Benchmarking Your Practice:
What Gets Measured Gets Done

Presented By:
Linda L. D'Spain, CMPE, CMC, CMIS, CMOM
Faculty, Practice Management Institute
D'Spain Consulting

Frequently Asked Questions

- What is benchmarking?
- What measures and methods are used for benchmarking?
- What are opportunities and challenges for benchmarking?
- How do I apply new processes to increase performance and profitability?
Overview

- Key Work Processes of Better Performers
- Solutions
- Tools
- Resources

Definition of Benchmarking

Benchmarking is a comparison of actual results to industry standards, whether local, national, or regional.
**Uses for Benchmarking**

- Provide relevant data for establishing and measuring performance.
  - Financial
  - Receivables Management
  - Operational

**Objective of Benchmarking**

- Benchmarking is the continual process of measuring and comparing key work processes with those of better performers.
- The objective here is to identify “best practices” to increase performance and profitability.
Opportunities and Challenges in Benchmarking

Opportunities:

- Look at Other Practices
- Adopt Best Practices
- Move on to Greater Success

Opportunities and Challenges CONTINUED

Challenges:

- Data
- Sources
- How to Apply Results
Definition of Best Practices

- The term “best practices” comes in proven services, functions, or processes that have been shown to produce superior results in benchmarks that meet or set a new standard.

So, how do you get there?

Scenario for Benchmarking

You are the Practice Administrator for Alamo City Neurological Associates, Drs. Bill Newcome and Larry Maples.

The physicians approach you and state that they are working harder, seeing more patients and making less money. They are concerned that less cash is flowing through the office. Where is the money? WHERE IS ALL OF OUR MONEY???
Benchmarking Accounts Receivable

- Accounts Receivable statistics are influenced by such factors as:
  - Type of specialty
  - Insurance contracts
  - Geographic location
  - Write off policies
  - Billing and accounts receivable system capabilities

Operational Assessment

Key Indicators to See if Collections are On Target:

- Ratio of Months in A/R
- Gross Charges in A/R
- Percentage of days in A/R
Accounts Receivable Ratio Benchmarks

Computation of Accounts Receivable Ratio:

\[
\text{Accounts Receivable Balance} = \frac{A/R}{\text{Ratio}} = \frac{\text{Average Production}}{}
\]

Industry Accepted Accounts Receivable Ratio Benchmarks

Neurology 2.00
Industry Accepted
Monthly Gross Charges

**MGMA**

**NEUROLOGY** $55,000.00

Industry Accepted
Percentage of Days in Accounts Receivable

**MGMA Standards for Neurology**

0 – 30 days  37%
31 – 60 days  17%
61 – 90 days  10%
91 – 120 days 12%
>120 days  24%
### Accounts Receivable Aging Summary

**December 1, 2007**

<table>
<thead>
<tr>
<th>Days</th>
<th>0-30</th>
<th>31-60</th>
<th>61-90</th>
<th>91-120</th>
<th>120+</th>
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<td>18.0%</td>
<td>18.0%</td>
<td>16.0%</td>
<td>15.0%</td>
<td>13.0%</td>
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</table>

**Total** | 70,803.78 | 40,076.37 | 30,677.70 | 21,409.12 | 157,881.36 | 320,848.33 |

**Results of Benchmarking**

Accounts Receivable Ratio results of Alamo City Neurological Associates:

2.4
Results of Benchmarking

Monthly Gross Charges
for Alamo City Neurological Associates

$73,000.00

Results of Benchmarking

Alamo City
Percentage of Days in Accounts Receivable

<table>
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<tr>
<th>Days</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>0 – 30 days</td>
<td>22%</td>
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<tr>
<td>31 – 60 days</td>
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<tr>
<td>61 – 90 days</td>
<td>10%</td>
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<tr>
<td>91 – 120 days</td>
<td>7%</td>
</tr>
<tr>
<td>&gt; 120 days</td>
<td>49%</td>
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How to Apply the Results

- Methods “Best Practices” Use to Achieve Efficiencies in Collections:
  - Renegotiate contracts
  - Conduct a fee schedule analysis to increase fees, accordingly.
  - Train front desk and checkout personnel for improved collections.
  - Clean claim submission
  - Effective follow up

Summary

You are now ready to face Drs. Newcome and Maple with the answer and the solution to the question:

WHERE IS ALL OUR MONEY?
Where to Get More Information

- Resources For Benchmarking Data:
  - MGMA Cost Survey
  - MGMA Performance and Practices of Successful Medical Groups
  - MGMA Physician Compensation and Production Survey
  - MGMA Management Compensation Survey

Additional Resources

- Electronic Sources:
  - http://www.hmc-benchmarks.com - Physician Practice Benchmark Data
QUESTIONS?

Presentation Developed By:

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Healthcare Consultant
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ldspain@earthlink.net
# Alamo City Neurological Associates

## Account Receivable Aging Summary

12/1/2007

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<tr>
<th></th>
<th>0-30</th>
<th>31-60</th>
<th>61-90</th>
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<tr>
<td>%</td>
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<td>12.49%</td>
<td>9.56%</td>
<td>6.67%</td>
<td>49.21%</td>
<td>100%</td>
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WHAT GETS MEASURED GETS DONE

SCENARIO – GROUP ACTIVITY

Linda L. D'Spain, CMPE, CMC, CMOM, CMIS

You are the practice administrator for Alamo City Neurological Associates, Drs. Bill Newcome and Larry Maples. Today is Monday. You arrive to the office at 7:00am to organize and plan your task list.

Dr. Newcome storms into your office irate because over the weekend he went to the County Club and was declined service because the membership account was past due.

You explain that cash flow has been slow, and all of the cash in the account was used for payroll. Some bills have been put on hold until collections increase and there is operating cash available in the bank account. It seems like you are always playing “catch up” with the accounts receivable. You assure Dr. Newcome that you will prioritize the Country Club bill and pay it immediately.

Shortly after you successfully calmed down Dr. Newcome, Dr. Maples storms into your office, irate, because he received a notice that his paycheck was returned by the bank, NSF, and all of his personal checks are bouncing all over town. You assured him that you would contact the bank and take care of the situation immediately.

Now both of the Doctors are complaining that they are working harder, seeing more patients, not only making less money, but now there is NO money.

It is 9:00am and your receptionist has not shown up for work. The telephones are ringing off the hook and there is a line of patients signing in to be seen. The clinic is running an hour behind schedule. Some patients are rescheduling their appointment because they cannot wait to see the doctor.

There is a stranger peering through the frosted glass window. You try to ignore him in hopes that he will go away. He begins tapping on your window. As you slide the window open, the stranger is flashing a shiny badge in your face. He loudly announces that he is an inspector with the OIG and is officially notifying you that your facility is under inspection for Medicare Fraud and Abuse!
You are suddenly spinning out of control!!

✓ How much money do these doctors think they should be earning compared to their peers?
✓ Where is our money and why are we having collections problems?
✓ Are our overhead and expenses higher than other practices?
✓ Why do I have to work the front desk every time the receptionist is absent?
✓ Am I the only office administrator experiencing these issues?
✓ What do I do now? HELP!!
Benchmarking Your Practice

Supplemental Handout
What Gets Measured Gets Done
Account Receivable
Best Practices

What are the “best practices” doing differently in order to reduce accounts receivable and improve collection?

Best Practices do the following:
___ Create a financial policy
___ Providers support staff on the enforcement of the financial policy
___ Educate patients on the financial policy when the appointment is scheduled
___ Educate patients on the financial policy when the appointment is confirmed
___ Educate patients at check in with signage
___ Educate patients with a welcome letter, brochure or website
___ Gather and update patient demographics at each encounter
___ Verify insurance benefits and eligibility on each encounter
___ Gather appropriate referrals, authorizations and pre-certifications
___ Collect patient responsibility at time of service
___ Train and educate staff on collections
___ Train and educate staff and providers on coding
___ Staff sends “clean claims” to insurance companies
___ Staff follows up on claims at 30 days
___ Staff gets patient involved in claim follow up
___ Staff stays up to date on billing compliance and code changes
___ Staff and providers have “bullet lists” of their managed care contracts
___ Review fees schedules
___ Negotiate higher reimbursements from managed care carriers
Practice Accounts Receivable Summary

<table>
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<tr>
<th></th>
<th>0 - 30</th>
<th>31 - 60</th>
<th>61 - 90</th>
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<td>Amount</td>
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Last Quarters Charges $198,315.00

# of Days Worked in Quarter 60 days

MGMA Statistics

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<td>120+ Days</td>
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Worksheet

Benchmarking A/R Aging

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Benchmarking - Days in A/R

Physician’s Total A/R \( a \)

Last Quarter’s Charges \( b \)

Number of Days in Quarter \( c \)

\( b/c \) = Physician’s Average Daily Collection \( d \)

\( a/d \) = # of Days
“Benchmarking your Practice: What get’s Measured”

Audio Presentation

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