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?
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

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!
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

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
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?

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
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…
Key Indicators

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

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?
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

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 2002 data
- PT Benchmark 2004
  - Based on 2003 data

How are the studies alike/different?

Participants in PT Benchmark 2004

Total = 43
Northeast = 8
Midwest = 2
West = 19
South = 14
### Study Format

<table>
<thead>
<tr>
<th>PPS Best Practices*</th>
<th>PT Benchmark 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 45 paper based questions</td>
<td></td>
</tr>
<tr>
<td>□ Data in ranges</td>
<td></td>
</tr>
<tr>
<td>□ 400+ Excel based questions</td>
<td></td>
</tr>
<tr>
<td>□ Specific data</td>
<td></td>
</tr>
<tr>
<td>- Data questioned</td>
<td></td>
</tr>
<tr>
<td>□ Report peer groups</td>
<td></td>
</tr>
<tr>
<td>&lt; $1MM income</td>
<td></td>
</tr>
<tr>
<td>&gt;= $1MM income</td>
<td></td>
</tr>
</tbody>
</table>

* From PPS website

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### Reporting Format

<table>
<thead>
<tr>
<th>PPS Best Practices</th>
<th>PT Benchmark 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Total</td>
<td></td>
</tr>
<tr>
<td>□ Group data</td>
<td></td>
</tr>
<tr>
<td>□ Charts</td>
<td></td>
</tr>
<tr>
<td>□ Comments</td>
<td></td>
</tr>
<tr>
<td>□ Total</td>
<td></td>
</tr>
<tr>
<td>□ Group data</td>
<td></td>
</tr>
<tr>
<td>□ Charts</td>
<td></td>
</tr>
<tr>
<td>□ Comments</td>
<td></td>
</tr>
<tr>
<td>□ Peer group report</td>
<td></td>
</tr>
<tr>
<td>□ Practice specific report with direct comparisons</td>
<td></td>
</tr>
</tbody>
</table>
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

Facility Expense

<table>
<thead>
<tr>
<th>Fixed Expense</th>
<th>Great PT</th>
<th>%tile</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility expense</td>
<td>15.4%</td>
<td>76%</td>
<td>26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>min</th>
<th>med</th>
<th>avg</th>
<th>max</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.7%</td>
<td>10.9%</td>
<td>12.1%</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>std dev</th>
<th>25th %tile</th>
<th>50th %tile</th>
<th>75th %tile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.6%</td>
<td>7.4%</td>
<td>10.9%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>
Sample Results & Uses

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

Income per Square Foot

![Income per Square Foot Chart]

- All < $1MM > $1MM Gymboree Nordstrom Costco Sports Chalet
Benchmarking to Improve Your Practice

Profit as % of Income

<table>
<thead>
<tr>
<th>Income Level</th>
<th>All (n=41)</th>
<th>&lt; $1MM (n=26)</th>
<th>&gt;= $1MM (n=15)</th>
</tr>
</thead>
</table>
| Median by income level
| 0% |
| 5% |
| 10% |
| 15% |
| 20% |
| 25% |

Labor Expense as % of Income

<table>
<thead>
<tr>
<th>Income Level</th>
<th>All (n=41)</th>
<th>&lt; $1MM (n=26)</th>
<th>&gt;= $1MM (n=15)</th>
</tr>
</thead>
</table>
| Average
| 58% |
| 56% |
| 54% |
Benchmarking to Improve Your Practice

Median Payment per Visit By Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>NE</td>
<td>7</td>
</tr>
<tr>
<td>W</td>
<td>19</td>
</tr>
<tr>
<td>S</td>
<td>14</td>
</tr>
<tr>
<td>MW</td>
<td>2</td>
</tr>
<tr>
<td>All</td>
<td>42</td>
</tr>
</tbody>
</table>

Medicare Average (3) 97110 Payment per Visit By Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NE</td>
<td>$33</td>
</tr>
<tr>
<td>W</td>
<td>$31</td>
</tr>
<tr>
<td>S</td>
<td>$29</td>
</tr>
<tr>
<td>MW</td>
<td>$27</td>
</tr>
</tbody>
</table>
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

Licensed Staff Productivity

~10 visits / 8 hr day

Visits/ Hour

All (n=43) < $1MM (n=28) >= $1MM (n=15)
Licensed Staff Productivity

Collections per hour

All (n=43) < $1MM (n=28) >= $1MM (n=15)

Office Staff Productivity

Visits / Hour

All-OS (n=7) All-In (n=35) <$1MM-OS (n=4) <$1MM-In (n=23) >$1MM-OS (n=3) >$1MM-In (n=12)

Median values
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

<table>
<thead>
<tr>
<th>Median Values</th>
<th>Outsource</th>
<th>In-house</th>
<th>Out &gt; In</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n = 7</td>
<td>n = 35</td>
<td></td>
</tr>
<tr>
<td>Payment as % Charges</td>
<td>63%</td>
<td>64%</td>
<td>-1%</td>
</tr>
<tr>
<td>Charge per Visit</td>
<td>$167</td>
<td>$118</td>
<td>$49</td>
</tr>
<tr>
<td>Payment per Visit</td>
<td>$96</td>
<td>$73</td>
<td>$23</td>
</tr>
<tr>
<td>Office Payroll as % Income</td>
<td>6%</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>Visits per Office hour</td>
<td>2.7</td>
<td>1.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>
### A/R Aging Profile

- 0% 10% 20% 30% 40%

- 1-30 31-60 61-90 91-120 120+

### 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
Industry Trends

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

Average Number of Visits per New Patient

- PTB 2003: 11.0
- PTB 2004: 11.3
Benchmarking to Improve Your Practice

### PT Wage Examples

<table>
<thead>
<tr>
<th>Wage Example</th>
<th>2002 APTA (4-6 yrs)*</th>
<th>2002 APTA (7-9 yrs)*</th>
<th>PTB 2003 (1-4 yrs)</th>
<th>PTB 2003 (5-10 yrs)</th>
<th>PTB 2004 (1-4 yrs)</th>
<th>PTB 2004 (5-10 yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
<td>$35</td>
<td>$30</td>
<td>$35</td>
</tr>
</tbody>
</table>

*APTA 2003 Median Income of Physical Therapists Summary Report

### Owner’s Time Allocation

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Treatment (n=34)</th>
<th>Marketing (n=35)</th>
<th>Managing (n=40)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Benchmarking to Improve Your Practice

So, Now What?

Position yourself to succeed

Plan

Evaluate

Compare

Monitor

Implement

Revise

Measure

What Do I Get?

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

- To learn more about PT Benchmark 2005 point your browser to:

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