

# Benchmarking to Improve Your Practice

CPTA 2005 Annual Conference – Ontario, CA - 10/21/2005



## Benchmarking to Improve Your Practice

CPTA Annual Conference  
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## 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?

2

## **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

3

## **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!

4

### **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

5

### **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

6

## **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?

7

## **Is Benchmarking Legal?**

- FTC Antitrust safety zone – 3 Keys
- Study managed by 3<sup>rd</sup> party
  - Consultant, etc...
- Data at least 3 months old
- At least 5 providers, none >25%
  - Confidential data

8

## **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...

10

## **Key Indicators**

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

11

## **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?

12

### **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

13

### **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

14

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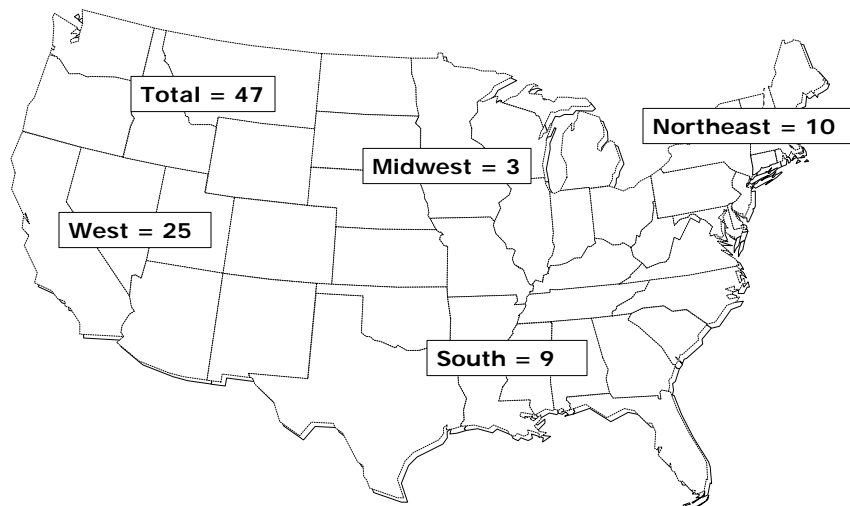
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## What Information Exists For PT?

- Local studies
- Single company data over time
- APTA Studies
- PPS Best Practices Guide
  - Based on FY2002 data
- PT Benchmark 2003, 2004 & 2005
  - Based on FY2002, FY2003 & FY2004 data

15

## PT Benchmark 2005



16

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## Study Format

### PT Benchmark 2005

- 400+ Excel based questions
- Specific data
  - Data questioned
- Report peer groups
  - < \$1MM income
  - >= \$1MM income

17

## Reporting Format

### PT Benchmark 2005

- Total
- Group data
- Charts
- Comments
- Peer group report
- Practice specific report with direct comparisons

18

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## 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

19



## Facility Expense

<b>Fixed Expense</b>	<b>Great PT</b>	<b>%tile</b>	<b>n =</b>
Facility expense	<b>7.1%</b>	<b>37th %tile</b>	<b>47</b>
<b>min</b>	<b>med</b>	<b>avg</b>	<b>max</b>
1.3%	8.4%	9.0%	23.6%
<b>std dev</b>	<b>25th %tile</b>	<b>50th %tile</b>	<b>75th %tile</b>
4.8%	5.8%	8.4%	11.2%

20

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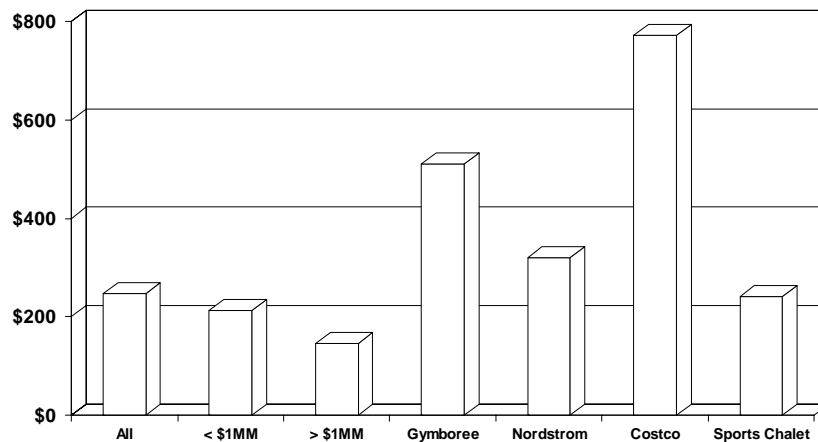
## Sample Results & Uses

- Review some of the key parameters
- How owner can use the data

21



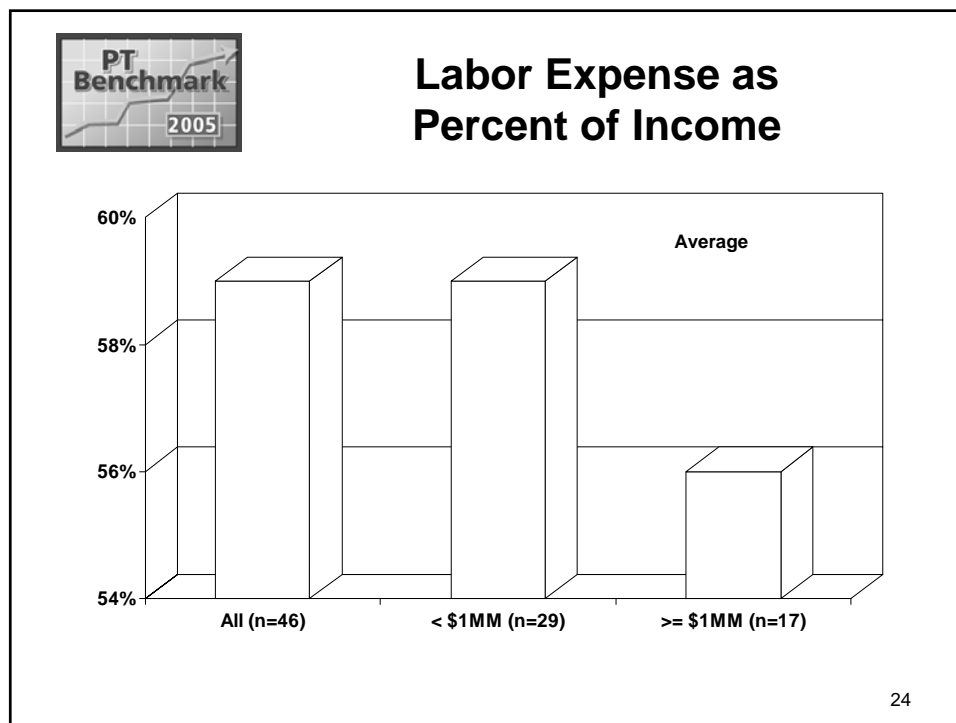
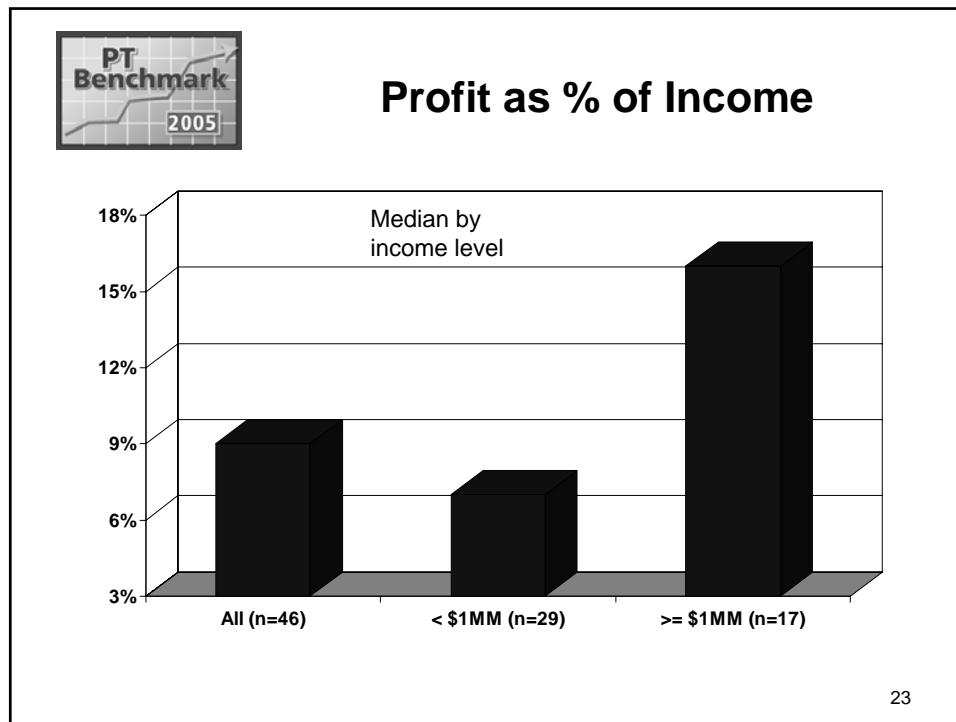
## Income per Square Foot



22

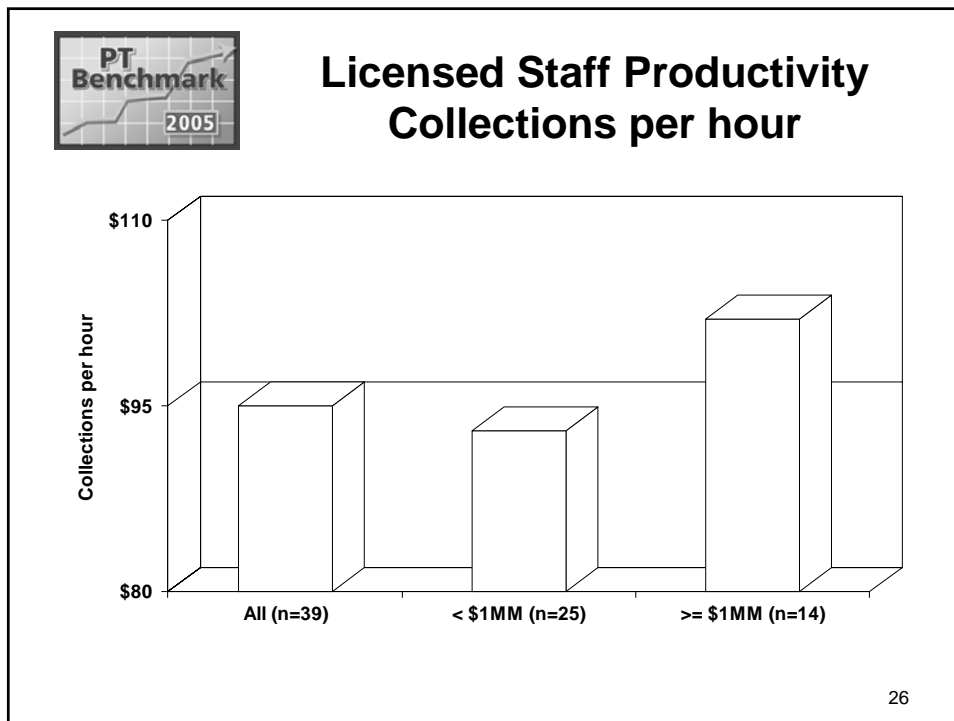
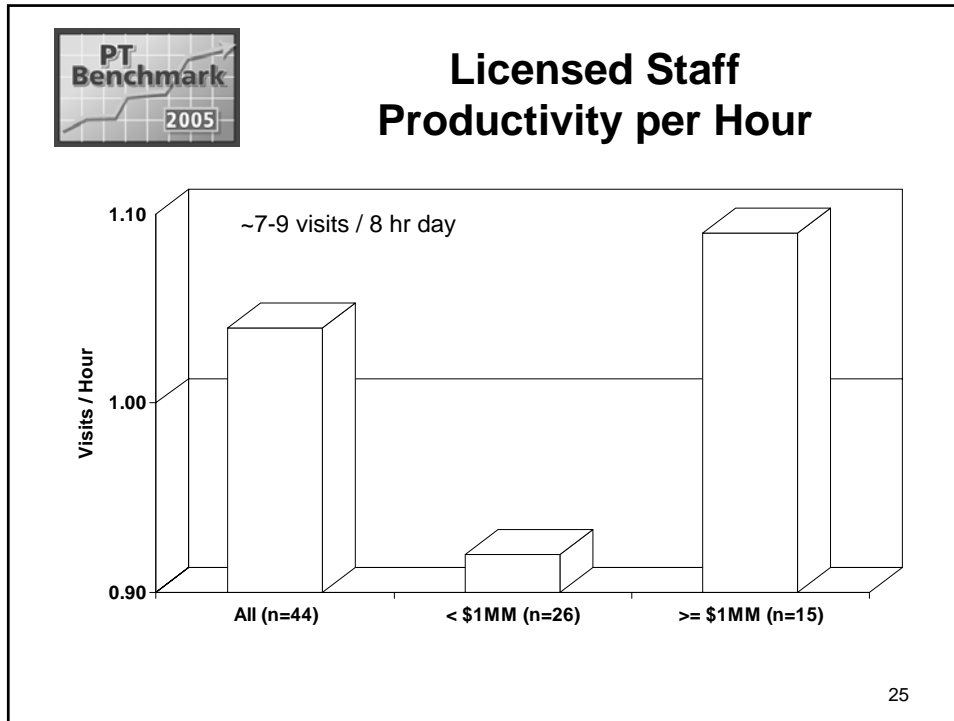
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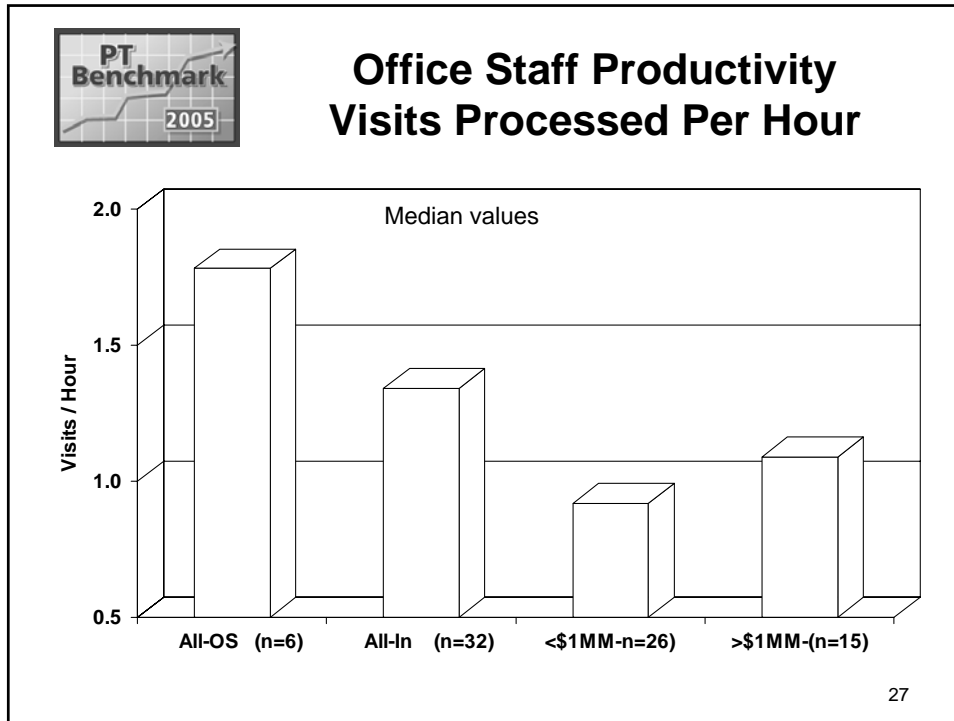
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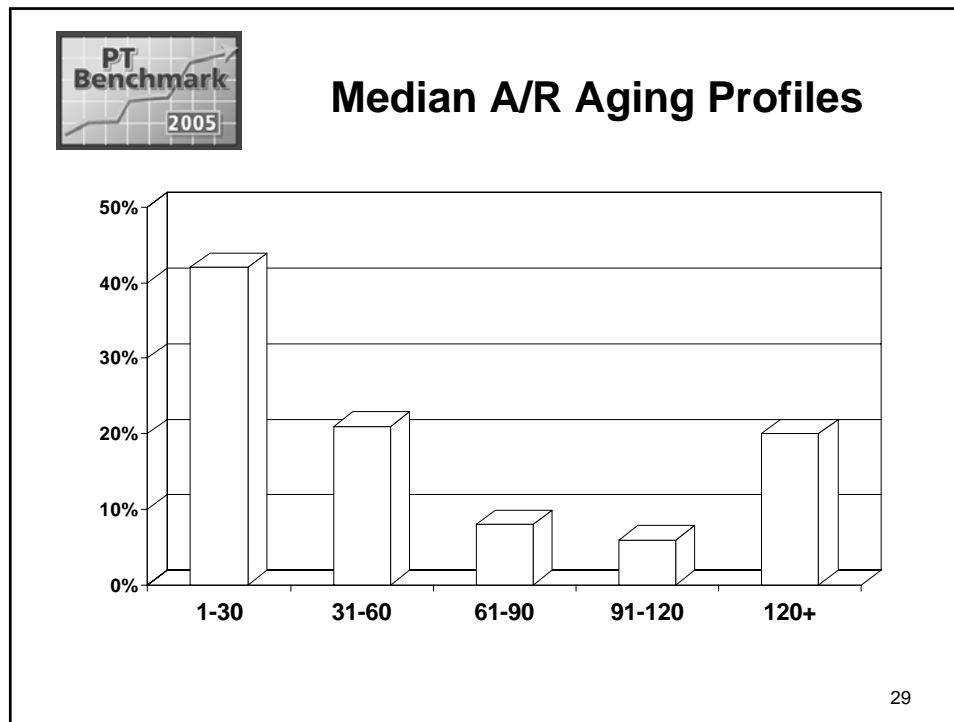


## Core Competencies

- 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?

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**PT Benchmark 2005**

### A/R as % of Charges

- 15-17% of annual charges
- About 56 days of average charges
- About 1.9 months of average charges
  
- \$100,000 charges per month
- Net A/R ~ \$190,000

30

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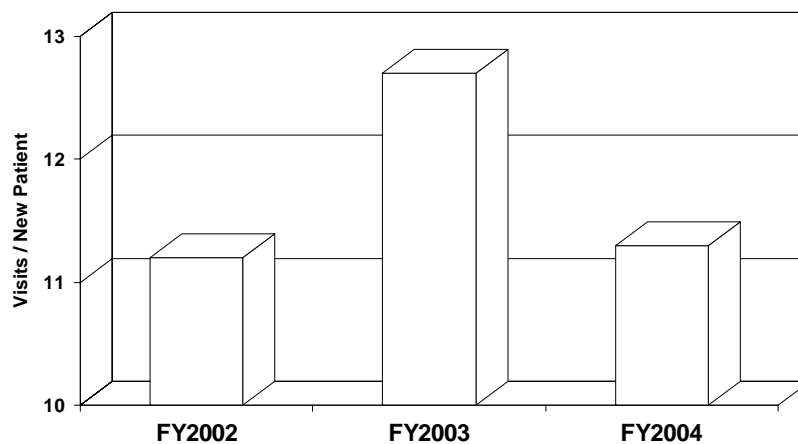
## Industry Trends

- PT Benchmark 2003
  - 40 participants
- PT Benchmark 2004
  - 43 participants
  - 16 participated previously
- PT Benchmark 2005
  - 47 participants
  - 10 participated previously

31



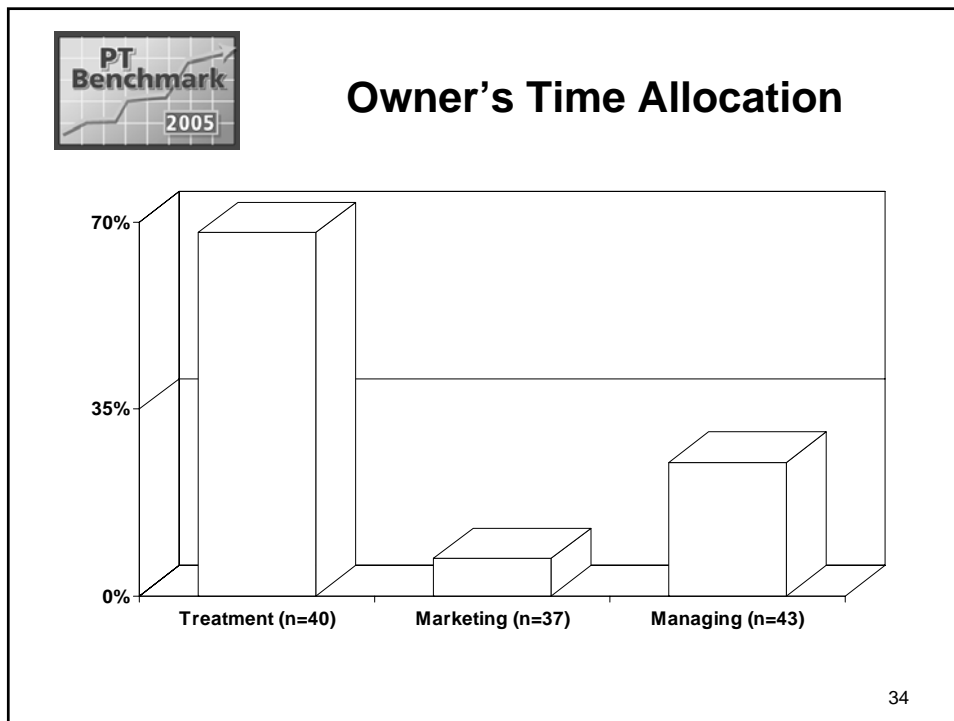
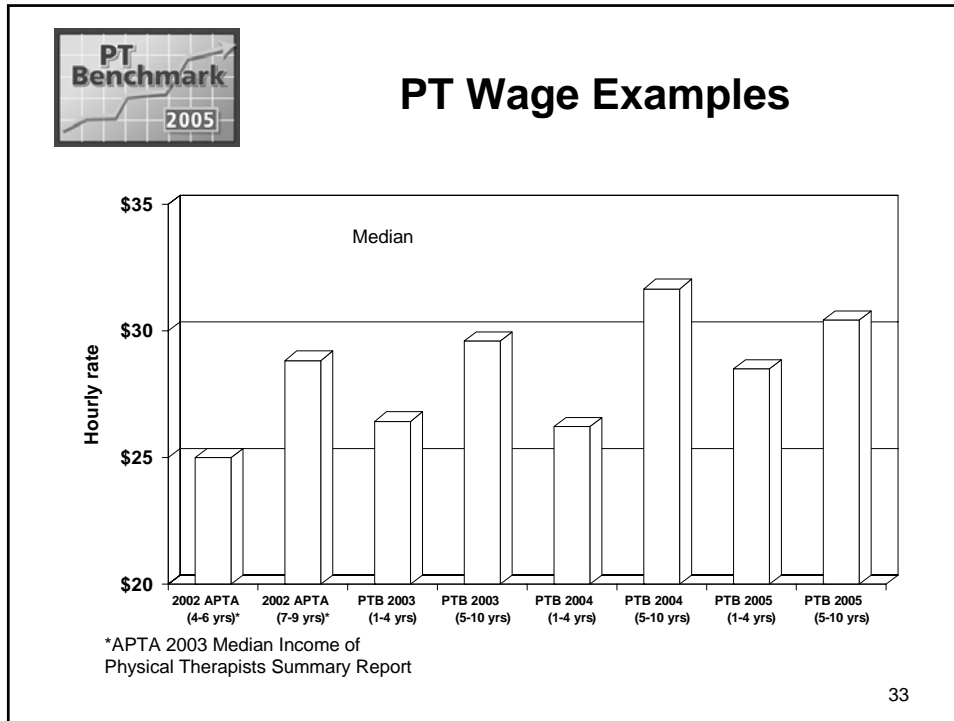
## Average Number of Visits per New Patient



32

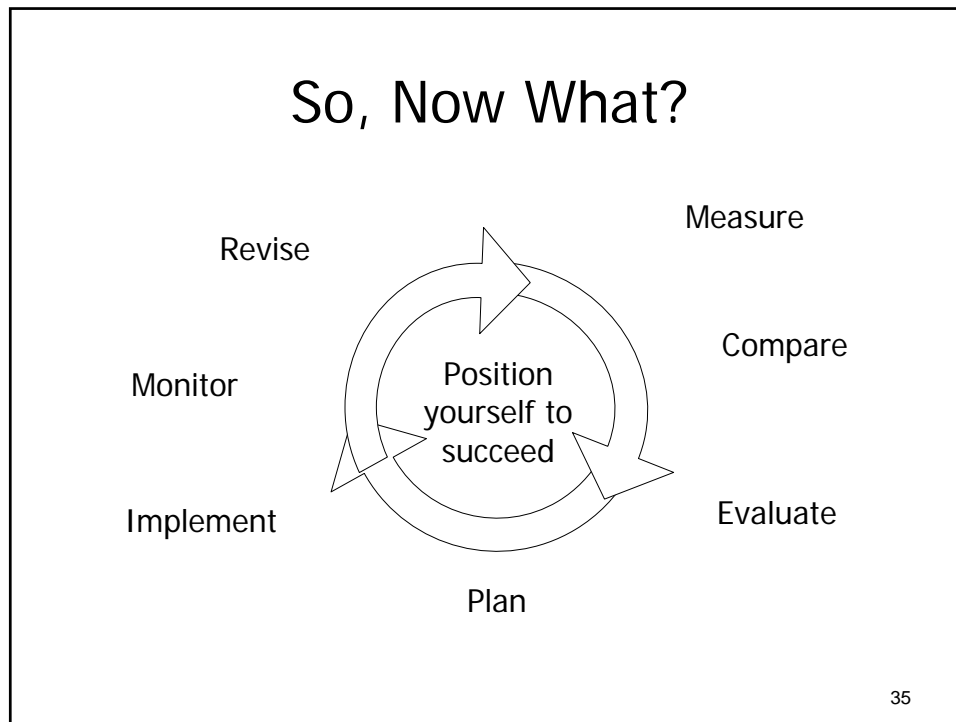
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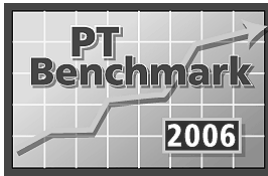
## What Do I Get?

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

36

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## For More Info

- To learn more about PT Benchmark 2006 point your browser to:
  - [www.hcsconsulting.com/bench2006.html](http://www.hcsconsulting.com/bench2006.html)

37

## Contact Info

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38