



# Stay on Target with Key Metrics

By Charles R. Felder, PT, SCS, ATC, MBA

## Executive Summary

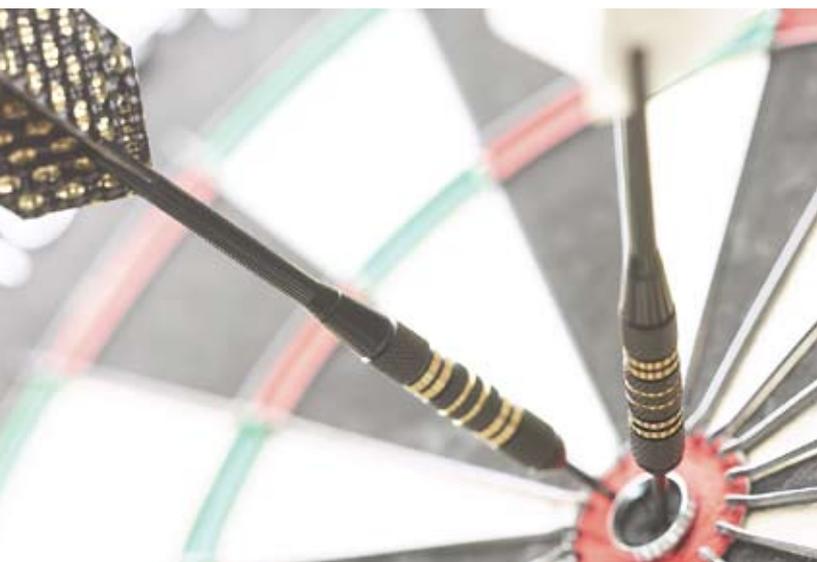
*Establishing a comprehensive strategic plan for your business is great, but only if you monitor your success by selecting, reviewing, and responding to key metrics. The key metrics you should be monitoring are new patients, charges, payments, accounts receivable, and financial aspects.*

**N**ow that you've developed your business plan, the key is to implement and monitor it. A good business plan will have measurable objectives that you monitor monthly to make sure that you are staying on course.

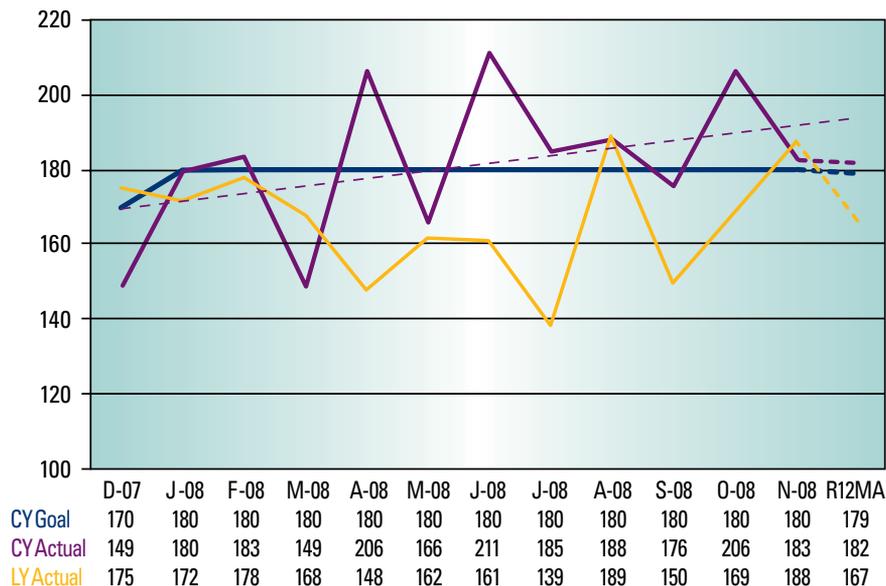
Keep the number of objectives and statistics you review at a reasonable level. In my experience, six to ten key metrics in an overview are plenty. You may also have another ten to twenty metrics that provide more detail and allow you to drill down to specifics, including looking at productivity for individual physical therapists. To be efficient, you may choose to look at these deeper measures only if the higher level measures indicate the need.

During the course of the PT Benchmark studies over the past seven years, I've developed six key metrics used in a PT Dashboard:

1. **New Patients:** New patients indicate how well the marketing plan is working. The number acts as a leading indicator of charges and labor needs.
2. **Charges:** Charges indicate how well the new patients are being converted to visits and how well the staff is coding for those visits.
3. **Payments per Licensed Hour:** Payment per licensed hour indicates how well the staff coded, how the office staff is doing on payment policy, and how efficient the licensed staff is being with their time. The median income per licensed hour in PT Benchmark 2008 was \$97.48.
4. **Accounts Receivable Size:** Accounts receivable (AR) size can be measured in a number of ways. One common method is day's sales outstanding (DSO). I find it easier to look at net AR (liens removed) size as a function of the rolling three-month average of monthly charges. This metric indicates how well the staff is doing on getting clean claims out, following up, and collecting payments. Over the past five years, the median in PT Benchmark for practices earning



**Chart 1: New Patients**



at least a 10 percent profit was 192 percent. So, if your average monthly charges were \$100,000, the net AR should be around \$192,000. This is essentially equal to a DSO of sixty days but is much easier to calculate.

- Income:** Income is the amount of money deposited in the bank. Every business needs to monitor this key metric. Top-line growth is important to all businesses. Top-line growth is common market jargon that refers to an increase in a company's sales or revenues. It comes from the fact that the sales figure is the top line of an income statement.
- Profit:** Profit as a percentage of income indicates how well the business is being managed. Efficient and effective control of expenses can make all the difference in long-term stability. The median profit in PT Benchmark 2008 was 9.2 percent.

I prefer to look at key metrics in a graphical format displaying a twenty-four-month period. The graph makes it easy to compare the current year goal (CY Goal), the current year actual (CY Actual), and the previous year actual (LY Actual) for each month, along with the rolling twelve-month average (R12MA). Chart 1 shows new patients from December 2007 to November 2008. This chart shows a nice upward trend for the current year: The rolling twelve-month average is above the goal, and the current year exceeds the previous year.

**Keep the number of objectives and statistics you review at a reasonable level...six to ten key metrics in an overview are plenty. You may also have another ten to twenty metrics that provide more detail and allow you to drill down to specifics, including looking at productivity for individual physical therapists.**

I encourage you to begin monitoring key metrics on a consistent basis to make sure your ship stays on course. Monitoring, adapting, and executing are the keys to sustained success. ■

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