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Lisa Maciejewski-West, CMC, CMIS, CMOM, MCS-P

On the topic:
Managing by Statistics
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Managing your Practice by Statistics

Presented by
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Introduction

• Providers/Corporate Practice Managers rely on clinic managers to keep the practice running smoothly and profitably.
• In many Corporate Healthcare Environments, the Corporate managers are not physically present during the “day to day” operations of a clinic
• Many small practices operate without the safety net of solid policies and procedures, and may feel like they can’t maintain a good pulse on the financial health and profitability of their practice
• Problems arise in the practice, from both a production and financial standpoint, but no one knows what to do about it.
• Issues of concern are discussed in staff meetings that really are not the issues at all…..but…..
Stats Don’t Lie

✓ Office Manager can monitor the clinic’s production and financial performance through the stats.

✓ Help doctors and corporate management understand where performance problems are in the practice through the stats.

✓ Help doctors and corporate management understand their practice trends by stats, and help them make decisions on a variety of issues “Should we continue to participate in this managed care plan? Can we afford this new piece of medical equipment? Do we need to replace the front desk receptionist?”

✓ Help doctors and corporate management compare month to month, year to year trends for goal setting and review of goals.

✓ Stats help to nail down exactly where a problem with efficiency and productivity may lie.

✓ Office Manager can defend their staff and policies and procedures through the stats.

✓ Using stats to manage a practice takes the emotional heat out of difficult decisions, i.e., terminating a staff member who is underperforming.

Where do we start?

• In order to fully understand and analyze stats, you need to set certain benchmarks so you have something to compare your stats against:
  – BUDGET
    • What are our clinic expenses
  – MONTHLY AND YEARLY GOALS
    • What are our goals from a production and revenue standpoint
  – STANDARDS OF PRACTICE (based on the individual practice)
    • How many new patients needed to grow ____%
    • What % of collections should come from patient revenue
    • What % of collections should come from insurance revenue
  – STANDARDS OF PRACTICE (accepted normals)
    • Collection % should be around 92-95% of net services each month
Where do we start?

• In order to fully understand and analyze stats, you need some key pieces of data, and several important reports
  – Data Needed to Analyze Stats
    • Patient Visits
    • New Patients (Mainly used to determine whether clinic is meeting its growth goals)
    • Gross Billing (charges)
    • Write offs/Adjustments
    • Collections
    • Clinic Expenses
  – Reports
    • Statistical Summary (AKA, Flash Report)
    • Accounts Receivable Report (AKA, Account Aging, Insurance Aging, Patient Aging, Outstanding Collections, etc.)
    • Practice Income and Expense report (AKA, Profit and Loss Statement)

• Depending on the type of analysis, the data and reports can be generated for a day, a month or a year.

• Analysis can be very general, or broken down by provider, payer, cost center, etc.

Important Formulas

• Average Billing Per Patient (Average GROSS CHARGES per patient)
  – \((\text{Total Billing per month}) \div (\text{Total number of patients by month})\) This can also be done for specific diagnoses treated, new or established patients or even specific CPT® codes.

• Can be broken down by procedure code/supply code for greater detail

• What does this help analyze?
  – Whether your overall production each month is improving or declining
  – Whether you are meeting certain production goals for each of your cost centers
Important Formulas

• Average Net Charges Per Patient
  – \( \frac{\text{Total net Charges per month}}{\text{Total number of patients by month}} \) This can also be done for specific diagnoses treated, new or established patients or other specific CPT® codes.
  – NET CHARGES are Gross Charges – Adjustments (Write-offs)

• Can be broken down by procedure code/supply code for greater detail (Must do line item posting)

• Can be broken down by payer

• What does this help analyze?
  – What your TRUE collectable charges are.
  – A number to compare against collections that gives a more accurate picture of whether collections are healthy or not.

Important Formulas

• Net Collections Ratio
  – \( \frac{\text{Total Collections}}{\text{Total Charges - Adjustments}} \). Can be done by month or year. \( i.e., \) Net Charges

• Net Collections Ratio should be between 92-95%/month on a consistent basis

• Can be broken down by procedure code/supply code for greater detail

• Can be broken down by payer

• What does this help analyze?
  – Whether your overall collections each month is improving or declining
  – Whether you are meeting certain collection goals for each of your cost centers
Important Formulas

• Average Cost Per Patient
  – \[ \text{(Total expenses)} \div \text{(Total patient visits)} \]. This can also be calculated for specific diagnoses treated, new or established patients or other specific CPT® codes.

• Can be broken down by specific expense (i.e., staff salaries and benefits) for greater detail

• What does this help analyze?
  – What your “break even” point is per patient visit (how much of each patient visit goes in to your operation of the practice)
  – Whether you are meeting certain production and collection goals for each of your cost centers
  – How many patient visits would pay for a certain piece of equipment you want to buy, and at what point would you be making a profit? (tie your purchases to potential profit)

Important Formulas

• Expense to Earning Ratio
  – The percentage rate of collections in relation to expenses. Also called overhead ratio. \[ \text{(Total Expenses)} \div \text{(Total Collections)} \]

• Can be broken down by specific expense (i.e., fixed expenses, variable expenses, administrative, equipment, etc.) for greater detail

• What does this help analyze?
  – What % of the practice revenue is going toward overhead (i.e., Profit Margin)
  – Whether the practice is managing clinic expenses wisely
  – Whether there is any month left at the end of the money
Important Formulas

- **Average Collection Period (monthly) or Average number of Days in Accounts Receivable**
  - The average number of days/months a balance remains open before it’s collected or written off
  - **Months in AR (Average Collection Period):** Total AR Balance / Gross Charges
  - **Days In AR:** Total Months in AR x 30.4 days/month

- Can be broken down by specific payer/patient type and/or insurance AR vs. Patient AR

- What does this help analyze?
  - How the billing department is performing in timely filing and collections of insurance money
  - How the Front Desk is performing in over the counter collections

Important Reports

- **Monthly Statistical Summary**
  - AKA – Flash Report, Monthly Practice Analysis, etch (each software program calls this something different)

- Monthly Summary provides practice with the data needed to make the various analyses based on the important formulas discussed.

- Once the Office Manager has the data, the numbers are plugged in to the various formulas, and can be used to disseminate the data and provide a true picture of the growth (production) and financial health of the practice
GENERIC EXAMPLE OF A FLASH REPORT or END OF MONTH SUMMARY

The total numbers are plugged in to various formulas to calculate the health of clinic production, collections and overhead management.

Calculations isolate areas of under performance or concern

Calculations help with monitoring clinic goals.  Example, if clinic’s goal is to bill out $120/pp, Average monthly charges pp will help determine if clinic is on track. Net collections help you determine the difference between what you are billing and what is actually collectable.

Calculations also help determine how much it costs per patient to do business and keep doors open (not accounting for profit).  This is the "break even" point.

Important Reports

- **Accounts Receivable Report (A/R)**
  - AKA, Account Aging, Insurance Aging, Patient Aging, Outstanding Collections, etc. (each software program calls this something different)
  - Give practice details by patient on whether there is an outstanding balance on their account, whether the balance is due to uncollected insurance money, uncollected patient money and how old the balance is

- Monthly AR provides practice with the data needed to monitor the performance of the billing department and front desk – How long are accounts in AR before they are resolved?
- Finds payer related billing and reimbursement problems (i.e., payer is withholding payments due to a recoupment, claim batch never made it to a payer)
- Allows practice to account for EACH patient’s balance and what actions are being taken to rectify billing problems
- Must be run monthly
- Break down by payer
- Break down by patient vs. insurance balance
- Review accounts of concern with billing and front desk staff each month
Important Reports

- **Practice Income and Expense Report**
  - AKA, Profit and Loss Statement, P&L
  - Give practice details by expense category on what the clinic is spending money on, and whether costs are within the established spending goals (BUDGET) for the practice

- Must be run monthly
- Break down by expense category
- Compare monthly to budget and expense goals
- Review accounts of concern with provider and/or accounting dept.

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### Profit and Loss Summary Monthly

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<th>REVENUE</th>
<th>WEEK 1</th>
<th>WEEK 2</th>
<th>WEEK 3</th>
<th>WEEK 4</th>
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<td>$26,000</td>
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</table>

| EXPENDITURES | |
|-----------------|--------|--------|--------|--------|
| Staff Salaries | $15,000 | $19,000 | $26,000 | $20,000 |
| Benefits | $3,000 | $3,000 | $3,000 | $3,000 |
| Taxes | $8,000 | $7,000 | $3,000 | $3,000 |
| Accounts Payable | $0 | $2,000 | $0 | $0 |
| Rent | $0 | $1,000 | $0 | $0 |
| Utilities | $1,000 | $200 | $200 | $200 |
| Supplies | $500 | $700 | $300 | $500 |
| Physicians’ Salaries | $20,000 | $20,000 | $20,000 | $20,000 |
| Other | $800 | $1,000 | $200 | $700 |
| **Total** | $48,800 | $11,700 | $41,600 | $6,200 |
| **Profit (Loss)** | $(11,000) | $14,300 | $(17,600) | $17,300 |
| **Month Total Profit (Loss)** | $3,000 |
Profit and Loss Analysis against Clinic Budget/Goals

Adjustments and Write-Offs

- It is not practical to calculate the health of a clinic’s collections by GROSS BILLING (Services), due to the managed care climate most practices operate under. **Always calculate collection % on NET SERVICES**
- But not all write-offs are contractual
  - Bad-Debt/Bankruptcy
  - Timely Filing
  - Professional Courtesy/Dr Discretion
  - Financial Hardship
  - Miscellaneous (be careful, write offs should be as detailed as possible)
- It’s very important to correctly categorize the different types of write offs and adjustments that are made to patient accounts in order to make an accurate analysis of the clinic’s performance in the collection department, and monitor areas where money may be leaking out.
False Positives

• Be aware that there could be scenarios in analyzing stats where the numbers aren’t telling the whole story:
  – Collections in December are at 125% of net services (appears that more was collected than services rendered)
    • Billing office did their annual bad debt write offs to clear the AR for the next year
  – Collection % in August was significantly lower than normal
    • Doctor went on vacation the last week of July. Clinic was closed, no revenue

Statistical Radar

• Be on the lookout for:
  – Sudden increase in patient AR
    • New staff at front desk, not well trained on OTC collections?
  – Sudden decrease in a specific payer’s collections
    • New fee schedule?
    • Billing problems with the payer?
    • Credentialing issue (checks are on hold till recredentialing is done)
  – Sudden change in P&L
    • New equipment purchase may require change of budget and production goals
Questions?

• Thank you for your attendance!

• Get your questions answered on PMI's Discussion Forum: