


Benchmarking to Improve Your Practice

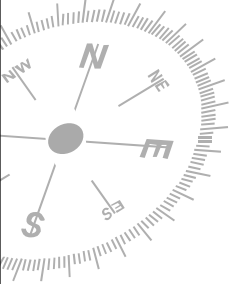
PPS 2006 Annual Conference, Miami Beach, FL - 10/12/2006




Business Benchmarking to Improve Your Practice

PPS 2006 Annual Conference
Miami Beach, FL
October 12, 2006

Charles R. Felder, PT, SCS, ATC, MBA



Objectives


- ▶ What is benchmarking?
 - ▶ Why do I need it?
 - ▶ How can it help me?
 - ▶ What is available?
 - ▶ Is it safe & legal?
 - ▶ Examples & comparisons
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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
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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!
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Questions

- ▶ What is avg charge per visit?
- ▶ What is avg income per visit?
- ▶ What is cost per visit?
- ▶ What is profit as % income?
- ▶ What is A/R as % monthly charges?
- ▶ What % of income goes to labor?
- ▶ How much income per sq ft?

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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

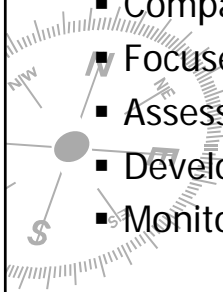
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Why Benchmark?

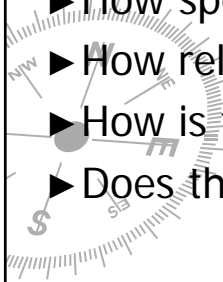
- ▶ Validate performance
- ▶ Improve decision making
- ▶ Improve management
 - Compare to other practices
 - Focused financial analysis
 - Assess performance & identify outliers
 - Develop an action plan
 - Monitor progress over time



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Benchmarking Provider Questions

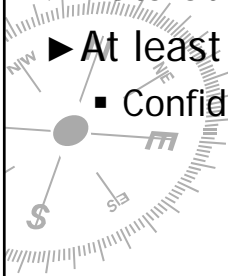
- ▶ Who is performing the study?
- ▶ What is their background?
- ▶ How will confidentiality be assured?
- ▶ How specific is the data?
- ▶ How reliable is the data?
- ▶ How is the report distributed?
- ▶ Does the report provide specific results?



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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



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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...

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Key Indicators

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

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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?

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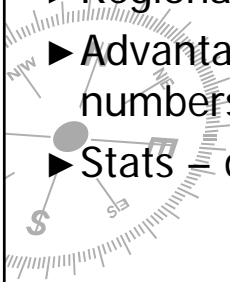
How Can I Use The Data?

- ▶ Provides targets to shoot for
- ▶ Assists in goal setting
- ▶ Assists in budget preparation
- ▶ Provides a yardstick for comparison
- ▶ Evidence based decision making
- ▶ Helps decide which contracts to accept
- ▶ May assist in contract negotiations

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What Are The Limitations?

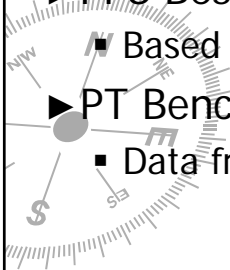
- ▶ Sample size affects the reliability of the data
- ▶ Sample composition affects the validity for your comparison
- ▶ Regional differences – real or imagined
- ▶ Advantages/disadvantages of actual numbers vs. rounding vs. percentages
- ▶ Stats – descriptive vs. comparative



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What Information Exists For PT?

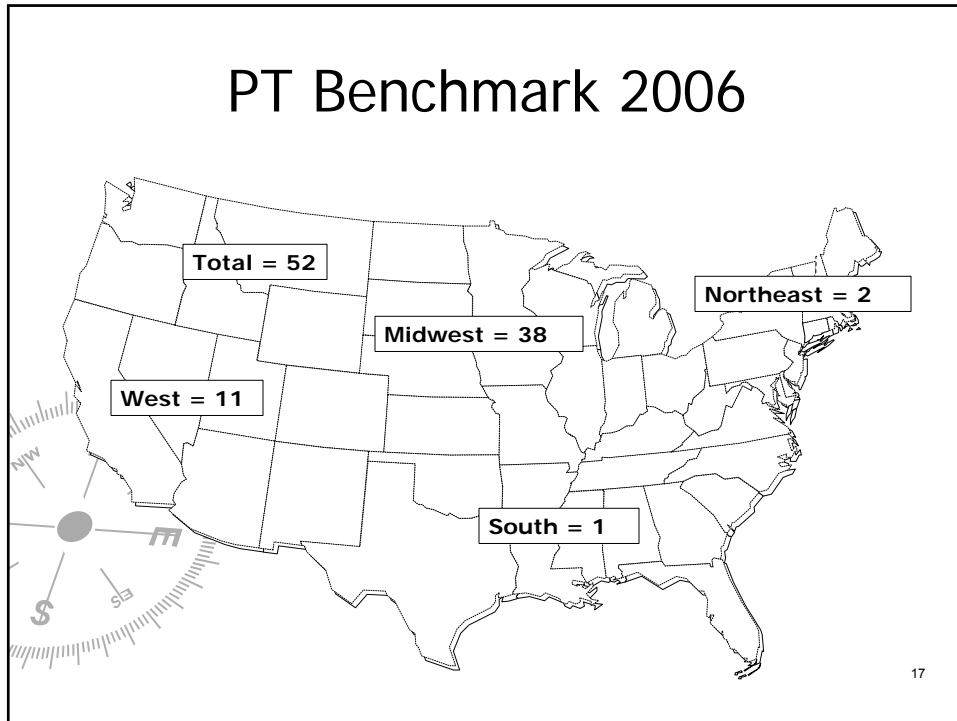
- ▶ Local studies
- ▶ Single company data over time
- ▶ APTA Studies
- ▶ PPS Best Practices Guide
 - Based on FY2002 data
- ▶ PT Benchmark 2003, 2004, 2005 & 2006
 - Data from FY2002, FY2003, FY2004 & FY2005



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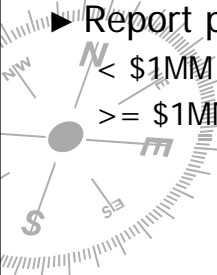
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Study Format

PT Benchmark 2006

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



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Reporting Format

PT Benchmark 2006

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

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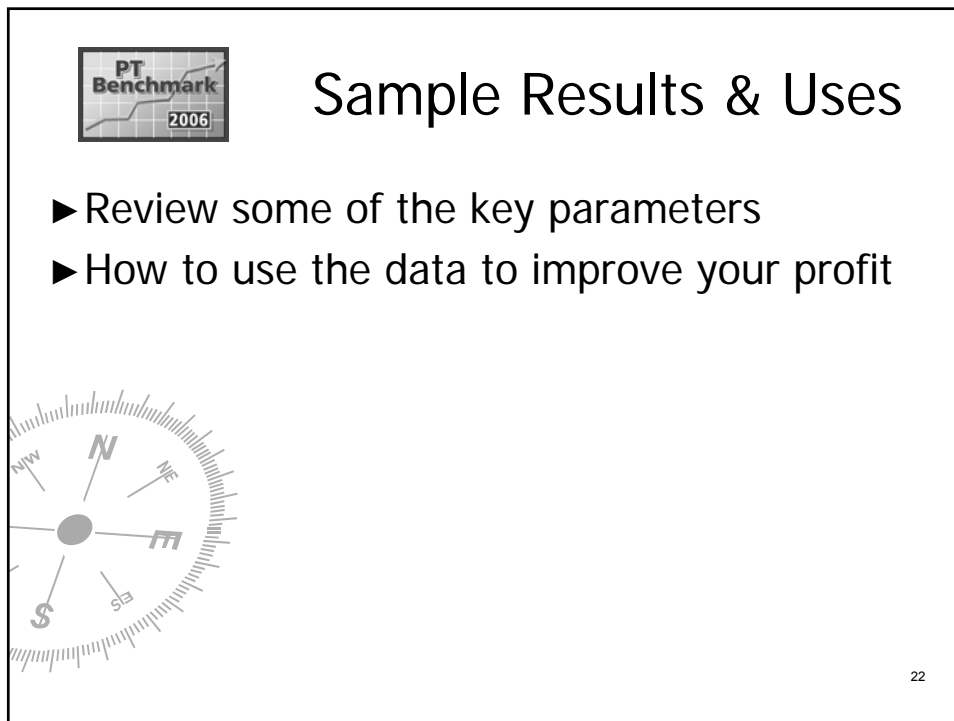
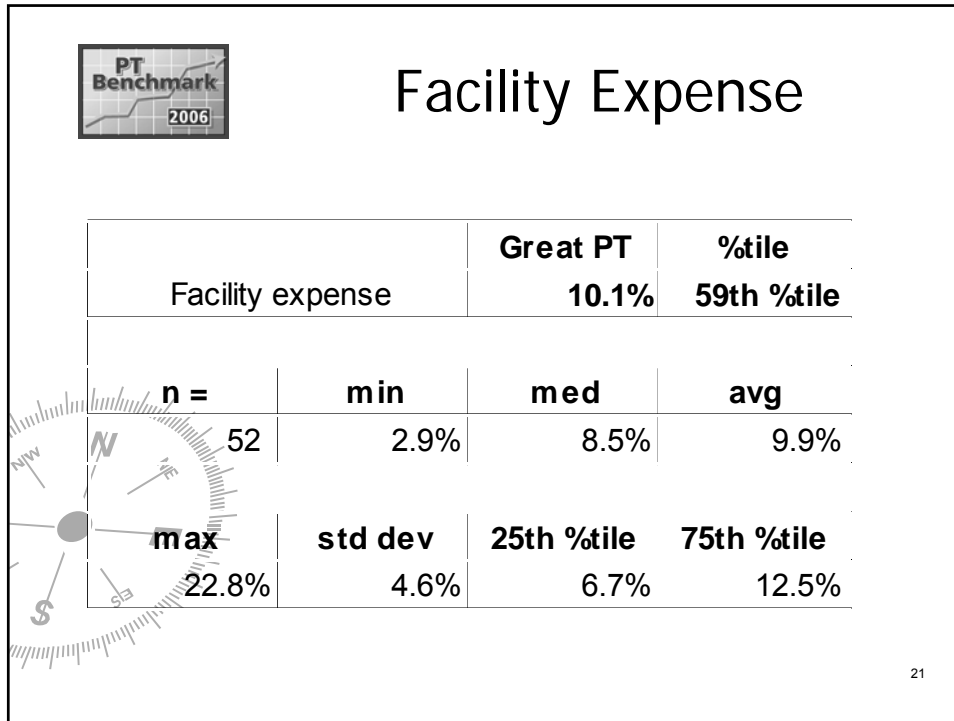
PT Benchmark Report

- ▶ Customized report for each participant showing percentile rank compared to peer group
- ▶ Comments, charts & tables
- ▶ Part 1 = All participants & comments
- ▶ Part 2 = All participants comparison w/% rank
- ▶ Part 3 = < \$1MM income peer group w/% rank
- ▶ Part 4 = \geq \$1MM income peer group w/% rank
- ▶ Part 5 = Trends report over 4 years

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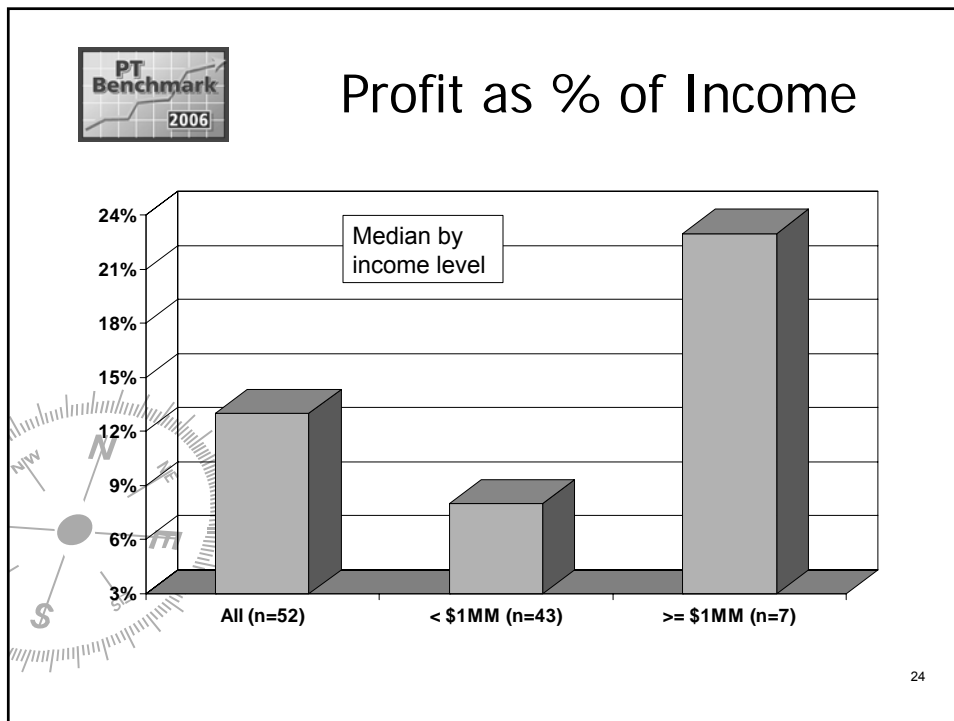
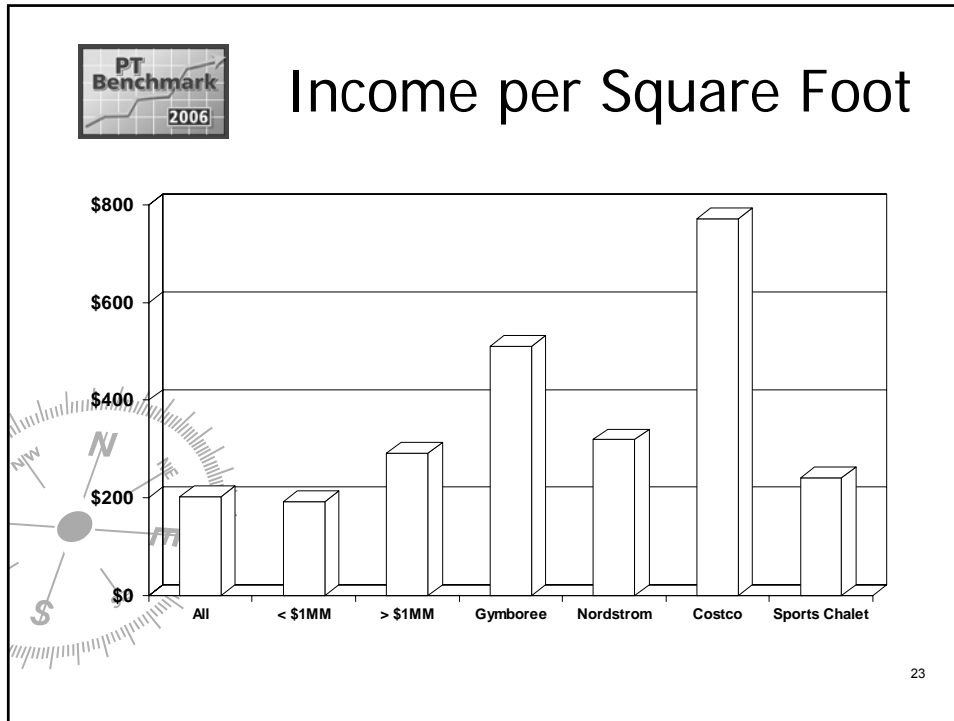
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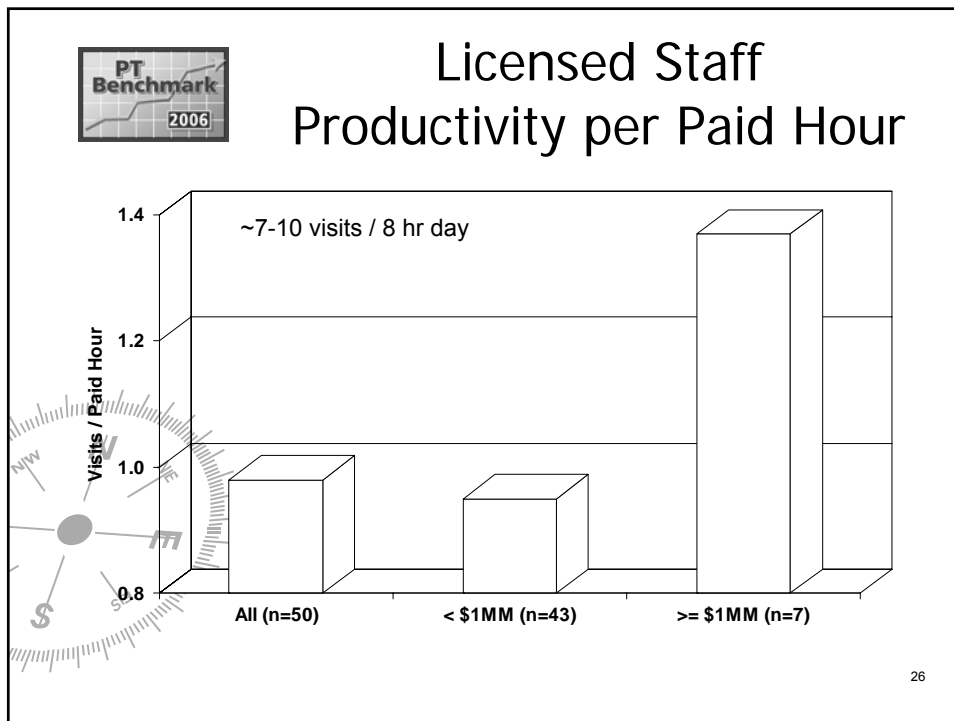
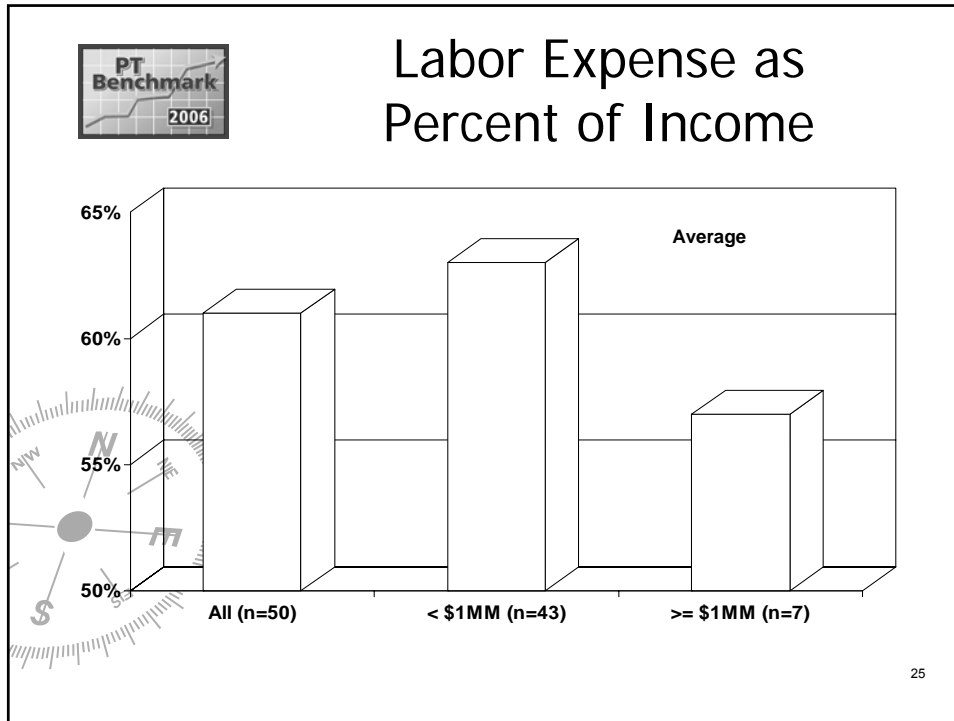
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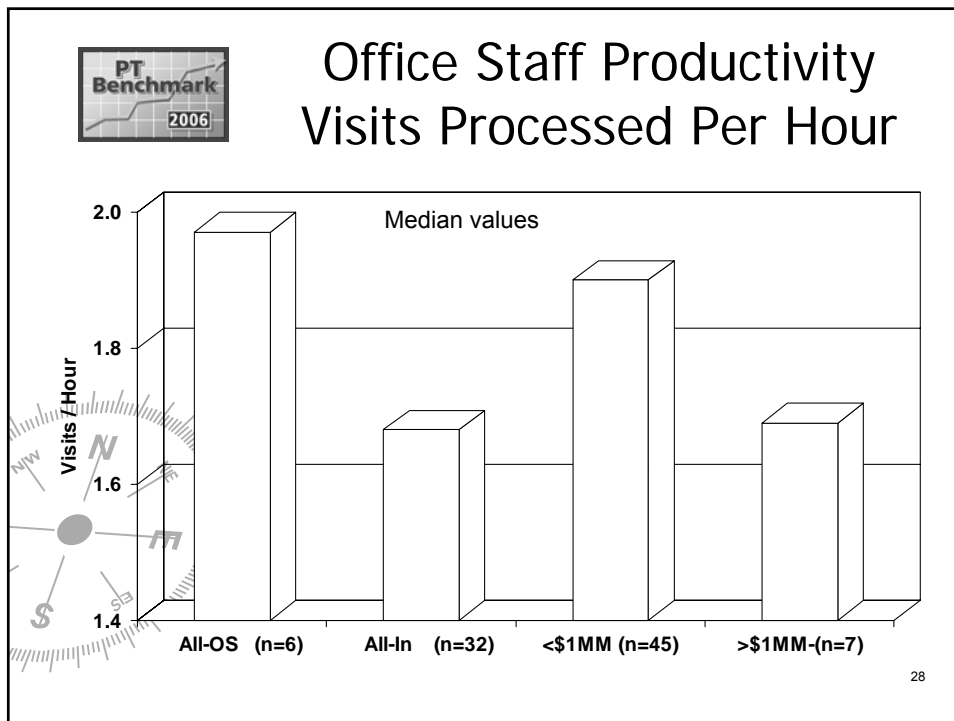
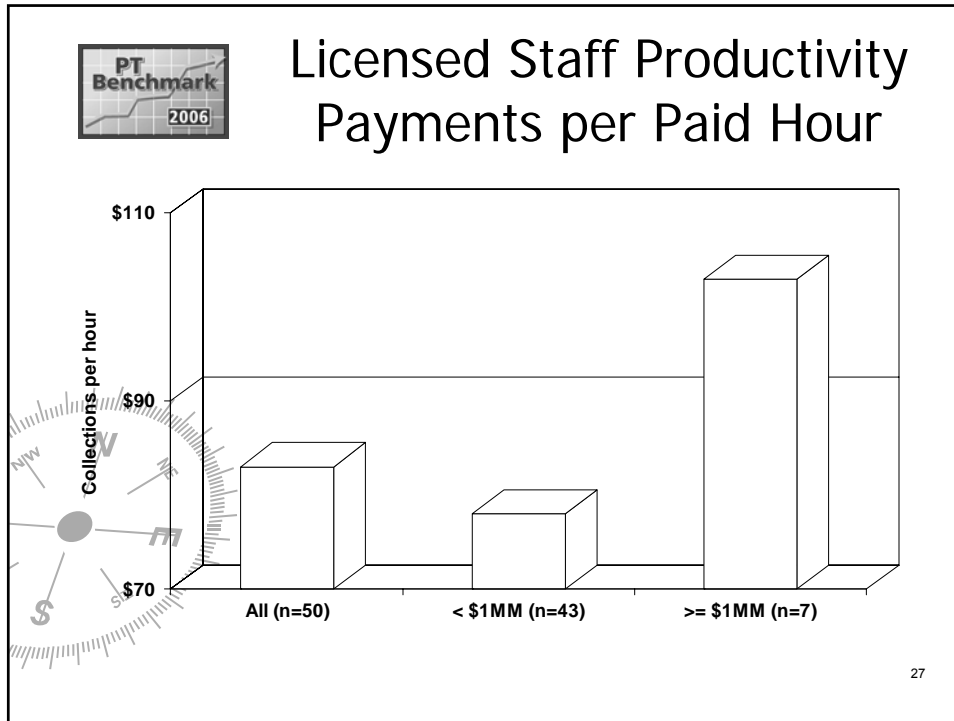
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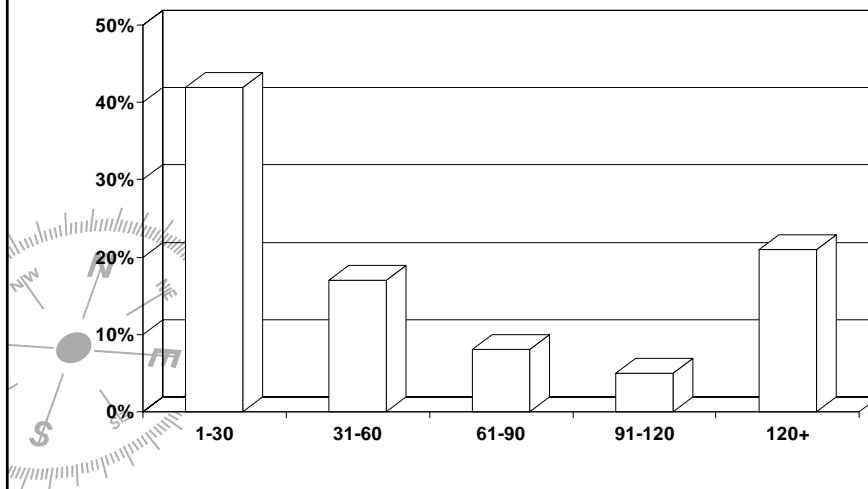
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Core Competencies

- ▶ 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?



Median A/R Aging Profiles



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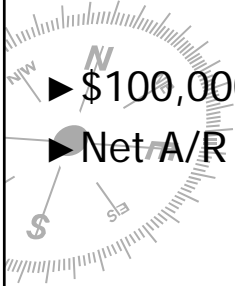
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Net A/R as % of Charges

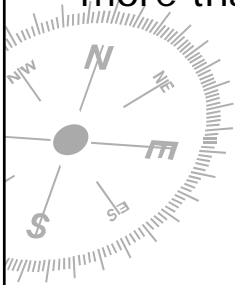
- ▶ 15-16% of annual charges
- ▶ 175% to 195% of one month's charges – use a rolling three month average
- ▶ \$100,000 charges per month
- ▶ Net A/R ~ \$175K to \$195K



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Industry Trends

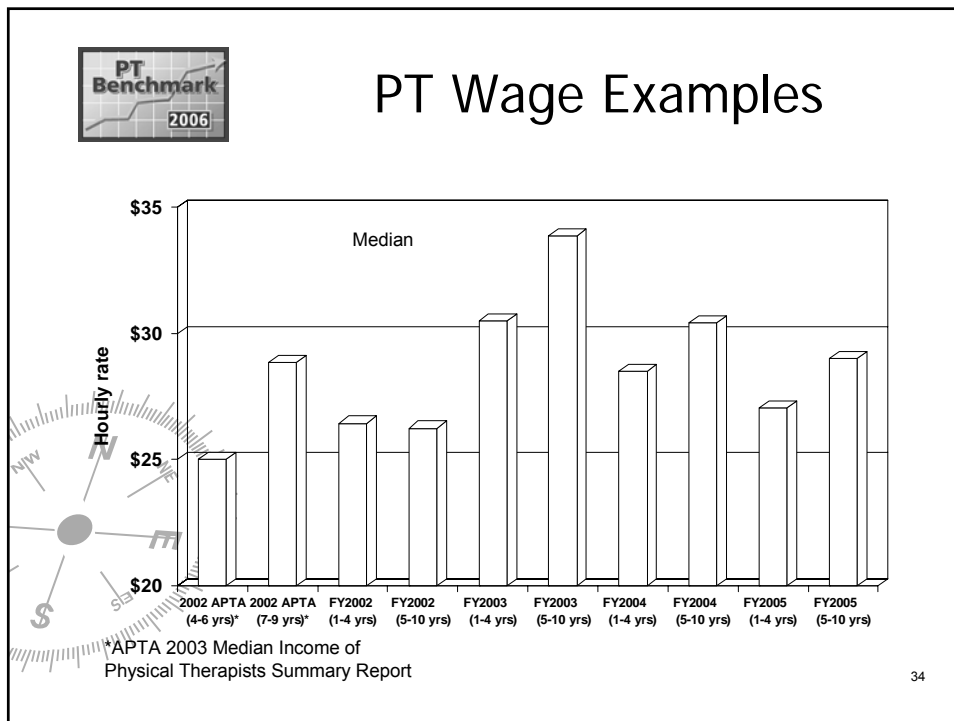
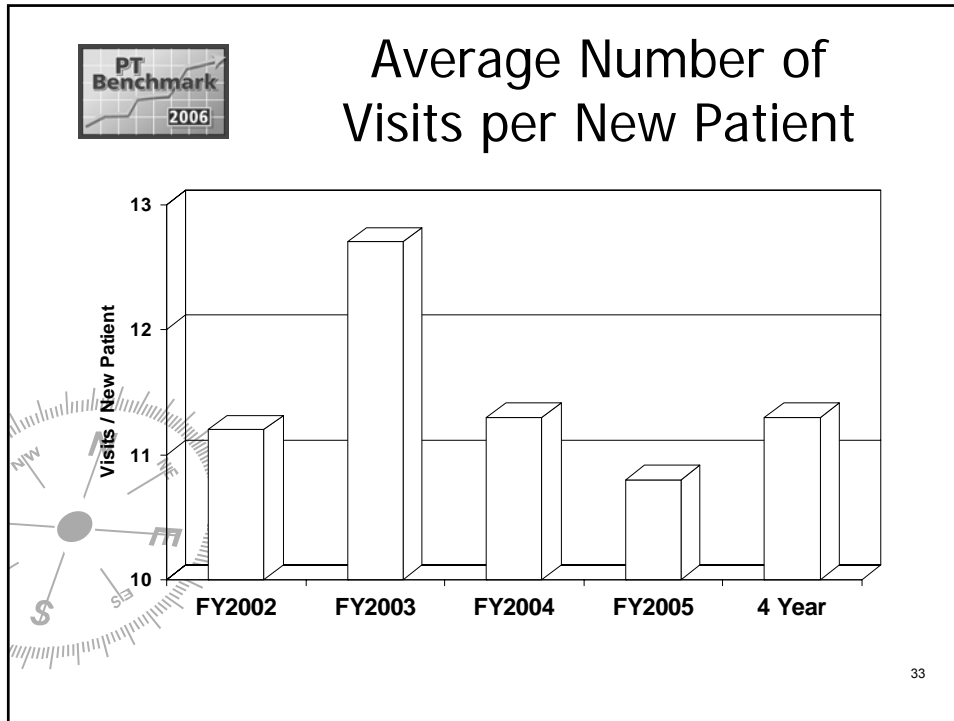
- ▶ Comparison of 4 years – FY2002 – FY2005
- ▶ 100 locations that earned $\geq 10\%$ NOI
- ▶ 84 unique locations – some participated more than one year



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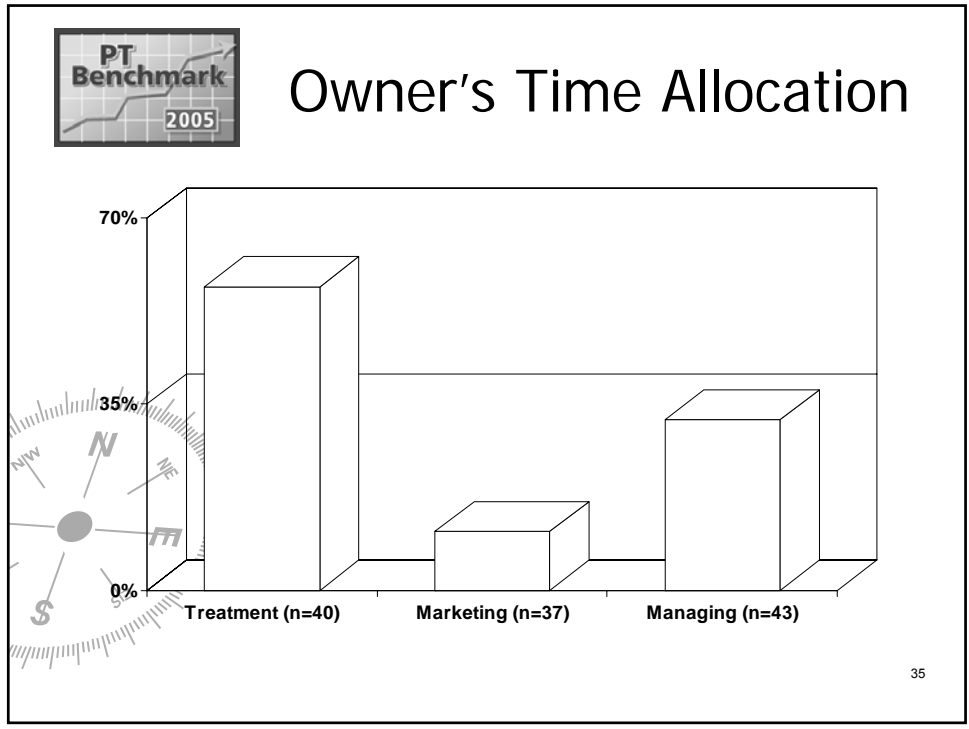
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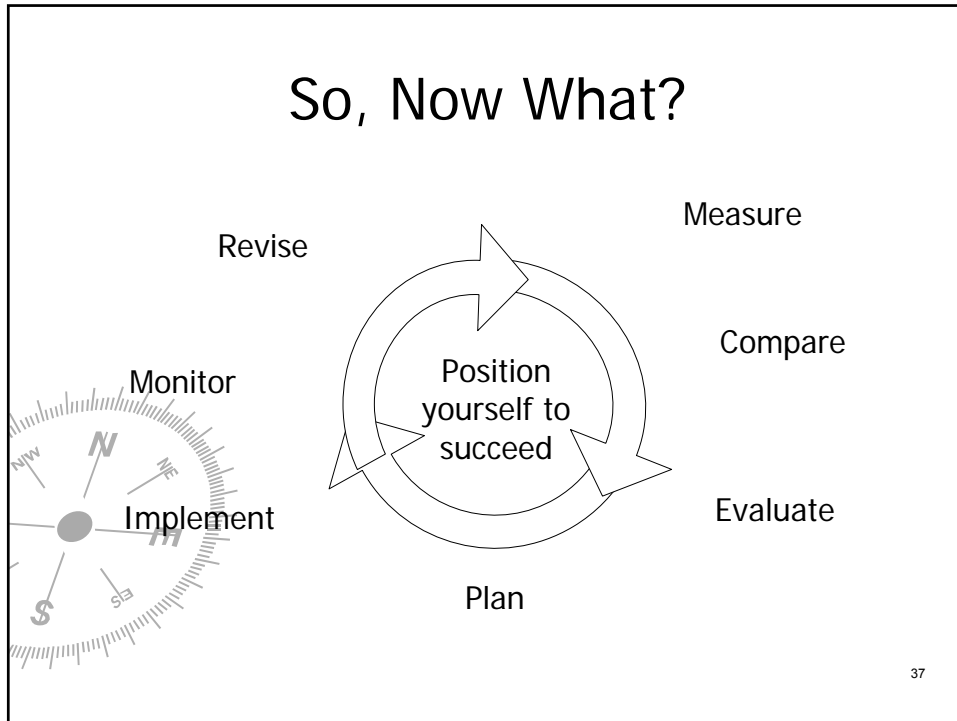
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- ## Questions
- ▶ What is avg charge per visit? \$128
 - ▶ What is avg income per visit? \$80
 - ▶ What is cost per visit? \$74
 - ▶ What is profit as % income? 13%
 - ▶ What is A/R as % monthly charges? 191%
 - ▶ What % of income goes to labor? 63%
 - ▶ How much income per sq ft? \$203
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Timeline

- ▶ Workbook available February 1, 2007
- ▶ Data due by March 31, 2007
- ▶ Report published end of May 2007
- ▶ How long will it take me?

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Key Data

- ▶ Profit & Loss statement
- ▶ Year end A/R (by account type)
- ▶ Account type data: NP, Visit, Charge, Payment, Adjustments
- ▶ Productivity summary: NP, Visits, Cx + NS
- ▶ Payroll & benefit info by EE class
- ▶ Referral pattern info by specialty
- ▶ Owners time treating, marketing, managing

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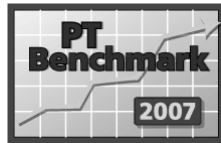
What Do I Get?

- ▶ Group report
- ▶ Customized individualized report comparing you to your peer group w/% ranking
- ▶ Commentary on results
- ▶ Commentary on trends

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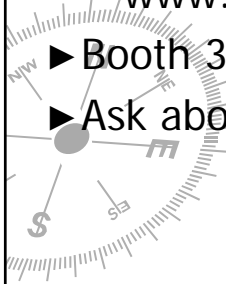
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For More Info

- ▶ To learn more about PT Benchmark 2007 point your browser to:
 - www.HCSconsulting.com
- ▶ Booth 309 in the exhibit hall
- ▶ Ask about the special PPS member rates!



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Contact Info

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