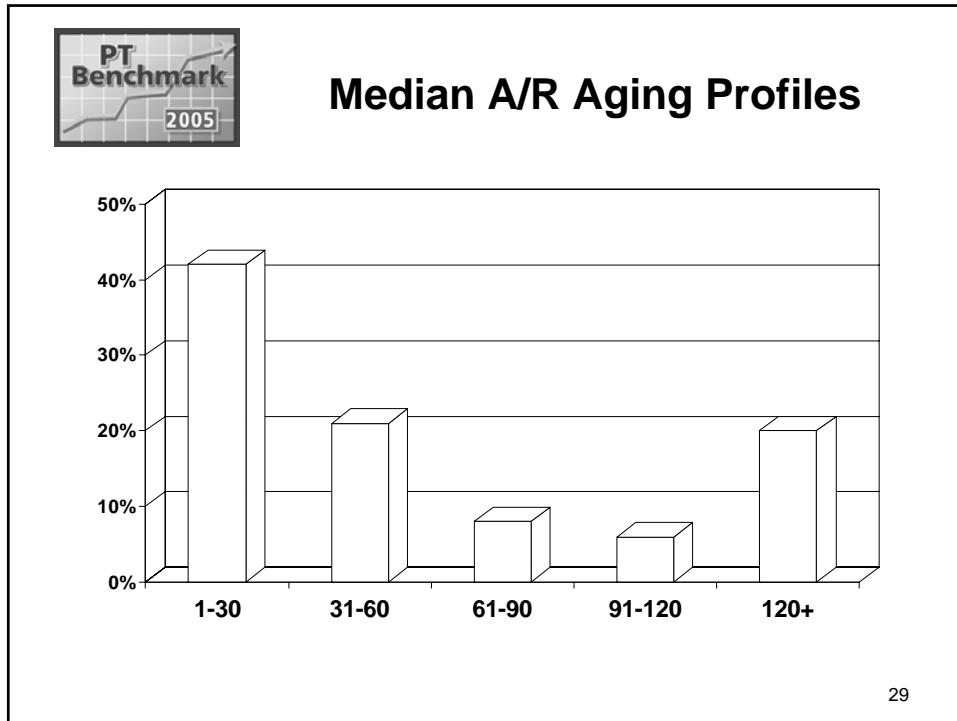


Core Competencies

- What are your core competencies?
- Where do you add value?
- What are your staffs' core competencies?
- Should you outsource...
 - ...payroll?
 - ...bookkeeping & accounting?
 - ...billing & collections?
 - ...other?

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PT Benchmark 2005

A/R as % of Charges

- 15-17% of annual charges
- About 56 days of average charges
- About 1.9 months of average charges

- \$100,000 charges per month
- Net A/R ~ \$190,000

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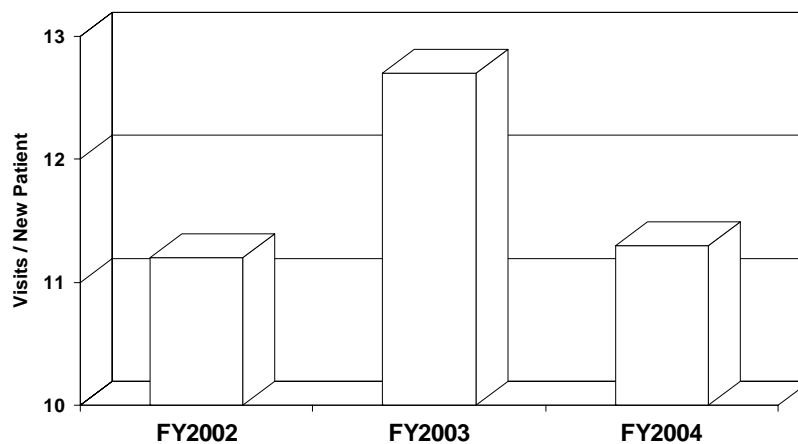
Industry Trends

- PT Benchmark 2003
 - 40 participants
- PT Benchmark 2004
 - 43 participants
 - 16 participated previously
- PT Benchmark 2005
 - 47 participants
 - 10 participated previously

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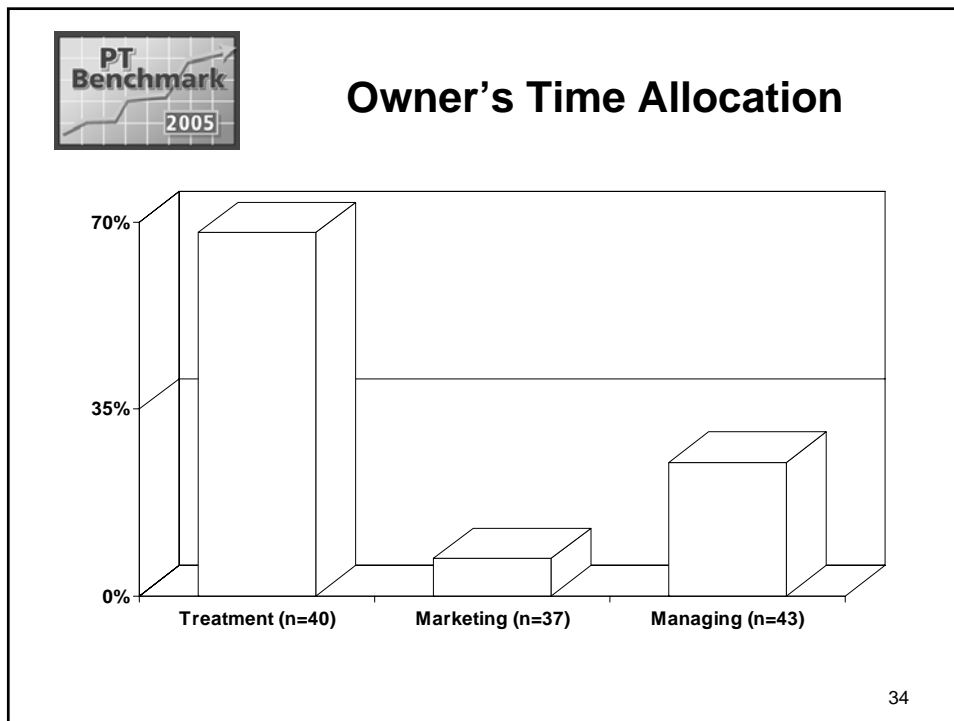
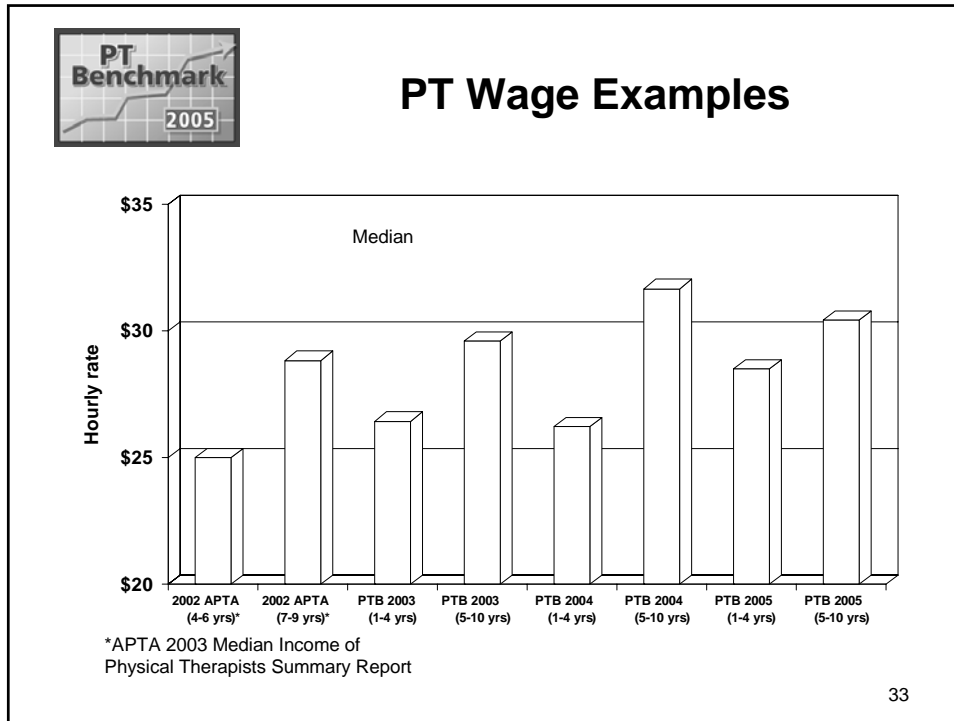
Average Number of Visits per New Patient



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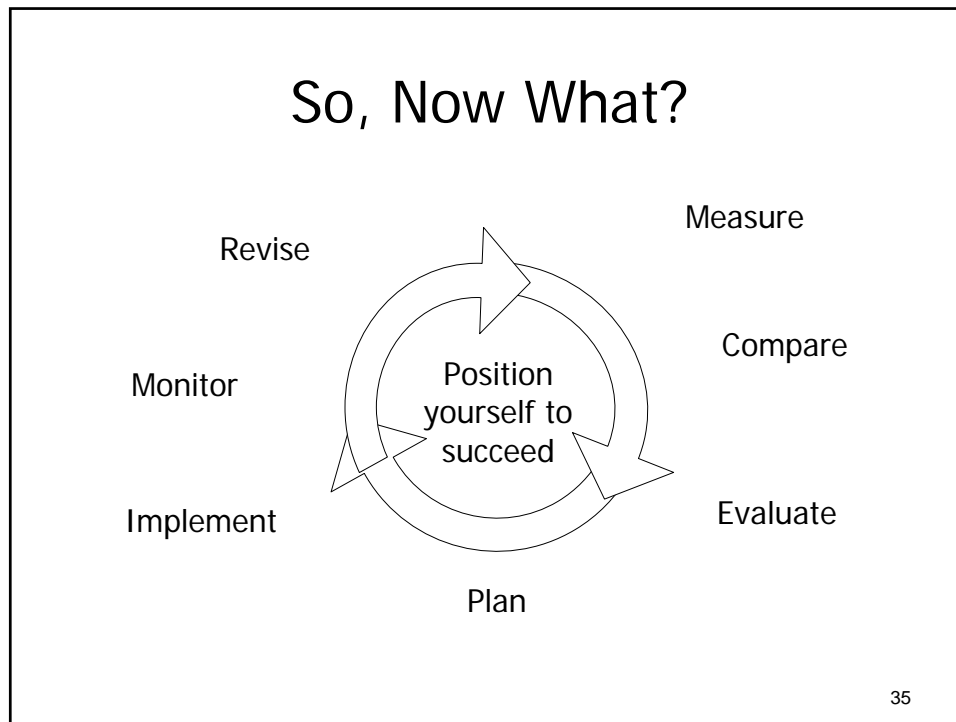
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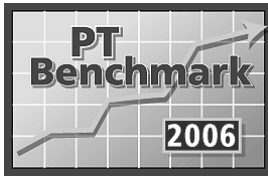
What Do I Get?

- Group report
- Customized individualized report comparing you to your peer group
- Commentary on results
- Commentary on trends

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For More Info

- To learn more about PT Benchmark 2006 point your browser to:
 - www.hcsconsulting.com/bench2006.html

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