

Using Business Benchmarking to Improve Your Practice
PPS 2007 Annual Conference – San Diego, CA - 11/8/2007



**Using Business Benchmarking
To Improve Your Practice**

PPS 2007 Annual Conference
San Diego, CA
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Objectives

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

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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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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Is Your Practice Changing?

- Income
- Expense
 - Labor
 - Variable
 - Fixed
- Hassle factor
- Other???

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What Are Others Doing?

- Income, expense & profit level
- Changing practice focus
- Changing contracts, etc...
- Changing patient mix
- Changing service mix
- Changing billing/collecting policies
- Other???

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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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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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What Areas Should Be Examined?

- Financial – Income, Expense, Profit
 - Labor, Variable, Fixed, Profit, per hour, 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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Issues

- Competition
- Declining reimbursement
- Increasing regulation
- Increasing costs
- Other???

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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

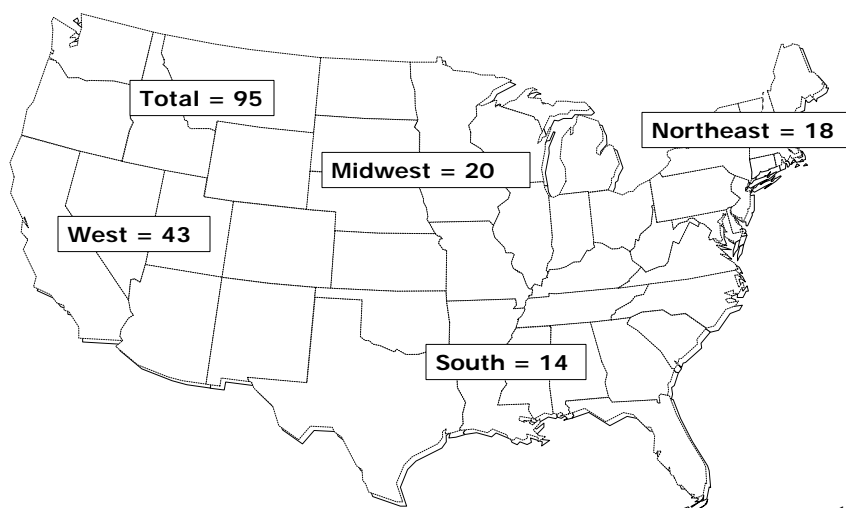
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What Information Exists For PT?

- Local studies
- Single company data over time
- APTA Studies
- PPS Best Practices Guide
 - Based on FY2002 data
- PT Benchmark 2003 thru 2007
 - Data from FY2002 thru FY2006

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PT Benchmark 2007



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Study Format

PT Benchmark 2007

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

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Reporting Format

PT Benchmark 2007

- 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 = >= \$1MM income peer group w/% rank
- Part 5 = Trends report over 5 years

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Facility Expense

| | | | | |
|---------------------|------------------------|---------------------------|----------------------------|--|
| Facility expense | | Fun PT 9.8% | %tile 57th %tile | |
| n = 95 | min 3.6% | med 9.2% | avg 9.8% | |
| max 21.1% | std dev 3.9% | 25th %tile 7.2% | 75th %tile 11.0% | |

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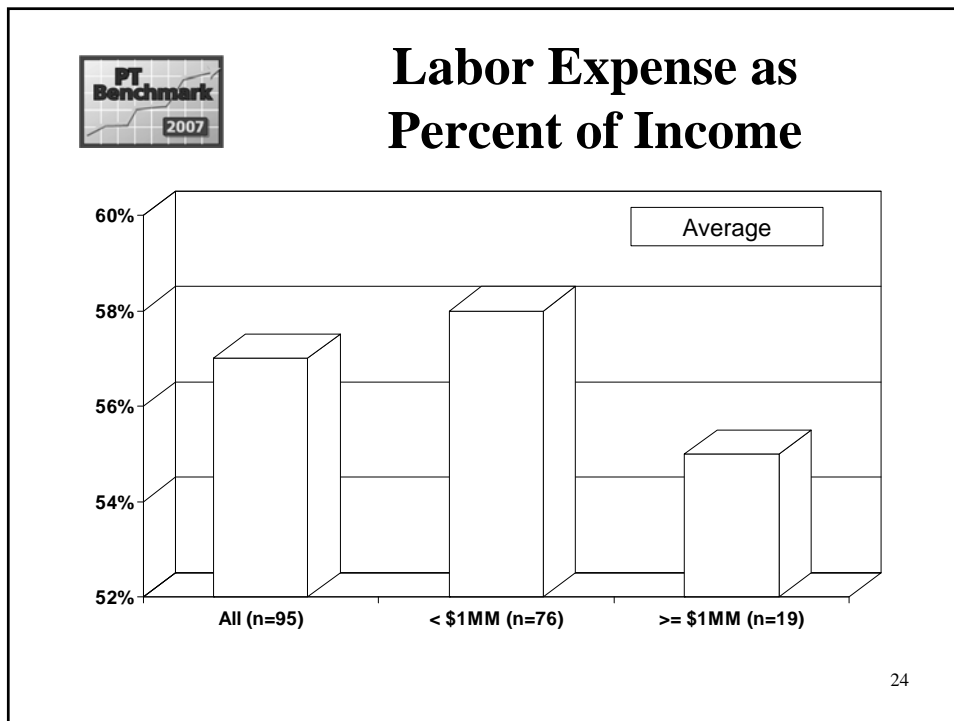
How Is My Business Doing?



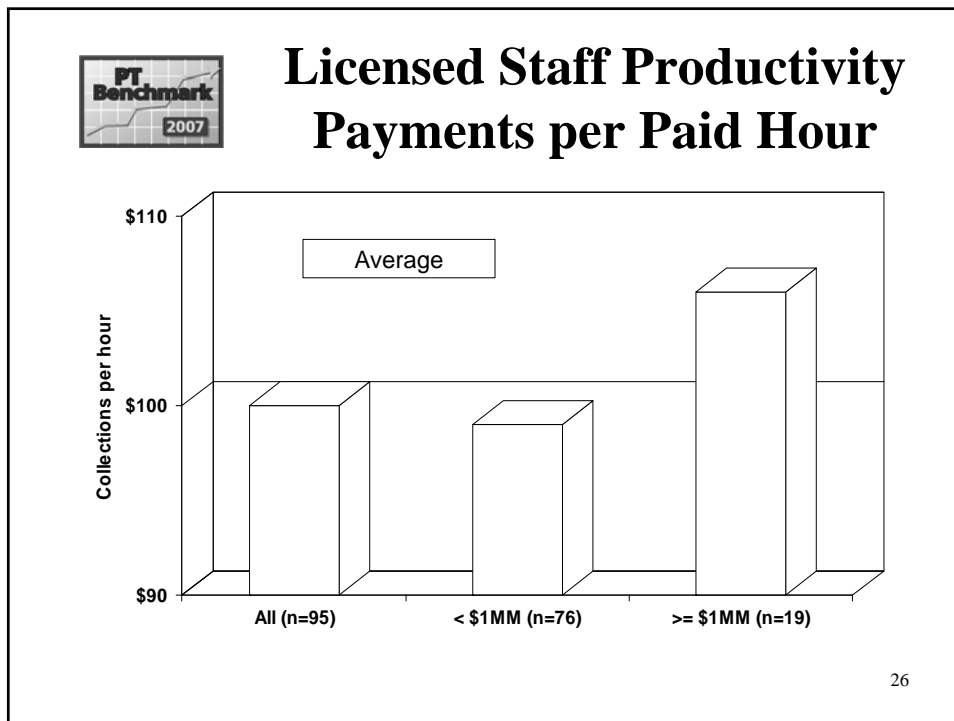
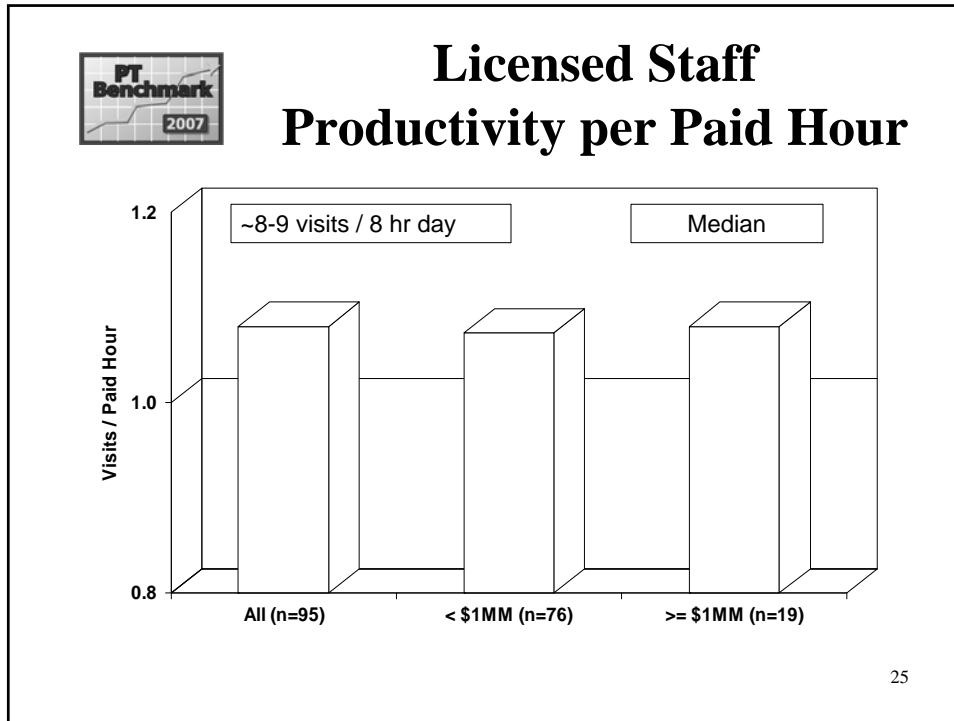
Sample Results & Uses

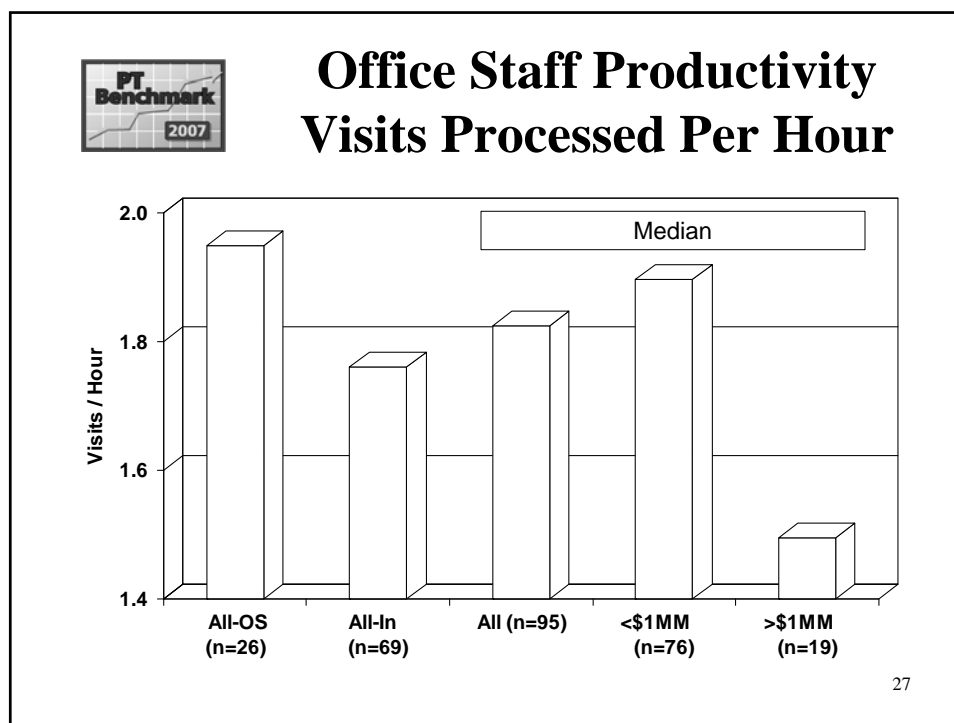
- Review some of the key parameters
- How can this data help you manage?
- How to use the data to improve your profit

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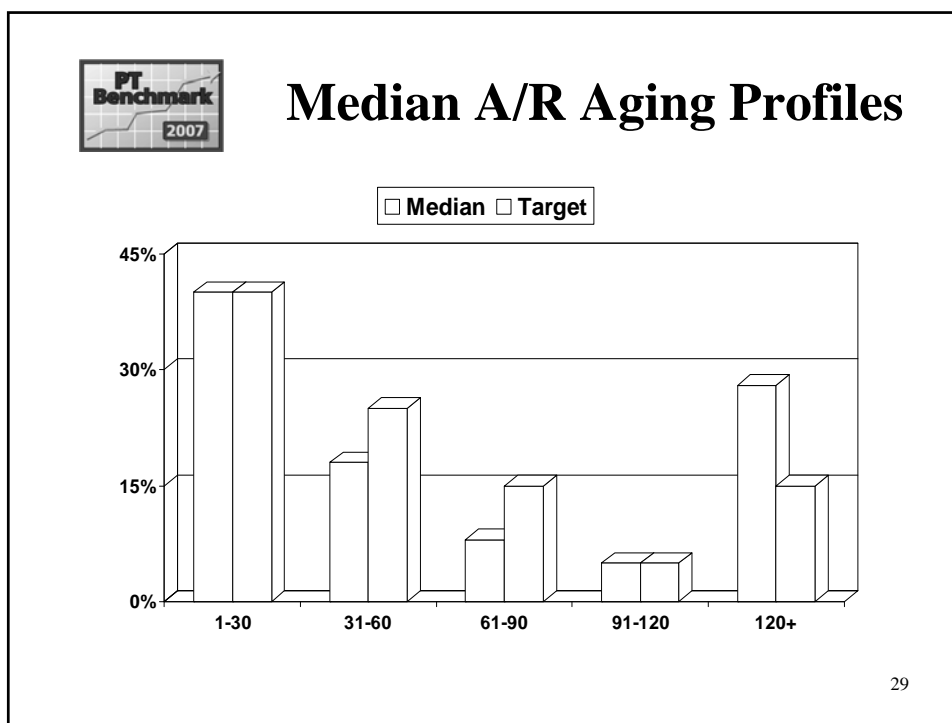
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Core Competencies

- 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?



PT Benchmark 2007

Net A/R as % of Charges

- 184% to 200% of one month's charges – use a rolling three month average
- But, this depends on how you set your charges
- \$100,000 charges per month
- Net A/R ~ \$184K to \$200K

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Trends Analysis



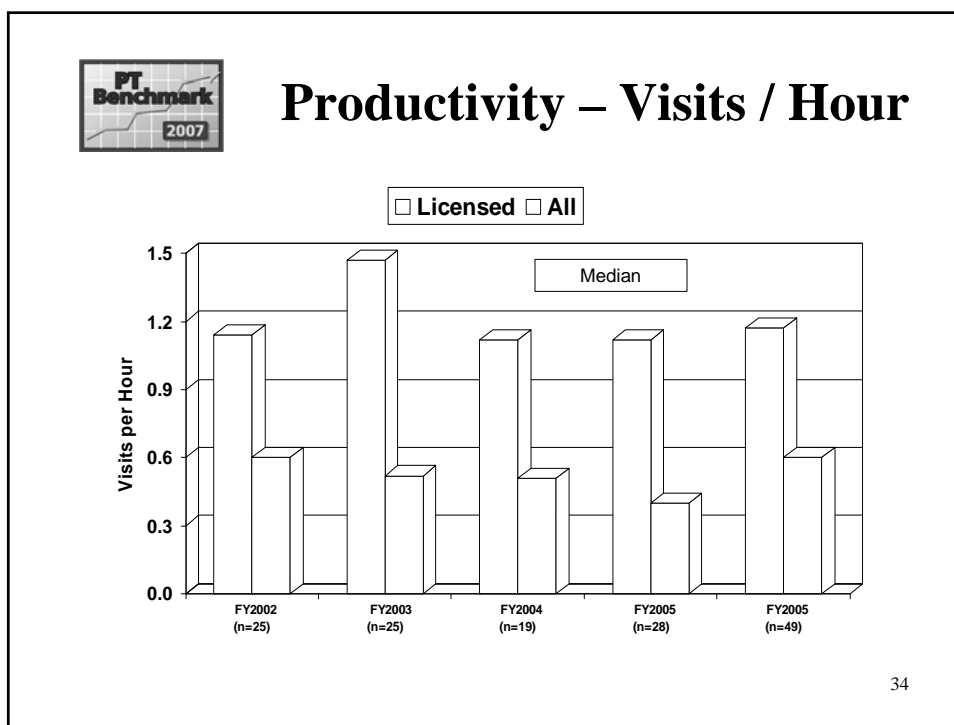
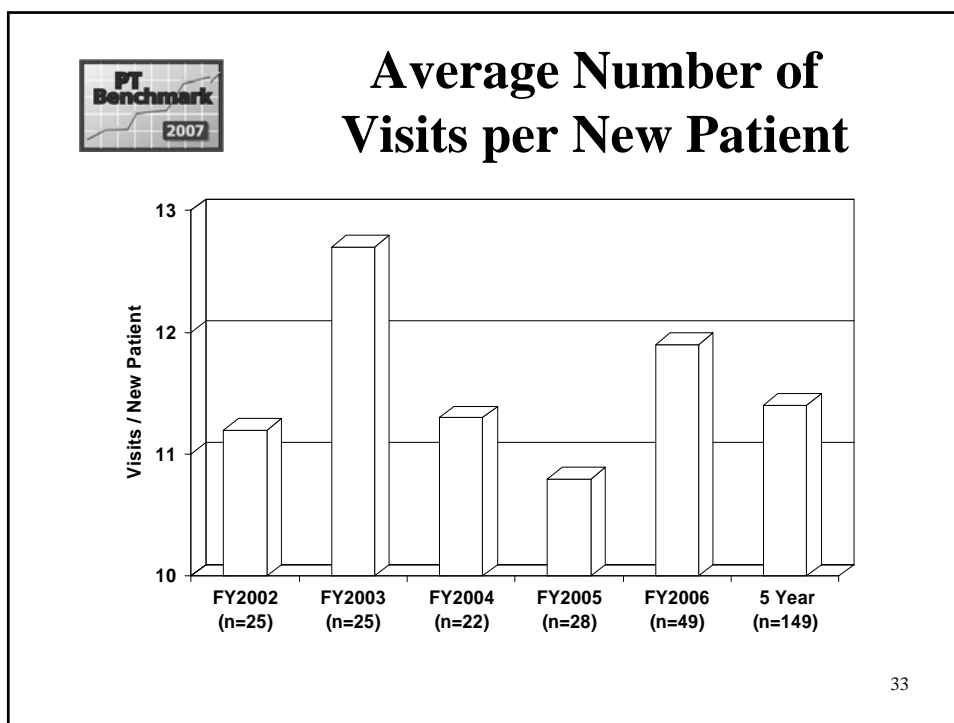
Industry Trends

- Comparison of 5 years – FY2002 – FY2006
- 149 locations that earned $\geq 10\%$ NOI
- 129 unique locations
- 17 participated more than one year
- Findings due to changes or sample?

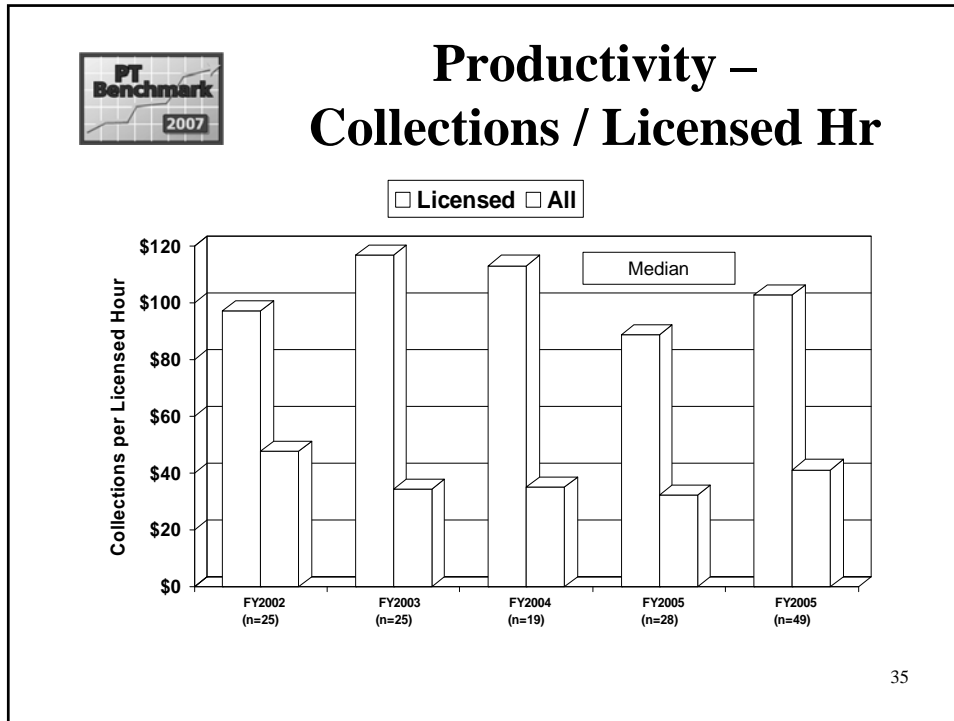
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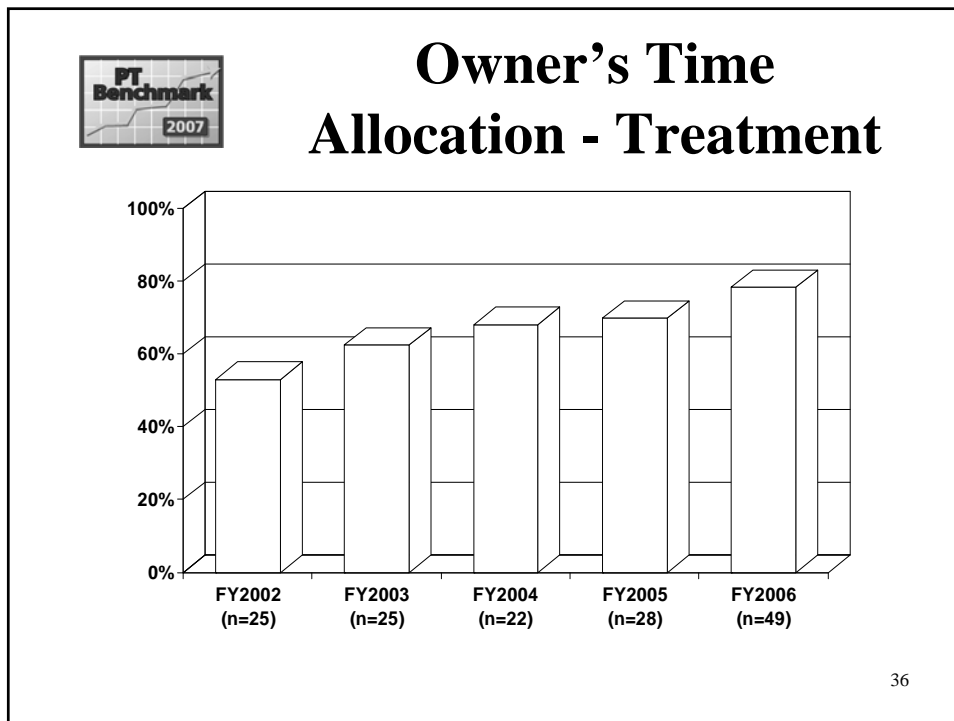
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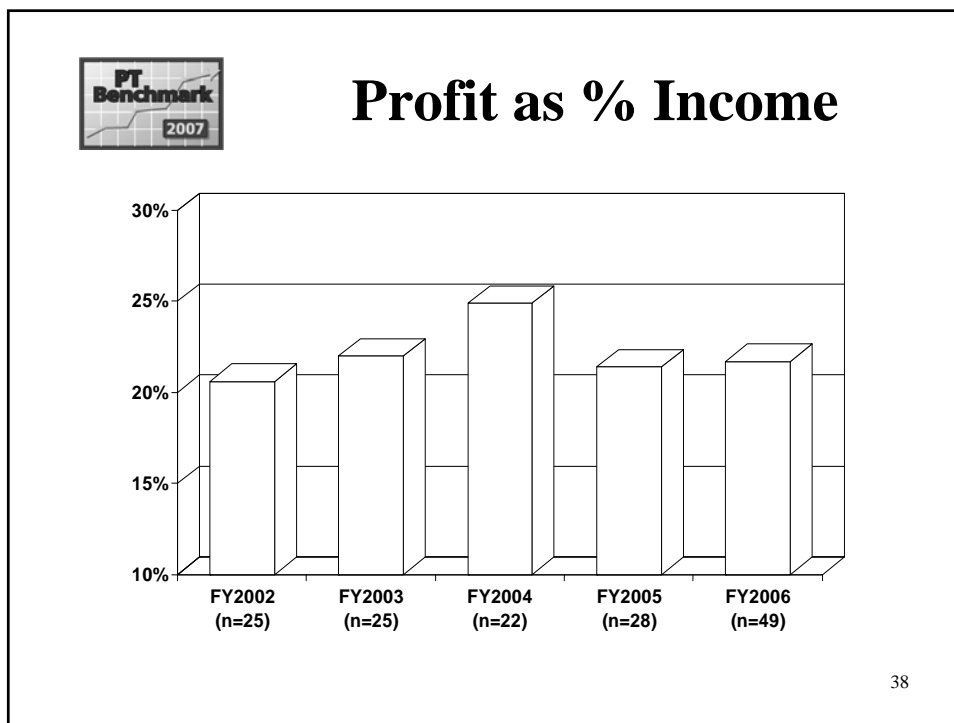
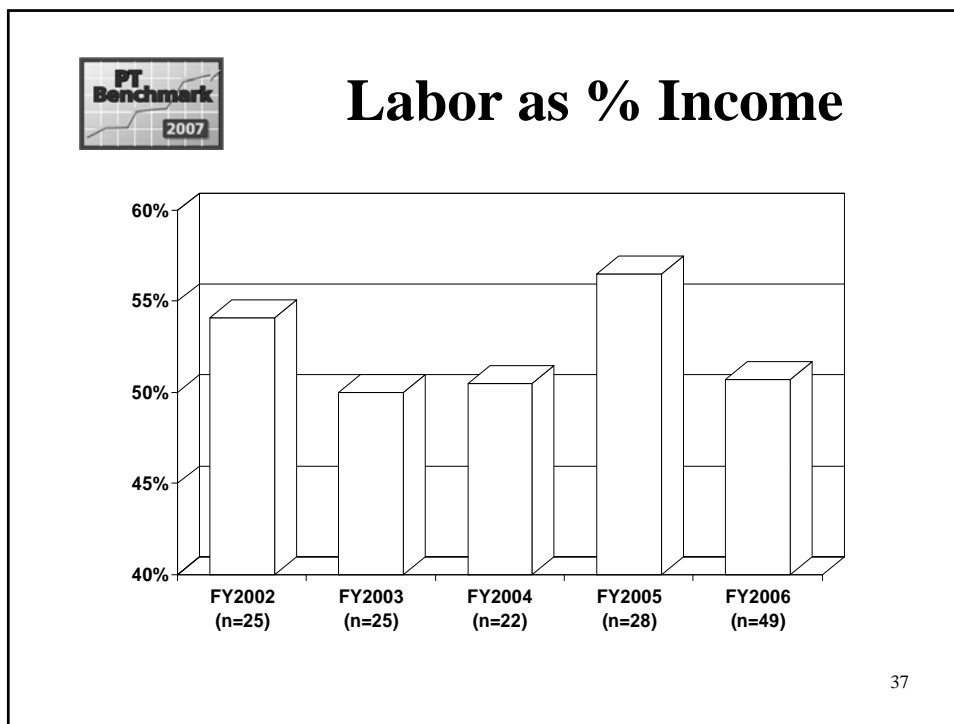
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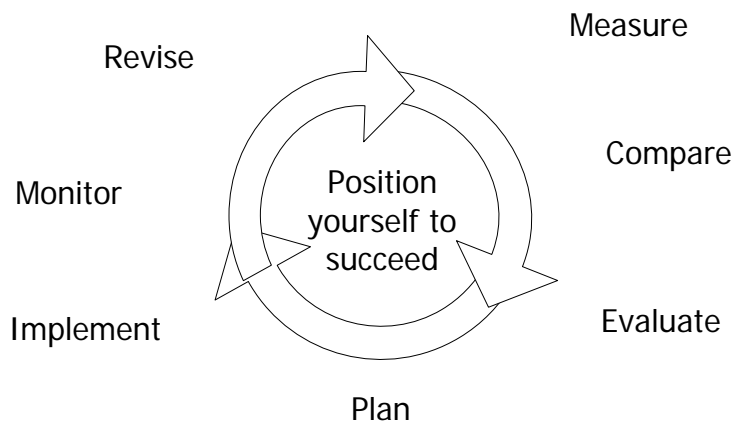


Questions

- What is avg charge per visit? \$137
- What is avg income per visit? \$91
- What is cost per visit? \$81
- What is profit as % income? 12%
- What is A/R as % monthly charges? 200%
- What % of income goes to labor? 58%
- How much income per sq ft? \$241

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So, Now What?



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Timeline

- Workbook available February 1, 2008
- Data due by March 31, 2008
- Report published June 2008
- 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

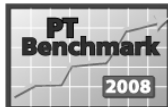
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What Do I Get?

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

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For More Info

- To learn more about PT Benchmark 2008 point your browser to:
 - www.HCSconsulting.com
- Booth 610 in the exhibit hall

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