Financial Benchmarking for the Retina Practice

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Financial Disclosure

We have the following financial interests or relationships to disclose:

BSM Consulting – C

BSM Consulting provides practice management solutions to specialty care providers.

Agenda

- Develop a better understanding of current challenges being faced in retina practices
- Introduction to benchmarking
- Review common practice benchmarks
- Brainstorm: Inventory Management Metrics
- Getting Started!
Understanding the Retina Practice

Current Trends in Retina Practices

- Impact of Injectable Drugs
- Revenue Trends
- Patient Volume and Procedure Mix
- Expense Trends
- Impact on Staffing

Case Study

Practice A
- $1.3M in Prof Fee Collections
- 300 injections of $2,000 drug
- Total Collections: $1.9M

Practice B
- $1.3M in Prof Fee Collections
- 300 injections of $50 drug
- Total Collections: $1.315M

Which practice is more productive?
Benchmarking Introduction

Subjective Concerns / Questions

- Why am I making less than last year?
- Why is our overhead so high?
- Our drug costs are ruining our profitability.
- I think we have too many staff.
- Why is it that it seems the techs are always standing around the back office?
- My associate is not productive enough.

The SOAP Method

<table>
<thead>
<tr>
<th>Subjective</th>
<th>Objective</th>
<th>Assessment</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Query: What seems to be the problem?</td>
<td>Query: What are the facts?</td>
<td>Query: What is your actual assessment?</td>
<td>Query: What is the recommended course of action?</td>
</tr>
<tr>
<td>Obtain clues by asking probing questions.</td>
<td>Determine the facts through data gathering and analysis.</td>
<td>Marry subjective and objective assessments to draw conclusion(s).</td>
<td>Develop action plan with goals, responsible parties and timelines for execution.</td>
</tr>
</tbody>
</table>
What is Benchmarking?

The process of measuring and comparing one’s practice to other “like kind” and/or better performing practices, as well as to your own historical results.

What is Benchmarking?

- Use the benchmarking to compare against yourself, set goals, create tactical plans, and IMPLEMENT.

Caveats of Benchmarking

- Compare apples to apples
- Know how you can impact a change
- Don’t overreact
- Use more than one benchmark to make decisions
- BSM experience
- Corroboration with experts/AAD database
- 25th to 75th percentile

Common Practice Benchmarks

Use definitions and formulas
Ratios result from two numbers
Benchmarks are “directional”
Benchmark Ranges

Most important:

Use the benchmarking to compare against yourself, set goals, create tactical plans, and IMPLEMENT.
Physician Productivity Benchmarks

Net Collections Per FTE MD

- **Data:** Net collections (professional collections minus drug collections and refunds) FTE MDs
- **Formula:** Net collections divided number of FTE MDs
- **Used For:** Assessment of provider productivity
- **Tips:** Look at the ratio over an extended period of time (monthly variances are quite common); low collections may indicate collection difficulties or provider inefficiencies.
- **Benchmark Range:** $1.1M - $1.6M

Patient Visits per FTE MD

- **Data:** Total patient visits (E&M Codes, No-Charge Visits) FTE MDs
- **Formula:** Patient visits divided number of FTE MDs
- **Used For:** Measurement of physician productivity and efficiency
- **Tips:** Assess differences in group practices; a low measure can indicate physician inefficiency.
- **Benchmark Range:** 3,900 – 6,100
### Net Collections Per Patient Visit

**Data:** Net collections (professional collections minus refunds) divided by total patient visits (Eye Codes, E&M Codes, No-Charge Visits)

**Formula:** Net collections \( \text{divided by} \) total patient visits

**Used For:** Practice efficiency assessment tool; Useful tool to build revenue model in budgeting plan

**Tips:** Understand your practice and the types of patients you see; Helps you project provider revenue.

**Benchmark Range:** $240 - $420

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### Other Productivity Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Patient Ratio</td>
<td>( \frac{\text{New Patient Visits}}{\text{(New + Est PV)}} )</td>
</tr>
<tr>
<td>Patient Visits per Clinic Session</td>
<td>( \frac{\text{Total Patient Visits}}{\text{Clinic Sessions Worked}} )</td>
</tr>
<tr>
<td>Diagnostic Testing Percentage</td>
<td>( \frac{\text{Diagnostic Tests}}{\text{(New + Est PV)}} )</td>
</tr>
</tbody>
</table>

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### Other Productivity Metrics

<table>
<thead>
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<th>Metric</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intravitreal Injection Yield</td>
<td>( \frac{\text{Injections (CPT 67028)}}{\text{(New + Est PV)}} )</td>
</tr>
<tr>
<td>Laser Procedure Yield</td>
<td>( \frac{\text{Laser Procedures}}{\text{(New + Est PV)}} )</td>
</tr>
<tr>
<td>Out-Patient Surgery Yield</td>
<td>( \frac{\text{Out-Patient Surgeries}}{\text{(New + Est PV)}} )</td>
</tr>
</tbody>
</table>
Operating Efficiency & Staffing Benchmarks

Operating Expense Ratio

**Data:** Total operating expenses (less drug expenses) before MD compensation
Net collections (less drug revenue)

**Formula:** Operating expenses divided net collections

**Used For:** Illustration of practice ability in converting collections into professional compensation.

**Tips:** Statistic is not absolute and can swing greatly on a monthly basis.

**Benchmark Range:** 46% - 64%

Gross Payroll Ratio

**Data:** Total gross staff wages
Net collections (less drug revenue)

**Formula:** Gross staff wages divided net collections

**Used For:** Assessment of utilization of non-professional personnel

**Tips:** Low percentages may indicate physician inefficiency; high percentages may point to the practice being overstaffed (correlate with other staffing metrics).

**Benchmark Range:** 18% - 27%
**Net Collections per FTE Support Staff**

- **Data:** Net collections (less drug revenue)
  
- **Formula:** Net collections divided by the number of FTE support staff
  
- **Used For:** Assessment of staff efficiency and productivity
  
- **Tips:** Low number may indicate that the practice is overstaffed; high number may indicate that the practice is understaffed. Correlate with other staffing metrics.
  
- **Benchmark Range:** $150K - $225K

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**FTE Support Staff per FTE MD**

- **Data:** Total FTE support staff
  
- **Formula:** FTE support staff divided by the number of FTE MDs
  
- **Used For:** Assessment of utilization of non-professional personnel
  
- **Tips:** Low number may indicate the need for more personnel; higher number may point to inefficiency in the use of support staff. Correlate with other staffing metrics.
  
- **Benchmark Range:** 6.0 – 9.0

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**Billing and Collections Benchmarks**
Net Collection Ratio

**Data:** Net collections
Adjusted charges (gross charges less contractual adjustments)

**Formula:** Net collections divided by adjusted charges

**Used For:** Identification of a practice’s ability to collect that which it can legally collect (net charges).

**Tips:** Look at the ratio over an extended period of time (monthly variances are quite common); low percentages may indicate billing problems, collection difficulties, payer delays.

**Benchmark Range:** 95% - 99%

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Accounts Receivable Aging

**Data:** Monthly Accounts Receivable Summary Aging Reports

**Used For:** Identifying collection trends in the practice.

**Tips:** High ratios could be caused by billing problems, difficulties, or payer delays; track trends over time; if problems are apparent, complete a detailed payer analysis and re-assess department policies and procedures.

<table>
<thead>
<tr>
<th>A/R Aging Category</th>
<th>Percent of A/R Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 30 days</td>
<td>50% - 70%</td>
</tr>
<tr>
<td>31 – 60 days</td>
<td>3% - 6%</td>
</tr>
<tr>
<td>61 – 90 days</td>
<td>3% - 9%</td>
</tr>
<tr>
<td>91 – 120 days</td>
<td>2% - 6%</td>
</tr>
<tr>
<td>Over 120 days</td>
<td>4% - 17%</td>
</tr>
</tbody>
</table>

**Benchmark Range:**

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Days Sales Outstanding

**Ratio:** Adjusted accounts receivable divided by the average daily collections.

**Used For:** Measure of how quickly receivables turn over in the practice.

**Benchmark Range:** 20 - 40 Days

**Adjusted Accounts Receivable Balance**

(Current A/R balance \times gross collection ratio (net collections/gross charges))

**Average Daily Collections**

(Net collections/number of days in the time period)
### Brainstorm: Inventory Management

**Impact of Injectable Drugs in Retina Practices**

- Cash Flow
- Staffing Impact: Billing, Clinical, IV/PA Staff
- Patient and Doctor Flow
- Inventory Management

What drug related metrics are you tracking?

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### Getting Started

**SOAP Method:**

- Don’t forget about the A and P

Develop a plan and set goals

Start by tracking monthly and compare to benchmark ranges

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### How Do I Get Started?

- Start by tracking monthly and compare to benchmark ranges
- Develop a plan and set goals
- SOAP Method: Don’t forget about the A and P
The A and P of the SOAP Method

<table>
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<tbody>
<tr>
<td>Diagnose the problem</td>
<td>Create an action plan</td>
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<tr>
<td>Main causes</td>
<td>Prescribe solutions</td>
</tr>
<tr>
<td></td>
<td>Monitor progress over time</td>
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</tbody>
</table>

Make a Plan: Continuous Improvement

- Identify Goals
- Prescribe Solutions
- Monitor Frequently

Summary

- Unique challenges faced by retina practices
- The power of benchmarking
- Use the SOAP Method
- Use benchmarking to set goals, create tactical plans, and achieve practice improvement.
Thank you!

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