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Welcome to PMI’s Webinar Presentation

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Meet the Presenter…

On the topic:
Benchmarking in Your Practice

Pam Joslin
MM, CMC, CMIS, CMOM
Faculty
Practice Management Institute
Benchmarking in Your Practice

Brought to you by:
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Overview

• Introduction
• Benchmarking Defined
• Financial Benchmarking
• Clinical Benchmarking
• Best Practices “Success Stories”
Benchmarking Defined

• Benchmarking is defined as a process of comparing key performance indicators internally within the practice.

• External benchmarking is defined as comparing the performance of an organization against its peers.

• External factors
  – Change in payor mix
  – Change in practice’s modalities
    • Rising salary and benefit costs,
    • New audit threats
• By comparing your group’s processes and performance against your peers, you can:
  – Understand strengths
  – Understand weaknesses and opportunities

• Compare to “best practice performers” and learn from their success.
• Be provided with the necessary results to set meaningful and attainable goals.

Performance Benchmarking

• Compares a practice’s operating performance **internally** and **externally** against other similar practices.

Example:
Internal benchmarking – comparing a practice’s “total percentage of accounts receivable all greater than 120 days at end of year verses the previous years.”

External benchmarking – compare group’s work protocols with frequency of mailing patient bills against practices that have a very low percentage of accounts receivable greater than 120 days.
Value of Benchmarking

• Benchmarking must be undertaken in a systemic, thoughtful manner.
• Meaningful comparison that provides useful information to improving financial performance is “valuable” to all practices.
• It is worth the time to set and monitor for the viability and sustainability of the practice.

Value of Benchmarking

• Helps keep your practice compliant.
• Provides structure for establishing procedures and policies.
• Internal controls help you stay in compliance and also increase efficiencies and reduce errors by optimizing employee performance.
• Almost 80% of medical practices deemed “better performers” by the MGMA Performance Practices of Successful Medical Groups: 2013 Report Based on 2012 Data, indicated they used patient-satisfaction surveys.

• Compared with other practices, better performers were more likely to assess patient satisfaction in their practice and did so more frequently.

Benchmarking Essentials

• Number of patients
• Patients’ overall experience
• Professionalism of the staff
• Availability of appointments
• Quality of care
• Staffing revenue
• Physician compensation
• Operating expenses
• Accounts Receivable
• Productivity
Clinical Benchmarking Essentials

- Number of patients
- Patients’ overall experience
- Professionalism of the staff
- Availability of appointments
- Quality of care

Financial Benchmarking Essentials

- Staffing revenue
- Physician compensation
- Operating expenses
- Accounts Receivable
- Productivity
FINANCIAL BENCHMARKING

**Physician Compensation**

For each service you perform, a Current Procedural Terminology (CPT®) code is billed to the payer. Each CPT® code maps to a specific WRVU level. For example, a CPT® code of 99213 (a level-3 office visit for an established patient) has a WRVU of 0.97. Calculate the annual WRVUs for each provider in your practice.

Once you have captured the WRVUs, compare this data with survey benchmark levels of similar practices. Benchmark sources are available through the MGMA and the American Medical Group Association, as well as specialty societies. For example, the typical WRVUs for a full-time general pediatrician are 4700 per year, whereas a full-time general orthopedic surgeon is almost double that level, at approximately 8200.

**Action Plan:** Take action on the basis your findings. For example, if you find yourself below benchmark median WRVU levels, you may be able to accept new patients or schedule more patient visits, thereby expanding patient access. As another example, if all providers in your practice are performing above the 75th percentile of WRVUs, it may be time to recruit a new provider.
Operating Expenses

Once you have calculated your overhead rate, compare it with the median levels reported by peer practices in your specialty.

For example, the Medical Group Management Association (MGMA) Cost Surveys report the specialty-specific overhead rates that can be used for benchmark comparison. For pediatric practices, the typical overhead rate approximates 60%; for orthopedic surgery practices, the overhead rate is lower, at 45%.

Action Plan: If your overhead rate is higher than the benchmark for your specialty, review detailed cost categories to learn where you may have opportunities for expense reduction.

Financial Report

Monthly - must be done regularly in order to spot trends and make appropriate corrections.
# Annual Report

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Yr 3</th>
<th>Yr 4</th>
<th>Yr 5</th>
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<tbody>
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</tr>
<tr>
<td>Encounters/day</td>
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<tr>
<td>Total procedures</td>
<td></td>
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<tr>
<td>Total bed days</td>
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<tr>
<td>Arr length of stay (ALOS)</td>
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<td>ALOS Provider #2</td>
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<tr>
<td>Total RVUs</td>
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<td>RVUs Provider #1</td>
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<td>RVUs Provider #2</td>
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## Financial

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<tr>
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<th>Yr 1</th>
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<th>Yr 3</th>
<th>Yr 4</th>
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<td>Charges Site #3</td>
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<td>Ancillary &amp; Other Receipts</td>
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# RVU Reports

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<th>RVU</th>
<th>Total RVU</th>
<th>Marginal Cost/CPT</th>
<th>Total Cost/CPT</th>
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<td>2.11</td>
<td>0.68</td>
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<td>0.00</td>
</tr>
</tbody>
</table>

Total operating expenses: $0.00
Total operating costs/RVU: $0.00
Total expenses (including M.D.): $0.00
Total costs/RVU: $0.00
Examples of Benchmarks for Family Practice, Single-Specialty Groups

This chart illustrates typical metrics and associated benchmarks.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>25th Percentile</th>
<th>Median</th>
<th>75th Percentile</th>
<th>90th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encounters per FTE physician</td>
<td>6,569</td>
<td>2,188</td>
<td>4,945</td>
<td>6,250</td>
<td>7,444</td>
<td>10,762</td>
</tr>
<tr>
<td>Total procedures per FTE physician</td>
<td>10,760</td>
<td>4,734</td>
<td>7,181</td>
<td>10,142</td>
<td>15,274</td>
<td>16,773</td>
</tr>
<tr>
<td>Physician work RVUs* per FTE physician</td>
<td>6,266</td>
<td>2,178</td>
<td>5,743</td>
<td>6,255</td>
<td>8,272</td>
<td>8,996</td>
</tr>
<tr>
<td>Total RVUs per FTE physician</td>
<td>11,560</td>
<td>3,426</td>
<td>9,514</td>
<td>11,229</td>
<td>13,466</td>
<td>17,125</td>
</tr>
</tbody>
</table>

* Relative value units


(Source: http://www.mgma.com/Assets/About/Acc/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-
article-guide.pdf)

Payor Profitability

(Summary of Payor Profitability metrics and calculations related to CPT, RVU, Total RVU, Operating Profit/CPT, Total Profit/Loss, etc.)
Fee Schedules by Payor

Adding a New Service – Cost vs. Benefit Analysis

Revenues
- Volume expected (day, wk, mth, yr)
- Charge x gross collection percentage
- Reimbursement average or actual based on payer reimbursement
- TOTAL REVENUE

Expenses
- Fixed costs
- Equipment costs
- Lease or purchase amortization
- Maintenance
- Other fixed equipment costs
- Total equipment costs
- Other direct costs
- Training
- License
- Total direct costs
- Indirect (allocated) fixed costs
- Rent + utilities
- Indirect staff (e.g., a portion of manager, billing, front desk, scheduler time)
- Other indirect allocated expenses
- Marketing expense (to let your patients know about the new service)
- Total indirect fixed costs
- Total Fixed Costs

Variable Costs
- Supplies
- Direct staff and MD time (% of salary + benefits)
- QA testing
- Total variable costs
- TOTAL EXPENSES
- PROFIT (LOSS)
# Financial Calculations

These examples / calculations may be performed using either monthly or annual figures. Do not use monthly and annual figures simultaneously for different components of the same formula when determining calculations.

<table>
<thead>
<tr>
<th>End of Month</th>
<th>Annual Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance in A/R:</td>
<td>$275,000</td>
</tr>
<tr>
<td>Gross Charges:</td>
<td>$78,000</td>
</tr>
<tr>
<td>Adjustments:</td>
<td>$14,000</td>
</tr>
<tr>
<td>Total Collections:</td>
<td>$83,000</td>
</tr>
</tbody>
</table>

**Gross Monthly Collection Ratio:**

\[
\text{Total Collections} = \frac{\text{Gross Charges}}{\text{Gross Charges}} = \frac{53,000}{78,000} = 0.68 = 68\% 
\]

**Net Monthly Collection Ratio:**

\[
\text{Total Collections} = \frac{\text{Gross Charges} - \text{Adjustments}}{\text{Gross Charges} - \text{Adjustments}} = \frac{53,000 - 14,000}{78,000 - 14,000} = 39,000 = 39.50\% 
\]

**Annual Expense/Overhead to Earnings Ratio:**

\[
\text{Total Expenses (Annual)} = \frac{\text{Total Collections (Annual)}}{\text{Total Collections (Annual)}} = \frac{316,000}{78,000} = 42\% \text{ Overhead to Earnings} 
\]

**Current Average in A/R:**

\[
\text{Total A/R Balance} = \frac{\text{Gross Charges}}{\text{Revenue in A/R}} = \frac{275,000}{78,000} = 3.5 \text{ Average months of} 
\]

---

# Financial Calculations (continued)

These examples / calculations may be performed using either monthly or annual figures. Do not use monthly and annual figures simultaneously for different components of the same formula when determining calculations.

<table>
<thead>
<tr>
<th>End of Month</th>
<th>Annual Past Year</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Adjustments:</td>
<td>$14,000</td>
</tr>
<tr>
<td>Total Collections:</td>
<td>$83,000</td>
</tr>
</tbody>
</table>

**Average Time Account Stays in Accounts Receivable:**

\[
\text{Length in A/R x 30.4} = 3.5 \times 30.4 = 106 \text{ Days} 
\]

**Average Monthly Billing Per Patient/Gross Charges Per Patient:**

\[
\text{Gross Charges (Month)} = \frac{78,000}{800} = 97.50 \text{ per month} 
\]

**Average Monthly Net Collection Per Patient:**

\[
\text{Total Collections (Month)} = \frac{53,000}{800} = 66.25 \text{ each} 
\]

**Average Total Expenses Per Patient:**

\[
\text{Total Expenses (Annual)} = \frac{316,000}{9,450} = 33.44 \text{ per patient} 
\]

**Salary Rate:**

\[
\text{Total Salary (with or without benefits)} = \frac{200,000}{9,450} = 21.16 \text{ per patient} 
\]

**Total # of Patients:**

9,450
Financial Benchmarking

PRIMARY CARE

Days in AR

AR Over 121 Days

Adjusted Days in AR

Gross Days in AR

Source: http://www.mgma.com/practice-resources/tools/accounts-receivable-dashboard

Financial Benchmarking

SURGICAL

Days in AR

AR Over 121 Days

Adjusted Days in AR

Gross Days in AR

Source: http://www.mgma.com/practice-resources/tools/accounts-receivable-dashboard
Clinical Benchmarking

- Patients’ overall experience
- Professionalism of the staff
- Availability of appointments
- Quality of care

More than half of better-performing medial practices indicated they used patient-satisfaction surveys to evaluate and improve practice operations and educate staff and physicians about behavior.
### Typical Correlation Analysis Survey
**Questions Affecting Overall Satisfaction**

<table>
<thead>
<tr>
<th>Survey Question</th>
<th>Beta Coefficient</th>
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<tbody>
<tr>
<td>The courtesy of the person who took your call</td>
<td>.771</td>
</tr>
<tr>
<td>Helpfulness of the people who assisted with billing/insurance</td>
<td>.749</td>
</tr>
<tr>
<td>The doctor explaining things in a way you could understand</td>
<td>.746</td>
</tr>
<tr>
<td>Our ability to return your phone calls in a timely manner</td>
<td>.737</td>
</tr>
<tr>
<td>Your ability to obtain an appointment in reasonable time</td>
<td>.733</td>
</tr>
<tr>
<td>The friendliness of the receptionist</td>
<td>.726</td>
</tr>
<tr>
<td>The caring concern of our nurses/medical assistants</td>
<td>.705</td>
</tr>
<tr>
<td>The amount of time the doctor spent with you</td>
<td>.702</td>
</tr>
<tr>
<td>The doctor taking time to answer your questions</td>
<td>.701</td>
</tr>
<tr>
<td>The doctor clearly explaining your treatment options</td>
<td>.690</td>
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</table>

(Sullivan & Luallin, 2007, p. 7)

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### Define Service Expectations

- Make a great impression
- Be a telephone superstar
- Handle the reception room with compassion, care and professionalism
- Say good-bye when patients and co-workers leave
- Handle complaints in a responsive and courteous manner
- Be a cooperative and helpful team member
Benefits of Meeting/Achieving Good Customer Service

- Patient loyalty and referrals
- Higher morale and clinical department productivity
- Better risk management
- Strong negotiating position with payers
- Pay-for-performance incentives
- Better public image
- Better medical outcomes and ultimately more career satisfaction for physicians

Patient-Pleasing Techniques for Providers: Quick Reference Guide

| D1. Willingness to listen carefully | - Get on eye level (as soon as possible)  
- Maintain eye contact  
- Take notes as patient speaks  
- Ask if patient has other issues to discuss |
|------------------------------------|---------------------------------------------------|
| D2. Taking time to answer questions | - Get on eye level (as soon as possible)  
- Maintain eye contact  
- Smile (when appropriate)  
- Ask if patient understands |
| D3. Amount of time spent with patient | - Warm, friendly handshake  
- Relaxed posture/attitude  
- End visit with shoulder-pat, handshake  
- Let patient exit first (if possible) |
| D4. Willingness to explain | - Get on eye level (as soon as possible)  
- Maintain eye contact  
- Smile (when appropriate)  
- Apologize for being behind schedule  
- Let patient finish answer questions |

Customer Service for Staff Members

- Get everyone thinking about “service”
- Review the service protocols
- Reinforce the expectations
- Reward those who have met or exceeded “service goals”

Customer Service for Managers and Supervisors

- Be a role model
- Correct unsatisfactory performance
- Maintain a high degree of professionalism
- Demonstrate effective management and leadership skills
Monitoring Progress

“What gets measured gets managed. What is managed gets better.”

- TOM PETERS

- Follow-up on patient surveys
- Mystery patient assessments
- Requests for record transfers
- Letters from patients
- Recognize the “superstars”

Clinical Benchmarking

Tracking avoidable emergency department visits and hospital admissions. Tally the number of preventable or possibly preventable emergency department visits and hospital admissions for your patients.

Create a systematic method for obtaining information about your patient's utilization of the emergency department and hospitalization. Take a sample 1-month period and calculate the number of emergency department visits and admissions that were avoidable or potentially avoidable.

If your practice has a high level of preventable visits and admissions, create a quality plan to expand patient access, care outreach, continuity of care, and transition management. Track this benchmark over time by sampling your data on a quarterly basis, with the goal of reducing your practice’s rate to zero.
BEST PRACTICES “SUCCESS STORIES”

Cardiology Associates

Cardiology Associates of New Brunswick, N.J., was founded in 1938 by Norman Reitman, MD, a pioneer in the practice of medicine in the New Jersey area.

Success factors

This well-respected practice has excellent physicians who provide quality care that surpasses any other practice in the area. The physicians ensure that the practice stays on top of the newest technology because it is important to them to provide the best possible innovative care to their patients.

“Not only are the physicians good at what they do, they have good hearts and put patient satisfaction ahead of their own needs,” says Lana Gordover, MPA and practice administrator. “I am proud to work here.”

(Source: http://www.mgma.com/Libraries/About/AboutMGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-write-guide.pdf)
Adding non-physician providers to the practice, who make hospital rounds, also contributes to the revenue of the practice.

According to Gordover, a hard-working and dedicated staff makes this practice successful.

The practice survived a few difficult years with respect to staffing in the billing area, and everyone pulled together to make it work. Cross training all employees helped the department survive this difficult time.

Most importantly, a monthly report card distributed to the billing staff helps track A/R progress.

The report card, broken up by payer, shows the employee who handles the payer, the payer type, the previous month’s A/R dollars and percentage, the current month’s A/R dollars and percentage, and receipts in dollars and percentage.

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)

The report card provides a pretty good indicator of how we are doing with A/R,” Gordover says. “I receive a summary version of the report card, which allows me to look at A/R from a summary perspective.”

Employee evaluations are based on this report card, with the goal for each employee to have zero in the column that lists the amount over 90 days. This benchmark is used specifically because there is more involved in managing employee productivity.

The employees do not receive an incentive for reaching this goal; instead, they work as a team and understand the importance of managing their A/R accounts.

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)
• “Paying someone more is not necessarily an incentive,” Gordover says.
• “Having pride in your work and access to tools that make your job easier motivates employees to work harder and reach the goals that we established together.”

(Source: http://www.mgma.com/Libraries/Assets/About/AboutMGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)

• For example, the practice purchased new software that allows charges for a day to be posted in a couple of hours. As a result, employee time was freed up, which allowed them to learn and do other tasks to increase their efficiency.
• Gordover includes the billing staff in decisions during their monthly meetings.
• Each month, they explore new ideas and discuss new payer information and tasks that need to be done. Each employee has a voice, and is encouraged to suggest ideas and challenge current processes.

(Source: http://www.mgma.com/Libraries/Assets/About/AboutMGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)
• Most importantly, the billing staff attends conferences that allow them to stay up-to-date on changes in Medicare and other updates that affect their jobs and the practice.

• “It’s important that the staff stay current on health care billing and collection issues just as it is for the clinicians to stay current on technology and innovative solutions,” Gordover says.

(Source: http://www.mgma.com/Libraries/Assets/AboutMGMA/AboutCenter%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)

ABCD Pediatrics

A motivated and experienced staff working in a well-designed space helps ABCD Pediatrics stay on track with an ambitious growth plan. How ambitious? The seven-physician group wants to double — perhaps triple — its capacity in the next few years.

The two physician partners who own the practice see expansion as the best way to combat stagnant payer reimbursement and rising expenses.

(Source: http://www.mgma.com/Libraries/Assets/AboutMGMA/AboutCenter%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)
**Success factors**

The practice’s new physical plan and an electronic medical record (EMR) help improve patient flow and provider productivity while giving physicians more quality time with patients, says Victoria Waltemath, practice administrator.

Waltemath says she keeps a close eye on expenses by “touching” every vendor services contract each year.

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)

“We might stick with a vendor that's more expensive because they offer better service, but they have to know that ABCD Pediatrics looks at the market every year, even on long-term contracts,” Waltemath says. “It helps build a better relationship.”

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)
Benchmarking

- Physicians and nonphysician providers at ABCD Pediatrics work on a base salary plus a productivity bonus arrangement.

- Each month, the practice’s owner-physicians review the monthly performance of all physicians and nonphysicians. The review includes checking patient volume and charges per physician and provider.

- Each month, Waltemath and the two owner-physicians review the practice’s balance sheet, income, expense, and cash-flow statements, and detailed productivity reports for each physician and nonphysician provider.

“I also choose one thing each month for them to focus on — something they don’t usually see — like our payer ratio or the percentage of patients by payer,” Waltemath says. “I want them to see where their collections come from.”

From time to time, Waltemath says she also looks at the number of patients per hour, phone calls per day, empty slots per clinic and other data.

“I don’t spend a lot of time on those numbers, but I like to see if any trends are developing,” she says.
ABCD Pediatrics participates in the annual surveys of staff salaries conducted by MGMA and by the San Antonio MGMA.

“I want to know what the range is in our market for positions so I can offer a competitive salary,” Waltemath says.

“We will start someone at the middle to upper part of the range if they are experienced, and I don’t mind paying an experienced medical assistant like she’s an LPN if she’s going to be doing a lot of the same work.”

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)

Given its track record since 2000, ABCD Pediatrics can most likely double or triple in size, but Waltemath acknowledges that managing that growth may be the more difficult challenge. She adds that the practice has even tried to slow down growth, for example, by no longer accepting same-day appointments for patients who have not already registered with the practice.

“It’s clear that we are doing something right as far as the patients are concerned,” she says. “I also feel fortunate that the physicians have some business savvy — they aren’t trained in those areas, but they really do have a business sense.”

(Source: http://www.mgma.com/Libraries/Assets/About/About%20MGMA/About%20Center%20for%20Research/Lessons-for-Financial-Success---The-entire-guide.pdf)
MEASURING AND MONITORING

S. Specific: Be clear and unambiguous when setting your goal. Don't leave room for guessing.

M. Measurable: Set a goal that allows you measurement toward your goals progress.

A. Attainable: Ask yourself, “Is this realistic and attainable?” If not, back to the drawing board.

R. Relevant: Create a goal with importance and meaning. Make sure the effort is worth it to you.

T. Time-bound: Commit to a deadline. Open-ended goals tend to go forgotten.
Benchmarking and Goals

- Benchmarking will reflect the necessary information to set attainable goals for your practice.
- It is the opportunity to look at processes that may increase productivity, decrease days in A/R, all processes that impact bringing in optimal cash for the practice.

Tools, Tips, and Techniques

- Identify areas for benchmarking (internal and external)
- Take a look at “where you are”
- Then set “SMART” goals to “where you want to be”
- Monitor success and barriers to success
- Make this a team engagement effort
- Celebrate your successes together!!
Questions?

• Thank you for your attendance!

• Get your questions answered on PMI’s Discussion Forum: http://www.pmimd.com/pmiForums/rules.asp

• Contact information: pjoslin@pmimd.com