Benchmarking for Greatness
How do top-tier practices differ from average practices in their financial and patient flow results?

Dixon Davis and Andrew Maller
ASOA 2017

Financial Disclosure

Dixon and Andrew are consultants with BSM Consulting.
BSM Consulting provides practice management consulting services to specialty medical practices.

The Guitar Player

Strings in Tune
References
What is benchmarking?

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

What should I measure?

- Profitability and overhead management
- Productivity, capacity utilization, and staffing measures
- Cash flow management efficiencies
- Patient and employee satisfaction

Success in a medical group can be defined in a variety of ways.

Caveats of Benchmarking

- Know definitions and formulas
- Compare apples to apples
- Ratios result from two numbers
- Know how you can impact a change
- Don’t overreact
- Use more than one benchmark to make decisions
Objectives

Examine how the top 10% performers differ from average performers and lower performers in financial and patient flow results.

Identify what we can learn from the top performers to optimize success in our practices.

Benchmark Data

Identified the core data point of Net Operating Income per FTE MD as our target.

- Net Collections less Overhead Expenses = amount available before provider compensation

Used only those practices identified as multi-specialty or cataract/comprehensive.

Reviewed data from BSM Consulting clients across the country.

Identified the top 10% of practices and calculated the median results from each of them.

Identified the practices from 25-75% and the median of their results.

Identified the bottom 25% of practices and median results from this group.

Compared each of these three groups to each other to identify differences and what we can learn.
Collections per FTE MD

Top 10

25-75

Bottom 25

BSM Benchmark Range

Do the top 10% spend a smaller percentage of their revenues on expenses?

Top 10%

25% - 75%

Bottom 25%

Net Operating Income to Collections

Top 10

25-75

Bottom 25

Net Operating Income per FTE MD

Net Collections per FTE MD
Operating Expense Ratio

<table>
<thead>
<tr>
<th>$0</th>
<th>$500,000</th>
<th>$1,000,000</th>
<th>$1,500,000</th>
<th>$2,000,000</th>
<th>$2,500,000</th>
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<tbody>
<tr>
<td>52%</td>
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<td>57%</td>
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<td>84%</td>
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Top 10% 25% - 75% Bottom 25%

Do the top 10% have fewer employees?

Staffing Benchmarks

- FTE Staff per FTE MD/OD: Healthy Range: 4 - 8
- Net Collections per FTE Staff: Healthy Range: $140k - $200k
- Staff Payroll Ratio: Healthy Range: 20% - 26%

Do the top 10% have fewer employees?

- Top 10 %: 7.5 staff per provider
- 25% - 75%: 4.7 staff per provider
- Bottom 25%: 4.0 staff per provider

To calculate staff per provider:

\[
\text{# of Staff Per Provider} = \frac{\text{# of FTE Staff} \times \text{# of FTE Providers}}{\text{# of FTE Providers}}
\]
Staff Payroll Ratio

Collections per FTE Staff

Patient Encounters per FTE MD
The Secret Sauce of Success

Productive doctors are the biggest key to financial success.
- Additional staff are important when they are productive.
- Focusing efforts on increasing productivity can be more effective than decreasing costs.
- Important to understand what factors have an effect on productivity.

Other Interesting Data Points

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<th>Top 10</th>
<th>25-75</th>
<th>Bottom 25</th>
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<tbody>
<tr>
<td>Days Sales Outstanding</td>
<td>28</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td>New Patient Ratio</td>
<td>20%</td>
<td>19%</td>
<td>25%</td>
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Collections per Encounter

- Top 10: $400
- 25-75: $199
- Bottom 25: $202
Factors for Productivity

- Demand from patients is sufficient
- Office space allows for optimal efficiency
- Sufficient and productive staffing
- Streamlined processes throughout clinic
- Consistent scheduling templates and discipline
- Benchmark top performers to achieve best outcomes

Summary

- Productivity is Key
- Benchmark Top Performers
- Identify Opportunities to Increase Productivity
Thank you!