

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



## Benchmarking to Improve Your Practice

PPS Annual Conference  
Colorado Springs, CO  
November 5, 2004

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

## 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?

2

## **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

3

## **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!

4

## **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

5

## **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

6

## **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?

7

## **Is Benchmarking Legal?**

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

8

## **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...

10

## **Key Indicators**

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

11

## **How 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?

12

### **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

13

### **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

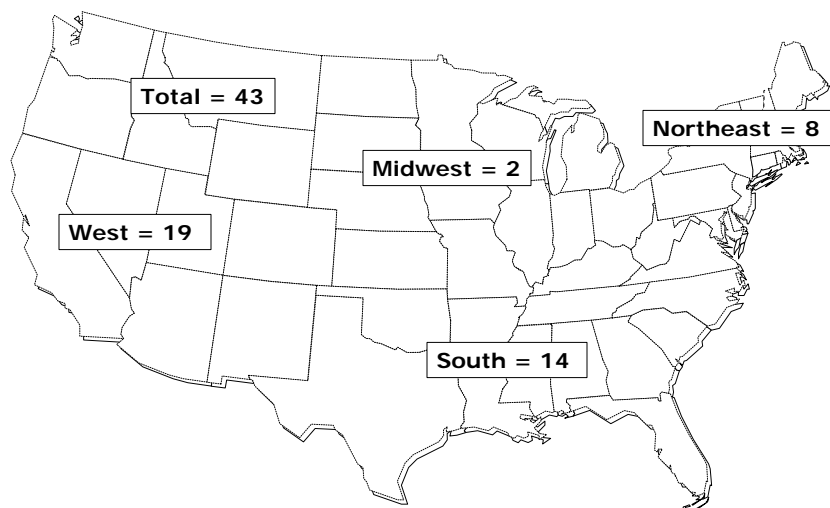
14

## What Information Exists For PT?

- Local studies
- Single company data over time
- APTA Studies
- PPS Best Practices Guide
  - Based on 2002 data
- PT Benchmark 2004
  - Based on 2003 data
- How are the studies alike/different?

15

## Participants in PT Benchmark 2004



16



# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004

## Study Format

### PPS Best Practices\*

- 45 paper based questions
- Data in ranges

### PT Benchmark 2004

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

\* From PPS website

17

## Reporting Format

### PPS Best Practices

- Total
- Group data
- Charts
- Comments

### PT Benchmark 2004

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

18

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



## 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

19



## Facility Expense

<b>Fixed Expense</b>	<b>Great PT</b>	<b>%tile</b>	<b>n =</b>
Facility expense	15.4%	76%	26
<b>min</b>	<b>med</b>	<b>avg</b>	<b>max</b>
4.7%	10.9%	12.1%	25.6%
<b>std dev</b>	<b>25th %tile</b>	<b>50th %tile</b>	<b>75th %tile</b>
5.6%	7.4%	10.9%	15.2%

20

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



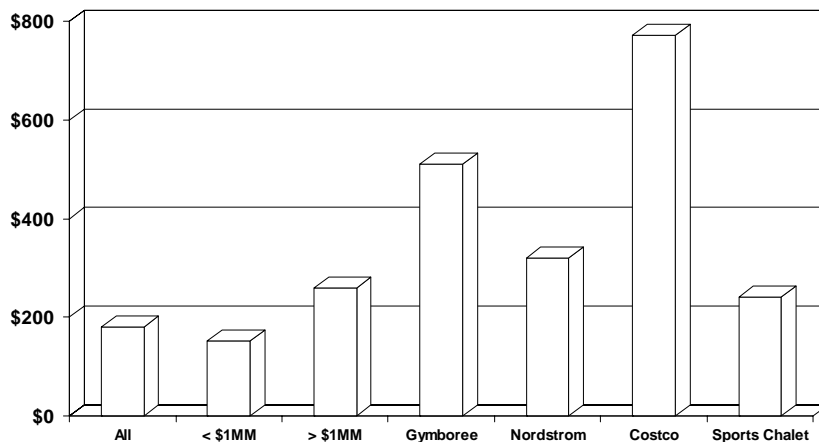
## Sample Results & Uses

- Review some of the key parameters
- Compare results
- Discuss reasons for differences
- How owner can use the data

21



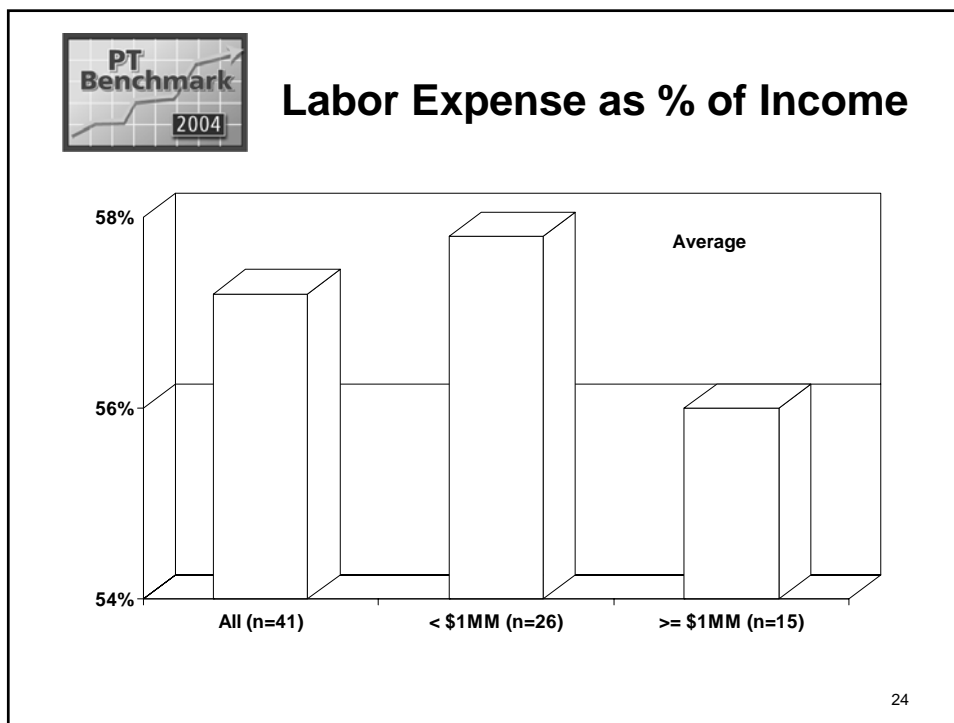
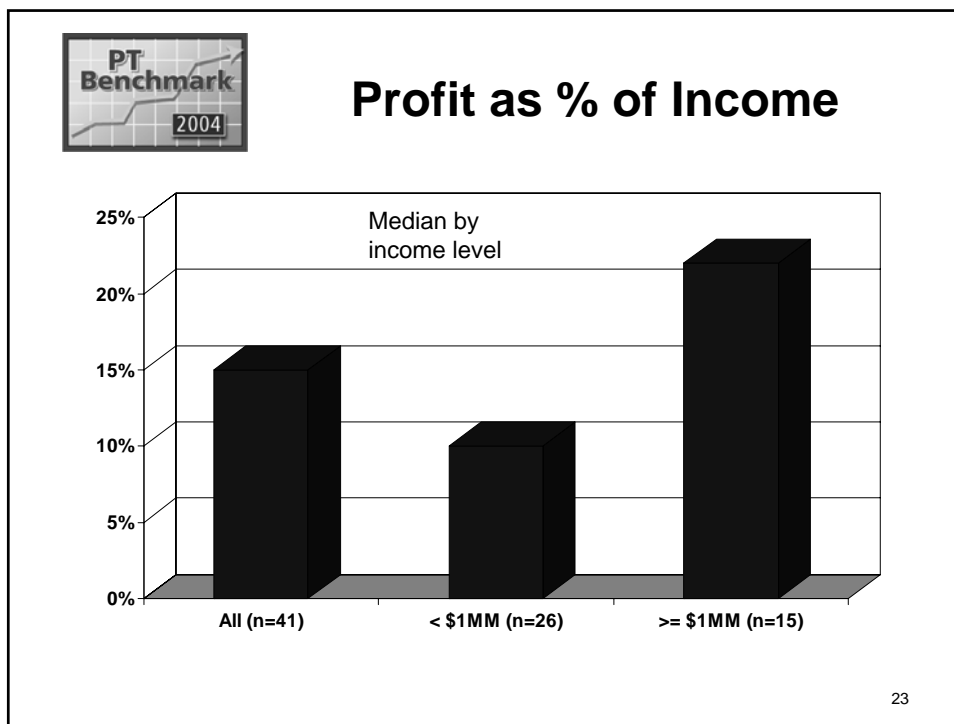
## Income per Square Foot



22

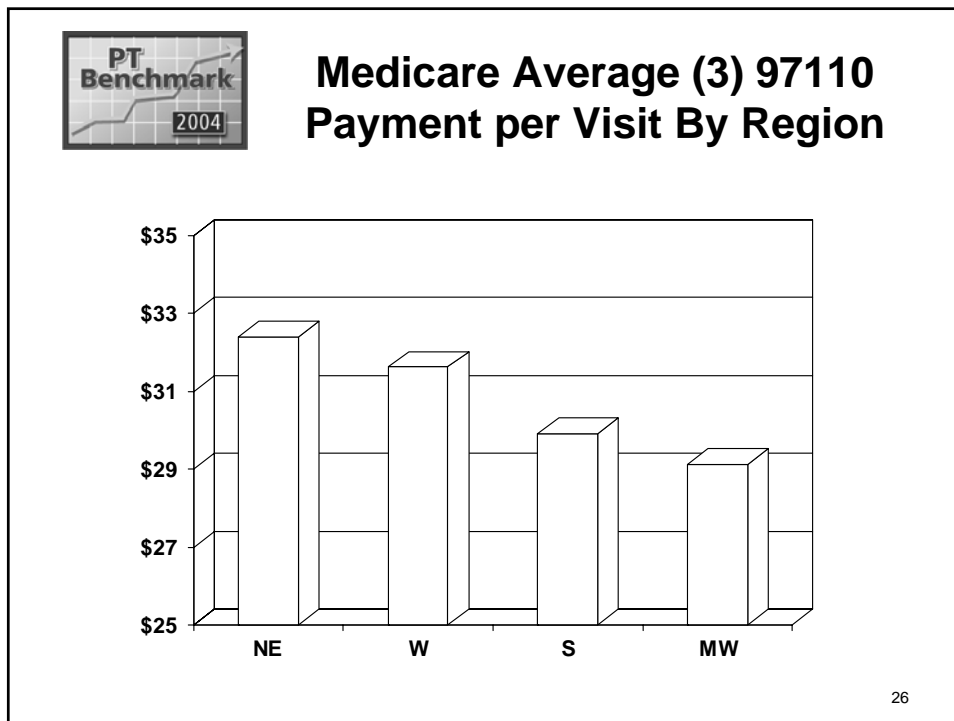
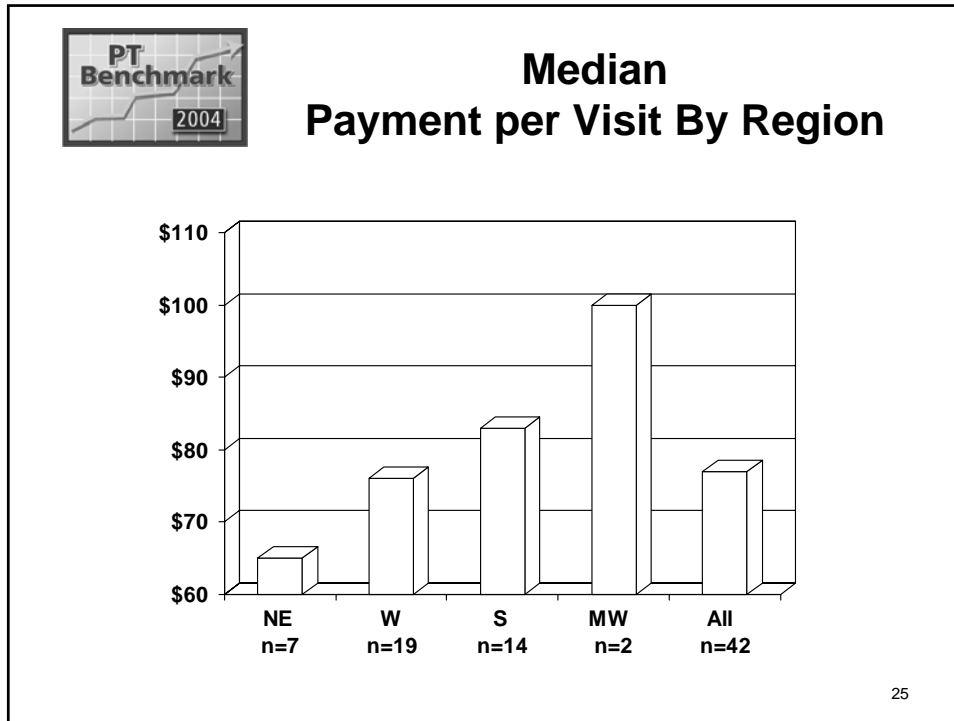
# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004

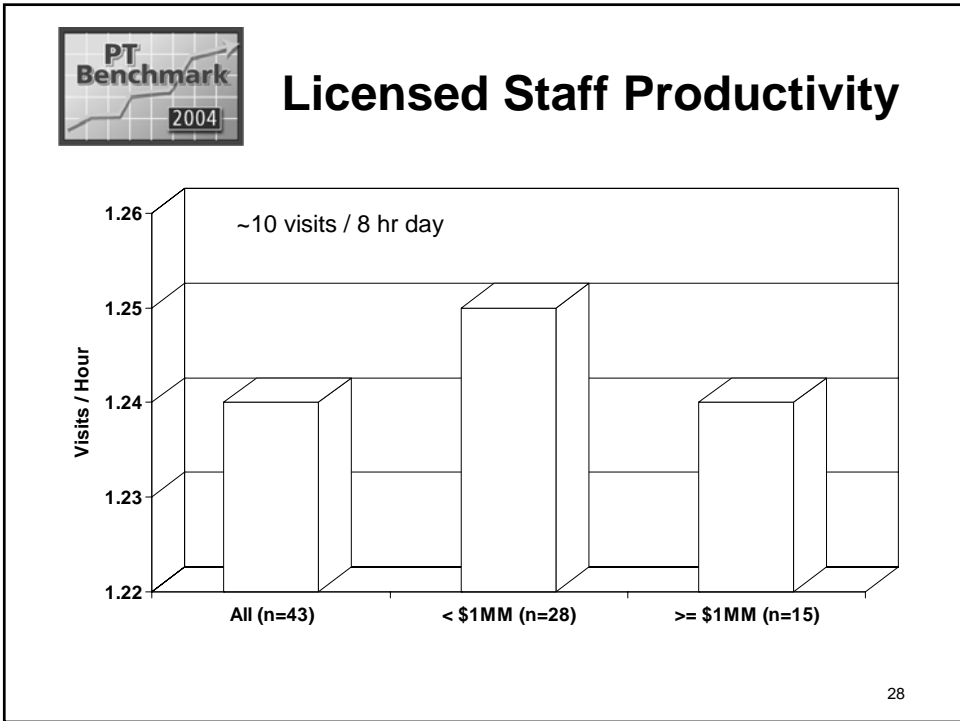
**PPS Best Practices Guide\***

## Licensed Staff Productivity

- About 9 visits per day (PT & PTA)
  - 8 hour day?
- About 0.4 to 0.5 support staff
- About 2.9 to 3.5 units of service

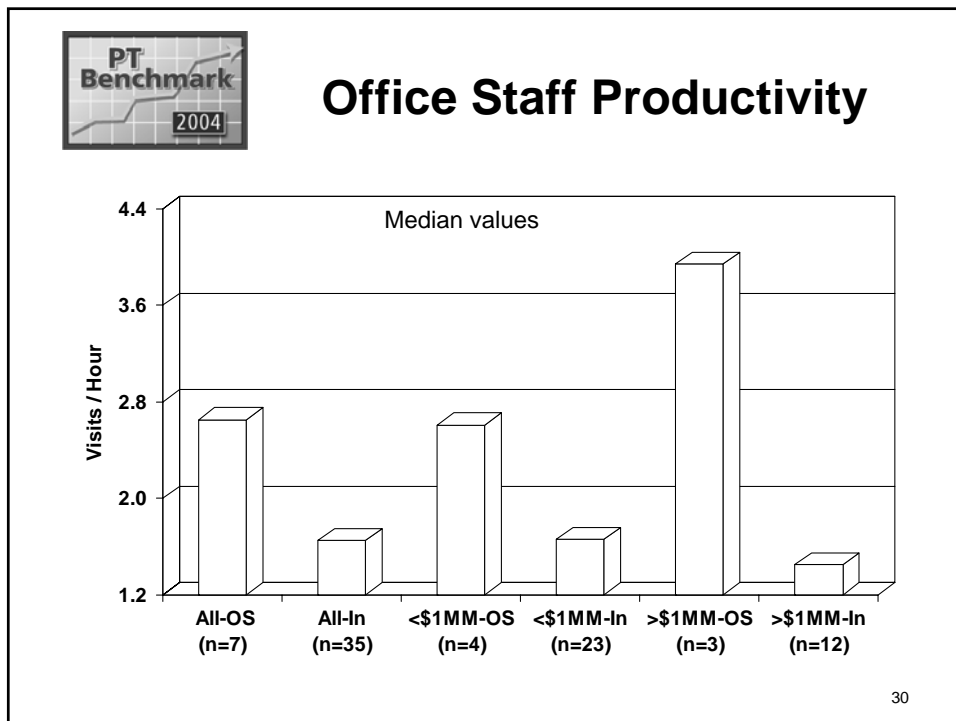
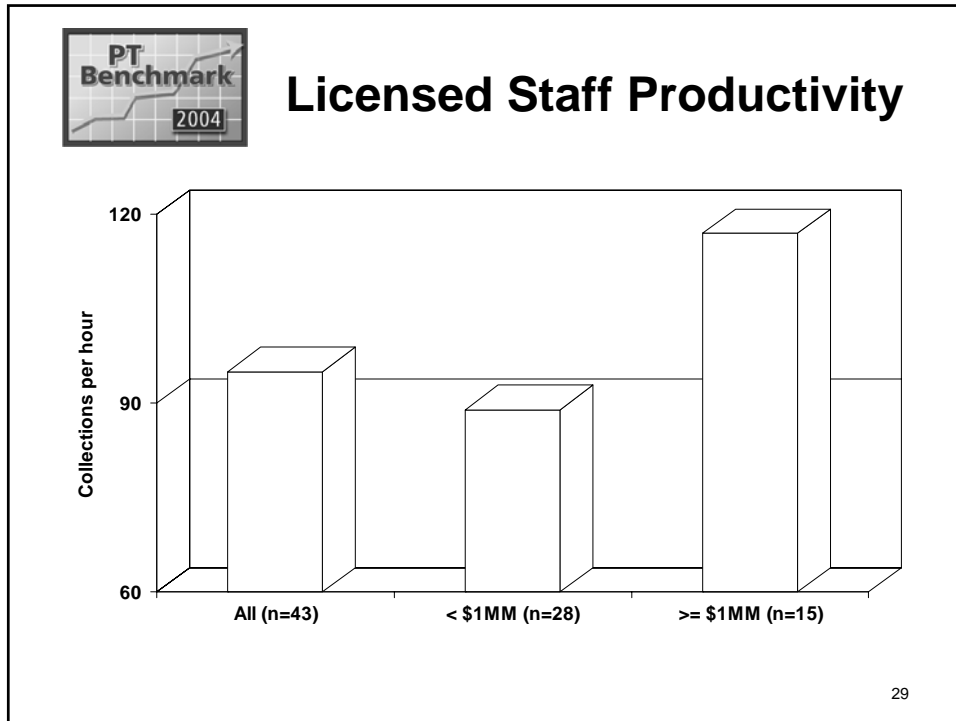
\* From PPS website

27



# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



## 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?



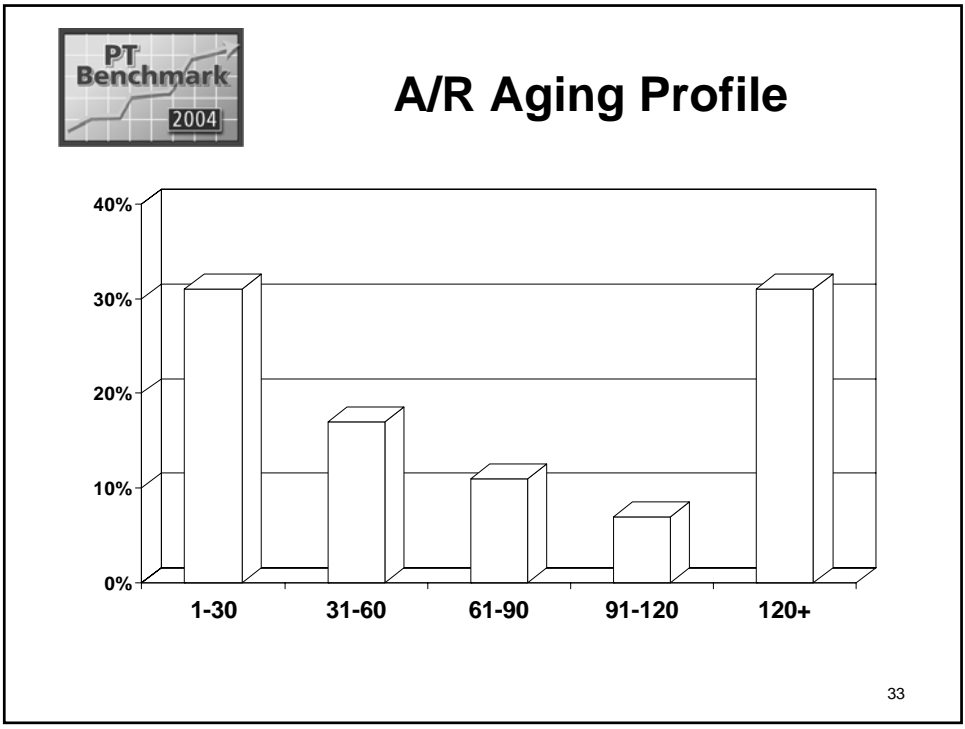
## Outsourcing Reimbursement Services

Median Values	Outsource n = 7	In-house n = 35	Out > In
Payment as % Charges	63%	64%	-1%
Charge per Visit	\$167	\$118	\$49
Payment per Visit	\$96	\$73	\$23
Office Payroll as % Income	6%	10%	4%
Visits per Office hour	2.7	1.7	1.0



# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



- 
- ### A/R as % of Charges
- 18-19% of annual charges
  - About 66 days of average charges
  - About 2.2 months of average charges
  
  - \$100,000 charges per month
  - Net A/R ~ 220,000
- 34

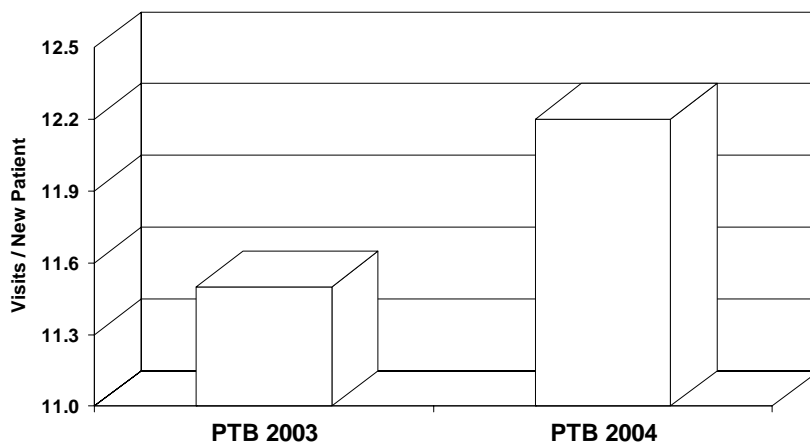
## Industry Trends

- PT Benchmark 2003
  - 40 participants
- PT Benchmark 2004
  - 43 participants
  - 16 repeats (37%)

35



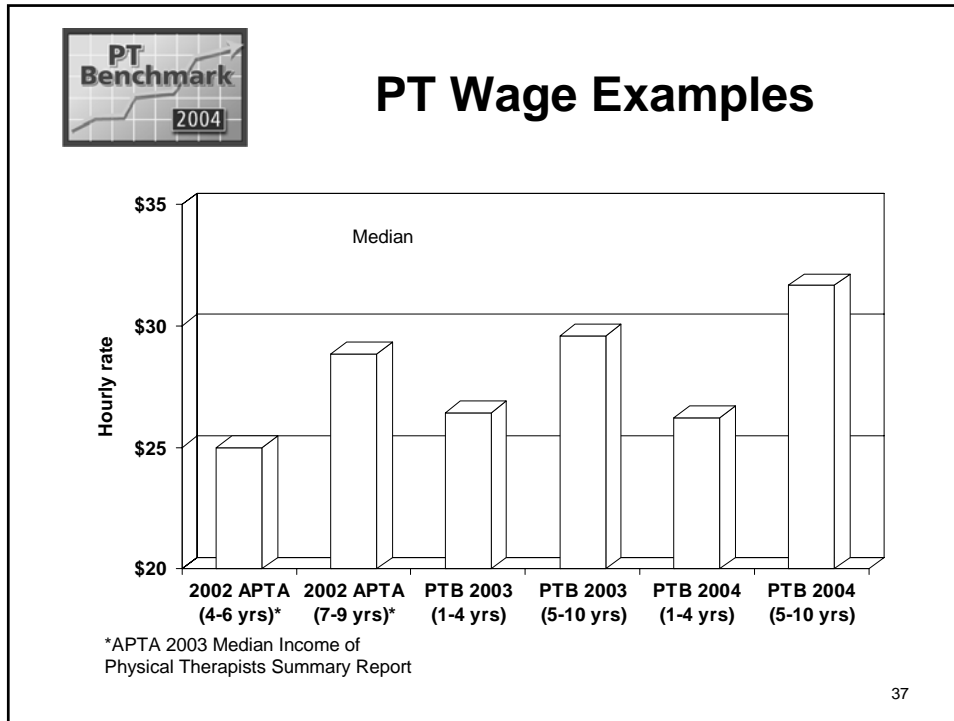
## Average Number of Visits per New Patient



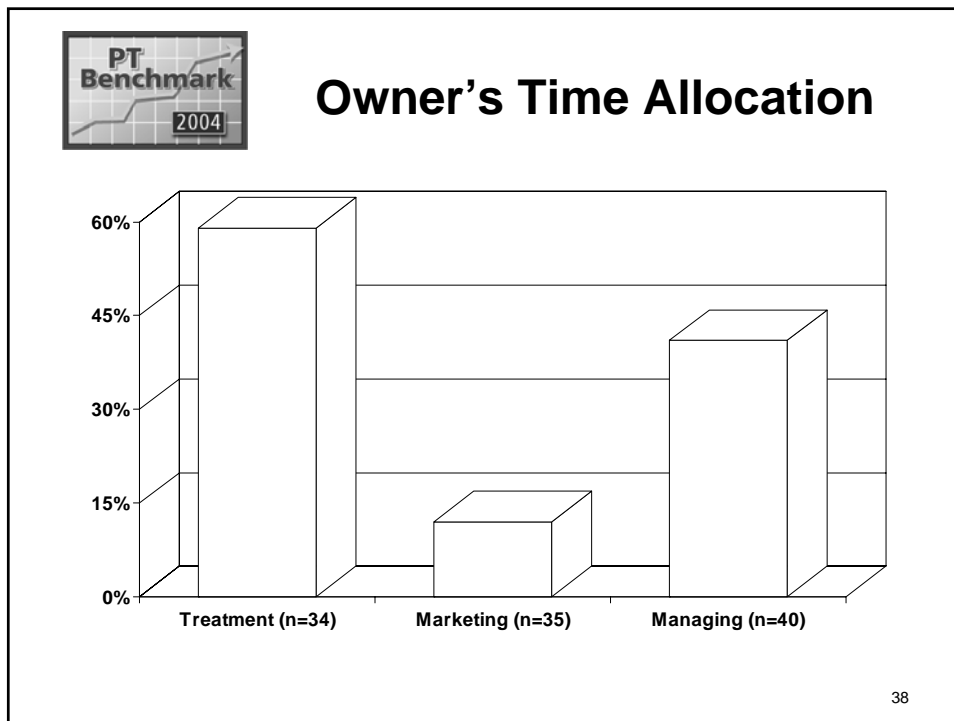
36

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



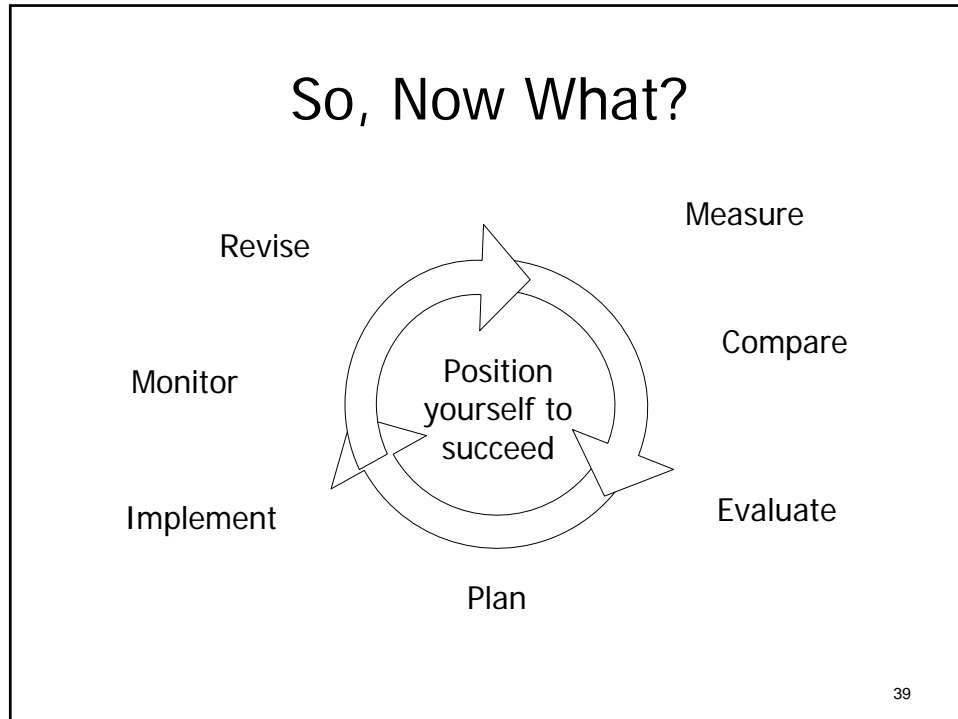
37



38

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



## What Do I Get?

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

40

# Benchmarking to Improve Your Practice

PPS 2004 Annual Conference – Colorado Springs, CO - 11/5/2004



## For More Info

- To learn more about PT Benchmark 2005 point your browser to:
  - [www.hcsconsulting.com/bench2005.html](http://www.hcsconsulting.com/bench2005.html)

41

## Contact Info

- Charles R. Felder, PT, SCS, ATC, MBA
- HCS Consulting, Inc.
- [www.HCSconsulting.com](http://www.HCSconsulting.com)
- [CFelder@HCSconsulting.com](mailto:CFelder@HCSconsulting.com)
- Mobile: 949.280.3449
- Office: 949.642.9345

42