Using Business Benchmarking to Improve Your Practice


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Objectives

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

Questions

- What is avg charge per visit?
- What is avg income per visit?
- What is cost per visit?
- What is profit as % income?
- What is A/R as % monthly charges?
- What % of income goes to labor?
- How much income per sq ft?
Is Your Practice Changing?

- Income
- Expense
  - Labor
  - Variable
  - Fixed
- Hassle factor
- Other???

What Are Others Doing?

- Income, expense & profit level
- Changing practice focus
- Changing contracts, etc…
- Changing patient mix
- Changing service mix
- Changing billing/collecting policies
- Other???
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

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
What Areas Should Be Examined?

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

Key Indicators

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

Issues

- Competition
- Declining reimbursement
- Increasing regulation
- Increasing costs
- Other???
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
- Helps decide which contracts to accept
- May assist in contract negotiations

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
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 thru 2007
  - Data from FY2002 thru FY2006

PT Benchmark 2007

Total = 95
Northeast = 18
Midwest = 20
West = 43
South = 14
Study Format

PT Benchmark 2007
- 400+ Excel based questions - very user friendly
- Specific data
  - Data screened and questioned
- Report peer groups
  < $1MM income
  >= $1MM income

Reporting Format

PT Benchmark 2007
- Total
- Group data
- Charts
- Comments
- Peer group report
- Practice specific report with direct comparisons
- Trends report
PT Benchmark Report

- Customized report for each participant showing percentile rank compared to peer group
- Comments, charts & tables
- Part 1 = All participants & comments
- Part 2 = All participants comparison w/% rank
- Part 3 = <$1MM income peer group w/% rank
- Part 4 = >= $1MM income peer group w/% rank
- Part 5 = Trends report over 5 years

Facility Expense

<table>
<thead>
<tr>
<th>Facility expense</th>
<th>Fun PT</th>
<th>%tile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility expense</td>
<td>9.8%</td>
<td>57th %tile</td>
</tr>
</tbody>
</table>

n = min med avg
95 3.6% 9.2% 9.8%

max std dev 25th %tile 75th %tile
21.1% 3.9% 7.2% 11.0%
How Is My Business Doing?

Sample Results & Uses

- Review some of the key parameters
- How can this data help you manage?
- How to use the data to improve your profit
Profit as % of Income

<table>
<thead>
<tr>
<th></th>
<th>All (n=95)</th>
<th>&lt; $1MM (n=76)</th>
<th>&gt;= $1MM (n=19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>17%</td>
<td>16%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Labor Expense as Percent of Income

<table>
<thead>
<tr>
<th></th>
<th>All (n=95)</th>
<th>&lt; $1MM (n=76)</th>
<th>&gt;= $1MM (n=19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>56%</td>
<td>56%</td>
<td>54%</td>
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</table>
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Licensed Staff
Productivity per Paid Hour

- ~8-9 visits / 8 hr day
- Median

<table>
<thead>
<tr>
<th>Visits / Paid Hour</th>
<th>All (n=95)</th>
<th>&lt; $1MM (n=76)</th>
<th>&gt;= $1MM (n=19)</th>
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</thead>
<tbody>
<tr>
<td>0.8</td>
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<tr>
<td>1.0</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.2</td>
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</table>

Licensed Staff Productivity
Payments per Paid Hour

- Average

<table>
<thead>
<tr>
<th>Collections per hour</th>
<th>All (n=95)</th>
<th>&lt; $1MM (n=76)</th>
<th>&gt;= $1MM (n=19)</th>
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</thead>
<tbody>
<tr>
<td>$90</td>
<td></td>
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</tr>
<tr>
<td>$100</td>
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<td></td>
</tr>
<tr>
<td>$110</td>
<td></td>
<td></td>
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</table>
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?
Median A/R Aging Profiles

- 0% to 15% 1-30 days
- 15% to 30% 31-60 days
- 30% to 45% 61-90 days
- 45% to 15% 91-120 days
- 15% to 0% 120+ days

Net A/R as % of Charges

- 184% to 200% of one month’s charges – use a rolling three month average
- But, this depends on how you set your charges
- $100,000 charges per month
- Net A/R ~ $184K to $200K
Trends Analysis

Industry Trends

- Comparison of 5 years – FY2002 – FY2006
- 149 locations that earned >=10% NOI
- 129 unique locations
- 17 participated more than one year
- Findings due to changes or sample?
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Average Number of Visits per New Patient

Productivity – Visits / Hour

33

34

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Productivity – Collections / Licensed Hr

Owner’s Time Allocation - Treatment
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Labor as % Income

Profit as % Income
Questions

- What is avg charge per visit? $137
- What is avg income per visit? $91
- What is cost per visit? $81
- What is profit as % income? 12%
- What is A/R as % monthly charges? 200%
- What % of income goes to labor? 58%
- How much income per sq ft? $241

So, Now What?

Measure

Compare

Evaluate

Plan

Implement

Monitor

Revise

Position yourself to succeed
Timeline

- Workbook available February 1, 2008
- Data due by March 31, 2008
- Report published June 2008
- How long will it take me?

Key Data

- Profit & Loss statement
- Year end A/R (by account type)
- Account type data:
  - NP, Visit, Charge, Payment, Adjustments
- Productivity summary: NP, Visits, Cx + NS
- Payroll & benefit info by EE class
- Referral pattern info by specialty
- Owners time treating, marketing, managing
What Do I Get?

- Group report
- Customized individualized report comparing you to your peer group w/% ranking
- Commentary on results
- Commentary on trends

For More Info

- To learn more about PT Benchmark 2008 point your browser to:
  - www.HCSconsulting.com
  - Booth 610 in the exhibit hall
Contact Info

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