



I AM A SMALL PRACTICE – SO MANY HATS!

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AMERICAN MEDICAL ASSOCIATION**

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Conflict of Interest Disclosure

Principal – Golden Caduceus Consultants, LLC





Goals for today

- Developing a plan
- Understanding financial statements
- Practice benchmarking
- Activity based costing introduction and sample application
- Human Resources
- Contracting and negotiating
- Lease vs. purchase vs. consortium



Conundrums and Questions

- The conundrum:
 - I just want to see patients
 - I don't want someone else telling me
 - What to do
 - How to do it
- Questions
 - Pieces on my practice's chess board?
 - Grasping and developing *my* big picture?
 - Tools?
 - Using them?
 - BTW





Chess Pieces on the Board

- Clinical
- Legal
- Marketing
- Culture and relationships
- Organizational relationships ... & resources
- Financial
- Benchmarking
- Human Resources
- Contracting





Goals for today

- The conundrum and the questions →
- Overwhelmed ... Where do I start
 - Stop hyperventilating
 - Take a deep breath
 - Begin developing a disciplined vision and strategy for your practice
 - Rabbit hole or epiphany
 - Resources and skills
 - Concept of SME
 - Me
 - Financial performance team
- The focus of this presentation: Overview that addresses two fundamental questions
 - What do I need to know to understand my practice?
 - What skill sets do I need to develop to guide my practice?





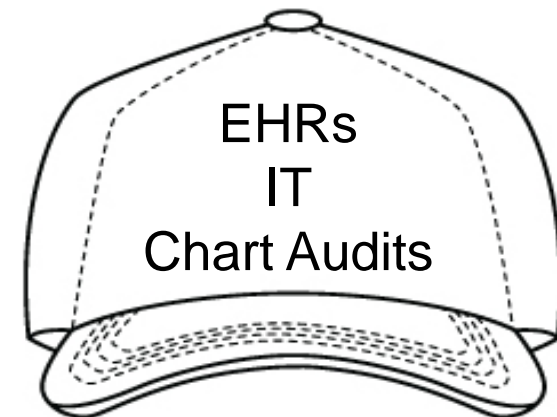
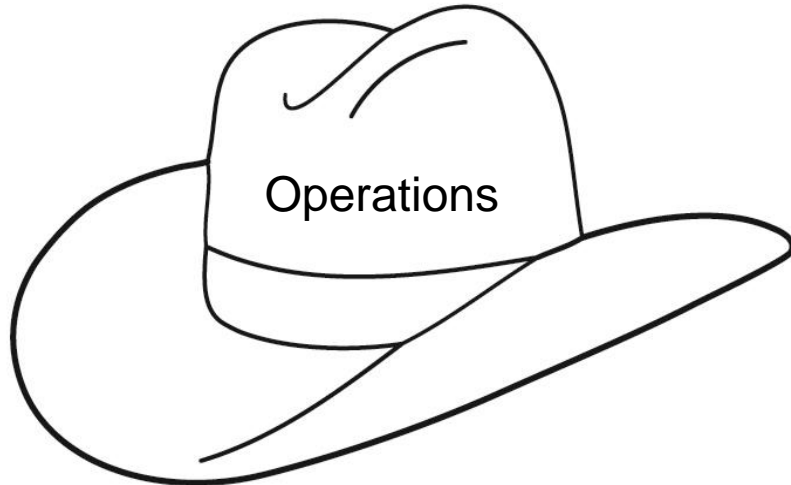
Members and roles of your financial performance team

- Accountants
- Comptroller
- Attorneys
- Banking
- Stocks, securities, and financial advisors
 - CFP - www.cfp.net
 - CEPA - smartasset.com/financial-advisor/certified-exit-planning-advisor
- Practice manager
- Rank and file staff ?
- You





So Many Hats ... Not Taught in Medical School



“Strategy without tactic is the slowest route to victory. Tactic without strategy is the noise before defeat.”

-The great Chinese militarist Sun Tzu





STRATEGIC PLANNING MODEL

- 1 Identify individual characteristics/deficiencies
- 2 Categorize the above into general groups
- 3 Identify the desired state
- 4 Realistic assessment of the current state
- 5 Identify gap between the current & desired state
- 6 Develop an action plan to close the gap
- 7 Identify who will address the problem and when
- 8 Monitor progress at appropriate intervals
- 9 Establish a control loop





STRATEGIC PLANNING PROCESS WORKSHEET

| DOMAIN | Future Vision | Current Reality | Gaps/ Challenges | Action Steps | Charge | Date |
|----------------|---------------|-----------------|------------------|--------------|--------|------|
| CONTRACT | | | | | | |
| LEADERSHIP | | | | | | |
| REFERRAL | | | | | | |
| CITIZENSHIP | | | | | | |
| COMMUNICATION | | | | | | |
| STAFFING | | | | | | |
| SCHEDULING | | | | | | |
| ANP ISSUES | | | | | | |
| GOVERNANCE | | | | | | |
| EHR & IT | | | | | | |
| OFFICE - SITE | | | | | | |
| INSURANCE | | | | | | |
| PURCHASING | | | | | | |
| ADMINISTRATIVE | | | | | | |





After the deep breath, take the first step

What's Your Challenge?



Operations

Improve operations, streamline processes and get the right talent aboard the ship, maximizing quality patient care.

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Strategic Planning and Governance

Create clear roles and responsibilities and create a following for the organization's mission, vision and values.

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Financial Management

Examine your cost structures and workflow to identify holes and areas of opportunity.

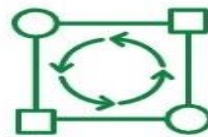
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Staffing and Compensation

Tap a robust suite of recruitment strategies to match the right candidates to your organization – staff that will stay.

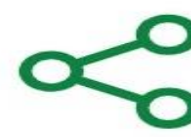
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Practice Transformation

Guide your team in bringing their A-game to every patient interaction, increasing your patient satisfaction scores and your top and bottom lines.

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Request a Chart Audit

Enlist our coding experts to complete periodic chart audits to ensure compliance and reimbursement.

[Get Help >](#)



Some MGMA examples

Issue: Suboptimal conversion of inbound referrals to scheduled office visits/procedures,
Outcome: Experienced suboptimal conversion rates of inbound referrals to scheduled office visits or procedures, with only 30% of referrals resulting in actual appointments.--> delays in patient care access & financial implications. Strategies were implemented to improve the referral conversion rate. By optimizing referral management processes, enhancing communication with referring providers, and streamlining scheduling and follow-up procedures, the organization achieved a consistent conversion rate of 65%.

Issue: Low answer rates for incoming calls, → missed opportunities, and ↑ wait times.
Outcome: Improvements were made to the call management systems, increased staffing levels, and enhanced training for the scheduling team. Significantly boosted the inbound answer rate from approximately 22% to an impressive 75%. Result: Improved customer satisfaction, reduced wait times, and enhanced communication with patients.



Some MGMA examples

Issue: Inefficient nursing staffing model requiring 1.5 staff per provider, leading to inefficiencies and potential resource constraints.

Outcome: Thorough evaluation of workflows was conducted, identifying areas for streamlining processes. By optimizing workflows and implementing a care team setting, → reduce the staffing requirement to just 0.75 staff members per provider. This restructuring improved the allocation of nursing resources, ensuring adequate support for each provider while optimizing resource utilization and reducing costs.

Issue: Lack of proper training and expertise in patient scheduling, resulting in missed opportunities and reduced patient flow.

Outcome: Comprehensive training plan was implemented to equip the staff with the necessary skills and knowledge for effective patient scheduling → 30% increase in the number of patients being scheduled. This improvement has led to enhanced patient access to services and improved overall efficiency.



FINANCIAL STATEMENTS





Tools – Financial Statements

- General Purpose
 - Tell the story of how a business operates from several views
 - How and how much revenue a business generates
 - What is their cost of doing business?
 - What are their assets and liabilities?
 - May be audited by government agencies, banking, and accountants to ensure accuracy and for tax, financing, or investing purposes
- How do you read or interpret them
 - Trending and compared to previous statements
 - Compared to competitors and peer groups
 - GAAP
 - Limitations: GIGO, fraud, poor oversight
 - <https://accounting-simplified.com/financial/statements/types>





STATEMENT OF REVENUE AND EXPENSES

| Ordinary Income/Expense → | 01/31/23 Accrual Basis | Profit & Loss | | |
|--------------------------------|---------------------------|-------------------------------|---------------------|-------------|
| | | January through December 2022 | | |
| Income | | Jan• Dec 22 | Jan• Dec 21 | Variance |
| Fee for Service Income | | 7,800,295.95 | 7,497,568.17 | 302,727.78 |
| Capitation Payments | | 1,132,500.00 | 1,345,688.34 | -213,188.34 |
| Refunds | | (\$78,537.36) | (\$64,321.67) | -14,215.69 |
| Total Income | | <u>8,854,258.59</u> | <u>8,778,934.84</u> | 75,323.75 |
| Gross Profit | | 8,854,258.59 | 8,778,934.84 | 75,323.75 |
| Expense | | | | |
| Miscellaneous Business Expense | | 1,523.26 | 794.18 | 729.08 |
| Gifts | | 0.00 | 1,200.00 | -1,200.00 |
| Reimbursed expenses | | 0.00 | 0.00 | 0.00 |
| Automobile Expense | | 2,181.25 | 1,920.00 | 261.25 |
| Bank Service Charges | | 63,785.33 | 50,935.76 | 12,849.57 |
| Bonuses | | 0.00 | 1,500.00 | -1,500.00 |
| Business Licenses and Permits | | 3,536.57 | 4,419.68 | -883.11 |
| Continuing Education | | 1,023.00 | 5,447.00 | -4,424.00 |
| Contract Labor | | | | 242,056.68 |
| APNs | | 992,385.50 | 750,328.82 | |
| Locum Tenens | | 59,900.00 | 67,500.00 | -16,600.00 |
| Total Contract Labor | | 1,043,285.50 | 817,828.82 | 225,456.68 |
| Dues and Subscriptions | | 16,612.49 | 30,393.00 | -13,780.51 |
| Holiday parties | | 0.00 | 1,500.00 | -1,500.00 |
| Insurance Expense | | | | 13,865.87 |
| Prof. Liability insurance | | 118,895.98 | 105,030.11 | |
| Insurance Expense - Other | | 342,125.16 | 329,772.49 | 12,352.67 |
| Total Insurance Expense | | 461,021.14 | 434,802.60 | 26,218.54 |
| Legal fees | | 17,165.00 | 40,437.50 | -23,272.50 |
| Management fees | | 189,000.00 | 0.00 | 189,000.00 |
| Office Supplies | | 4,945.52 | 4,827.66 | 117.86 |
| On Call Expenses | | 8,656.73 | 5,537.05 | 3,119.68 |
| Payroll Expenses | | | | 125,000.00 |
| | Shareholders | 3 | 525,000.00 | 2 |
| | Associates | 4 | 840,000.00 | 5 |
| | APNs | 22 | 2,970,000.00 | 22 |
| | Office staff | 14 | 490,000.00 | 14 |
| Payroll processing fees | | 1,324.27 | 1,361.82 | -37.55 |
| Payroll Taxes | | 235,361.18 | 255,510.19 | -20,149.01 |
| Practice Management fees | | 476,915.47 | 442,389.90 | 34,525.57 |
| Professional Fees | | 67,500.00 | 40,500.00 | 27,000.00 |
| Profit Sharing Plan | | 537,292.00 | 548,351.04 | -11,059.04 |
| Scheduling fees | | 5,111.43 | 5,111.43 | 0.00 |
| Telephone Expense | | 10,967.89 | 11,833.31 | -865.42 |
| Travel Expense | | 201.26 | 3,906.39 | -3,705.13 |
| Uniforms | | 133.81 | 472.80 | -338.99 |
| Total Expense | | <u>9,476,849.74</u> | <u>8,773,611.55</u> | 703,238.19 |
| Net Ordinary Income | | -3,552.77 | (737,517.02) | 733,964.25 |
| Other Income/Expense | | | | 0.00 |
| Other Income | | | | -654,400.00 |
| Other Income - Tax Exempt | | 0.00 | 654,400.00 | |
| Stimulus Income | | | 176,756.77 | -176,756.77 |
| Interest Income | | 3,835.94 | 1,201.03 | 2,634.91 |
| Total Other Income | | <u>3,835.94</u> | <u>832,357.80</u> | -828,521.86 |
| Net Other Income | | 3,835.94 | 832,357.80 | -828,521.86 |
| Net Income | | <u>283.17</u> | <u>94,840.78</u> | -94,557.61 |



Balance Sheet As of December 31, 2022

01/31/23 Accrual Basis

ASSETS

Current

| | 31-Dec-22 | 31-Dec-21 | Variance |
|---|------------------|-------------------|---------------------|
| Money Market - Whiterock Equity Fund | 6500.00 | 5000.00 | 1,500.00 |
| Checking/Savings Money Market - Camelot Community | 10,284.43 | 6905.75 | 3,378.68 |
| Savings - Texas Citizens Bank | 2,720.04 | 53.25 | 2,666.79 |
| Total Checking/Savings | 4,004.47 | 782.46 | 3,222.01 |
| Other Current Assets Due from Bhardwaj | 2,606.64 | 5,328.48 | (2,721.84) |
| ERC Receivable | 35000.00 | 111,217.00 | (76,217.00) |
| Total Other Current Assets | 2,606.64 | 116,545.48 | (113,938.84) |
| Total Current Assets | 63,722.22 | 245,832.42 | (182,110.20) |

Real Estate

| | | | |
|------------------------------|-------------|--------------|------------|
| Professional office building | 1,350,000.0 | 1,250,000.00 | 100,000.00 |
|------------------------------|-------------|--------------|------------|

TOTAL ASSETS

| | | |
|---------------------|---------------------|--------------------|
| \$1,413,722. | 1,495,832.42 | (82,110.20) |
|---------------------|---------------------|--------------------|

LIABILITIES & EQUITY

| | | | | |
|---------------------------------------|---|---------------------|---------------------|--------------------|
| Equity | Shareholder A | 361,146.35 | 333,663.88 | 27,482.47 |
| | Shareholder B | 361,146.35 | 333,663.88 | 27,482.47 |
| | Shareholder c | 361,146.35 | 333,663.88 | 27,482.47 |
| | Net Income | 283.17 | 94,840.78 | (94,557.61) |
| | Total Equity | 1,083,722.2 | 1,095,832.42 | (12,110.21) |
| Liabilities | Line of Credit - Camelot Community Bank | 5,000.00 | 50,000.00 | (45,000.00) |
| | Loan - Camelot Savings & Loan | 325,000.00 | 350,000.00 | (25,000.00) |
| | Total Liabilities | 330,000.00 | 400,000.00 | (70,000.00) |
| TOTAL LIABILITIES & EQUITY | | 1,413,722.21 | 1,495,832.42 | (82,110.21) |



Cash Flow Statement

- Shows how cash flows through the business to pay debt and operating expenses and complements/reconciles the balance sheet and income statement
- Operating Activities
 - Changes made in cash and Accounts payable that include
- Investing Activities that for medical practices
 - Primarily reflect changes in long term investments with purchases of fixed assets
- Financing Activities for medical practices
 - Primarily loans and debt assumption or repayment
- Comparison of cash and cash equivalents at beginning and end of year
- FYI, none of my anesthesia have shared a Cash Flow Statement



Summary Comparison of the Three Financial Statements

| | Income Statement | Balance Sheet | Cash Flow |
|-----------------------|----------------------------------|---|---------------------------------|
| Time | Period of time | A point in time | Period of time |
| Purpose | Profitability | Financial position | Cash movements |
| Measures | Revenue, expenses, profitability | Assets, liabilities, shareholders' equity | Increases and decreases in cash |
| Starting Point | Revenue | Cash balance | Net income |
| Ending Point | Net income | Retained earnings | Cash balance |



- Involved parties
 - <https://www.investopedia.com/financial-ratios-4689817>
- Measures of risk
- Four general types
- Profitability
 - EBIT
 - EBITDA
 - <https://www.investopedia.com/ask/answers/020215/what-difference-between-ebit-and-ebitda.asp>
- Solvency
- Liquidity
- Valuation
 - Expressed in equity multiples
 - <https://www.investopedia.com/financial-ratios-4689817>





BENCHMARKING

I would like to acknowledge the kind permission granted from the Medical Group Management Association for allowing me to share screens extracted from their Datadive 2023 Report based on 2022 data



Key Performance Indicators (KPIs)

- Clinical Productivity
 - Encounters/case numbers per physician/extender
 - Number of discreet patient encounters/case numbers
 - Average RVUs per encounter/case
- Financial / Charges and Revenue
 - Full charge per RVU
 - Average revenue per RVU
 - Average charge per encounter/case
 - Average revenue per encounter/case
 - Average total charges/physician or extender
 - Average total revenue/physician or extender





Key Performance Indicators (KPIs)

- Revenue Cycle Management (RCM)
 - Net Collection Percentage (NCP)
 - Classical - Reported
 - Expected - Aggregate RVU Calculation
 - Gross Collection Percentage (GCP)
 - Accounts Receivable (A/R)
 - Days in A/R
 - A/R Multiple
 - Aged A/R
 - Bad debt
 - % of Charges
 - % of Revenue





Cost and Revenue
2023 REPORT BASED ON 2022 DATA

A/R, Collections, Payer Mix Practice Data for Family Medicine by Number of FTE Physicians (expanded)

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For resources and definitions, visit mgma.com/datadiveresources

| |
|---|
| Total A/R per physician |
| Total A/R per provider |
| 0-30 days in A/R |
| 31-60 days in A/R |
| 61-90 days in A/R |
| 91-120 days in A/R |
| 120+ days in A/R |
| Re-aged: 31-60 days in A/R |
| Re-aged: 61-90 days in A/R |
| Re-aged: 91-120 days in A/R |
| Re-aged: 120+ days in A/R |
| Re-aged: 0-30 days in A/R |
| Not re-aged: 0-30 days in A/R |
| Not re-aged: 31-60 days in A/R |
| Not re-aged: 61-90 days in A/R |
| Not re-aged: 91-120 days in A/R |
| Not re-aged: 120+ days in A/R |
| Months gross FFS charges in A/R |
| Months adjusted FFS charges in A/R |
| Days gross FFS charges in A/R |
| Days adjusted FFS charges in A/R |
| Gross FFS collection percent |
| Adjusted FFS collection percent |
| Gross FFS + capitation collection percent |
| Net capitation revenue percent of gross capitation charges |
| Medicare - % of total gross charges |
| Medicaid - % of total gross charges |
| Commercial - % of total gross charges |
| Workers' compensation - % of total gross charges |
| Charity care - % of total gross charges |
| Self-pay - % of total gross charges |
| Other government payers - % of total gross charges |





**Cost and Revenue
2023 REPORT BASED ON 2022 DATA**

Productivity per FTE Physician for Surgery: General by Geographic Section

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For resources and definitions, visit mgma.com/datadiveresources

| Benchmark | Eastern | | | | | | | | | Midwest | | | | | | Southern | | | | | | Western | | | | | | | | | | | | | |
|--------------------------------|---------|------|---------|------------|------------|--------|------------|------------|-------|---------|---------|------------|------------|--------|------------|------------|-------|------|---------|------------|------------|---------|------------|------------|--------|------|---------|------------|------------|--------|------------|------------|-------|--------|--|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | | | |
| Total procedures | 11 | | | | | | | | 3 | * | * | * | * | * | * | 3 | * | * | * | * | * | * | * | * | 0 | * | * | * | * | * | * | * | | | |
| Patients | 46 | | | | | 1,066 | | | 25 | | | | | 668 | | | 53 | | | | | | | 534 | | | | | 23 | | | | 1,357 | | |
| Work RVUs | 46 | | | | | | | | 28 | | | | | | | | 54 | | | | | | | | 24 | | | | | | | | | | |
| Total RVUs | 34 | | | | | | | 35,961 | 24 | | | | | | 23,807 | 48 | | | | | | | | | 27,961 | 23 | | | | | | | | 27,167 | |
| Total encounters | 28 | | | | | 2,435 | | | 25 | | | | | 2,352 | | | 7 | * | * | * | * | * | * | * | 13 | | | | | | | 2,670 | | | |
| Panel size | 0 | | | | | * | * | * | 1 | * | * | * | * | * | * | 0 | * | * | * | * | * | * | * | * | 1 | * | * | * | * | * | * | * | * | * | |
| Number of exam/treatment rooms | 1 | | | | | * | * | * | 8 | * | * | * | * | * | * | 3 | * | * | * | * | * | * | * | * | 3 | * | * | * | * | * | * | * | * | * | |
| Square feet | 2 | | | | | * | * | * | 8 | * | * | * | * | * | * | 4 | * | * | * | * | * | * | * | * | 2 | * | * | * | * | * | * | * | * | * | |





Cost and Revenue
 2023 REPORT BASED ON 2022 DATA
 Productivity per FTE Provider for Pediatrics
 ©2024 MGMA. All Rights Reserved. Data extracted from MGMA DataDive.

| Benchmark | All Practice Types | | | | | | | |
|--------------------------------|--------------------|-------|---------|------------|------------|--------|------------|------------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total Procedures | 12 | 5,055 | 3,501 | 300 | 3,192 | 5,982 | 6,028 | 12,089 |
| Patients | 49 | 1,430 | 1,158 | 143 | 643 | 1,128 | 1,710 | 3,449 |
| Work RVUs | 55 | 5,201 | 1,923 | 2,941 | 3,939 | 5,017 | 6,189 | 7,531 |
| Total RVUs | 43 | 9,327 | 6,012 | 4,049 | 5,300 | 8,165 | 11,544 | 17,749 |
| Total Encounters | 28 | 3,249 | 1,218 | 1,948 | 2,669 | 3,151 | 4,168 | 4,933 |
| Number of exam/treatment rooms | 11 | 3 | 1 | 1 | 1 | 1 | 3 | 4 |
| Square feet | 16 | 1,007 | 592 | 196 | 555 | 1,047 | 1,426 | 1,786 |
| Panel size | 6 | . | . | . | . | . | * | * |





Cost and Revenue
2023 REPORT BASED ON 2022 DATA
 Expenses per FTE Provider for **OB/GYN** by **Demographic Classification**
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 For resources and definitions, visit mgma.com/datadiveresources

| Benchmark | Metropolitan Area - Population of 50,000 or More | | | | | | | | Nonmetropolitan Area - Population of 49,999 or Fewer | | | | | | | |
|--|--|-----------|-----------|------------|------------|------------------|------------|------------------|--|-----------|-----------|------------|------------|-----------------|------------|------------------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total physician compensation | 117 | \$36,761 | \$29,141 | \$17,991 | \$221,148 | \$309,107 | \$48,593 | \$563,355 | 11 | \$36,593 | \$10,424 | \$25,693 | \$18,788 | \$234,198 | \$35,214 | \$446,962 |
| Total advanced practice provider compensation cost | 113 | \$57,256 | \$71,813 | \$17,215 | \$22,234 | \$48,721 | \$66,557 | \$88,950 | 10 | \$57,881 | \$37,573 | \$12,894 | \$25,554 | \$53,196 | \$62,121 | \$124,247 |
| Total business operations support staff | 71 | \$31,071 | \$31,234 | \$5,548 | \$11,813 | \$21,512 | \$37,151 | \$64,092 | 10 | \$24,855 | \$21,021 | \$3,883 | \$8,112 | \$23,648 | \$35,233 | \$66,010 |
| Total front office support staff | 119 | \$37,145 | \$48,283 | \$5,932 | \$20,212 | \$39,248 | \$48,755 | \$128,419 | 13 | \$48,077 | \$65,721 | \$4,511 | \$18,883 | \$19,688 | \$32,134 | \$246,182 |
| Total clinical support staff | 79 | \$67,265 | \$54,389 | \$30,333 | \$46,811 | \$57,687 | \$75,594 | \$113,784 | 11 | \$65,088 | \$31,453 | \$7,022 | \$41,693 | \$74,032 | \$81,769 | \$104,212 |
| Total general operating cost | 124 | \$182,782 | \$119,107 | \$55,765 | \$181,914 | \$183,212 | \$248,141 | \$353,267 | 15 | \$158,169 | \$184,447 | \$56,623 | \$68,581 | \$116,854 | \$144,489 | \$352,935 |
| Total operating cost | 128 | \$225,521 | \$171,481 | \$81,116 | \$234,133 | \$319,646 | \$401,491 | \$538,177 | 15 | \$201,421 | \$216,891 | \$71,239 | \$108,422 | \$228,312 | \$288,731 | \$745,228 |

| Benchmark | All Practice Types | | | | | | | |
|--|--------------------|----------|----------|------------|------------|-----------|------------|------------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total provider cost | 63 | \$47,547 | \$16,716 | \$16,716 | \$321,520 | \$67,716 | \$67,716 | \$67,716 |
| Total physician cost | 59 | \$17,261 | \$6,616 | \$16,716 | \$256,515 | \$67,716 | \$67,716 | \$67,716 |
| Total physician compensation | 48 | \$16,211 | \$15,066 | \$11,126 | \$238,278 | \$26,000 | \$12,127 | \$66,616 |
| Total physician benefit cost | 44 | \$12,000 | \$5,176 | \$11,766 | \$17,069 | \$2,700 | \$1,011 | \$1,716 |
| Total advanced practice provider cost | 63 | \$16,000 | \$16,000 | \$16,000 | \$55,887 | \$66,000 | \$66,000 | \$66,000 |
| Total advanced practice provider benefit cost | 44 | \$14,000 | \$17,000 | \$14,000 | \$7,463 | \$16,000 | \$16,000 | \$16,716 |
| Total advanced practice provider compensation cost | 45 | \$16,000 | \$16,000 | \$17,000 | \$43,737 | \$16,716 | \$17,000 | \$67,716 |
| Total support staff cost | 58 | \$16,616 | \$6,000 | \$11,127 | \$16,000 | \$16,000 | \$190,412 | \$16,000 |
| Total employed support staff | 61 | \$16,616 | \$6,000 | \$11,127 | \$16,000 | \$16,000 | \$146,286 | \$16,000 |
| Total employed support staff benefits | 62 | \$11,127 | \$6,000 | \$11,127 | \$11,127 | \$6,000 | \$52,569 | \$11,127 |
| Total contracted support staff | 8 | * | * | * | * | * | * | * |
| Total business operations support staff | 47 | \$16,000 | \$1,000 | \$1,716 | \$16,000 | \$20,690 | \$17,000 | \$16,000 |
| General administrative | 27 | \$16,000 | \$1,000 | \$1,716 | \$16,000 | \$16,348 | \$16,000 | \$17,116 |
| Patient accounting | 5 | * | * | * | * | * | * | * |
| General accounting | 3 | * | * | * | * | * | * | * |
| Managed care administrative | 6 | * | * | * | * | * | * | * |
| Information technology | 3 | * | * | * | * | * | * | * |
| Housekeeping, maintenance, security | 2 | * | * | * | * | * | * | * |
| Total front office support staff | 54 | \$16,716 | \$7,000 | \$16,000 | \$18,074 | \$16,000 | \$16,000 | \$16,000 |
| Medical receptionists | 26 | \$16,000 | \$11,127 | \$11,127 | \$8,867 | \$16,000 | \$17,000 | \$16,000 |
| Medical secretaries, transcribers | 3 | * | * | * | * | * | * | * |
| Medical records | 5 | * | * | * | * | * | * | * |
| Other administrative support | 9 | * | * | * | * | * | * | * |
| Total clinical support staff | 54 | \$16,716 | \$7,000 | \$16,000 | \$16,716 | \$16,000 | \$17,000 | \$129,557 |
| Registered nurses | 14 | \$16,716 | \$16,000 | \$16,000 | \$16,716 | \$16,000 | \$16,000 | \$153,541 |
| Licensed practical nurses | 16 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$34,985 |
| Medical assistants, nurse aides | 32 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$65,634 |
| Total ancillary support staff | 28 | \$16,127 | \$16,716 | \$16,716 | \$16,127 | \$16,716 | \$17,000 | \$94,657 |
| Clinical laboratory | 7 | * | * | * | * | * | * | * |
| Radiology and imaging | 3 | * | * | * | * | * | * | * |
| Other medical support services | 13 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$17,000 | \$16,000 |
| Total general operating cost | 59 | \$12,916 | \$16,716 | \$11,127 | \$11,127 | \$117,499 | \$16,000 | \$16,000 |
| Information technology operating cost | 22 | \$11,127 | \$16,000 | \$16,000 | \$11,127 | \$10,739 | \$16,000 | \$16,000 |
| Drug supply | 19 | \$16,211 | \$16,000 | \$16,000 | \$16,000 | \$115,945 | \$16,000 | \$16,000 |
| Medical and surgical supply | 28 | \$16,716 | \$16,000 | \$16,000 | \$16,000 | \$9,129 | \$16,000 | \$16,716 |
| Building and occupancy | 28 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$28,151 | \$16,000 | \$16,716 |
| Building/occupancy depreciation | 7 | - | - | - | - | * | - | - |
| Furniture and equipment | 22 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$645 | \$16,000 | \$16,000 |
| Furniture/equipment depreciation | 16 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$3,369 | \$16,000 | \$16,000 |
| Administrative supplies and services | 27 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$8,347 | \$16,000 | \$16,716 |
| Professional liability insurance | 15 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$3,742 | \$16,000 | \$16,716 |
| Other insurance premiums | 12 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$1,753 | \$16,000 | \$16,000 |
| Legal fees | 14 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$1,057 | \$16,000 | \$16,716 |
| Consulting fees | 15 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$510 | \$16,000 | \$16,000 |
| Outside professional fees | 18 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$1,438 | \$16,000 | \$16,000 |
| Clinical laboratory operating cost | 12 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$4,265 | \$16,000 | \$16,000 |
| Radiology and imaging operating cost | 2 | - | - | - | - | * | - | - |
| Promotion and marketing | 15 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$1,415 | \$16,000 | \$16,000 |
| Other ancillary services | 2 | - | - | - | - | * | - | - |
| Billing and collection purchased services | 13 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$4,236 | \$16,000 | \$16,000 |
| Management fees paid to MSO or PPMC | 14 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$65,862 | \$16,000 | \$16,000 |
| Miscellaneous operating cost | 18 | \$16,000 | \$16,000 | \$16,000 | \$16,000 | \$2,287 | \$16,000 | \$16,000 |
| Cost allocated to practice from parent | 6 | - | - | - | - | * | - | - |

Cost and Revenue
2023 REPORT BASED ON 2022 DATA
Expenses per FTE Provider for Gastroenterology
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Cost and Revenue
2023 REPORT BASED ON 2022 DATA

Charges & Revenue per FTE Physician for **Internal Medicine**

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| Benchmark | All Practice Types | | | | | | | |
|--|--------------------|------------|-------------|------------|------------|------------|-------------|-------------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total gross charges | 171 | \$1,453.09 | \$93.04 | \$38.93 | \$93.09 | \$1,221.45 | \$1,877,820 | \$2,492.09 |
| Total medical revenue | 206 | \$38,400 | \$18,106 | \$145.02 | \$451.45 | \$861.04 | \$872,066 | \$1,109.07 |
| Total medical revenue after operating cost | 206 | \$21,822 | \$10,048 | (\$24,901) | \$8,599 | \$24,420 | \$39,029 | \$99,100 |
| Total medical revenue after operating and advanced practice | 140 | \$7,024 | \$22,709 | (\$19,000) | (\$14,000) | \$6,029 | \$216,007 | \$80,719 |
| Net FFS revenue | 206 | \$91,404 | \$17,006 | \$22,391 | \$69,409 | \$108,695 | \$812,731 | \$99,000 |
| Gross FFS charges | 168 | \$1,453.10 | \$93.05 | \$38.93 | \$93.10 | \$1,221.47 | \$1,880,395 | \$2,502.97 |
| Adjustments to FFS charges | 166 | \$92,807 | \$19,119 | \$26,769 | \$69,409 | \$93,251 | \$1,161,044 | \$1,761,002 |
| Adjusted FFS charges | 168 | \$98,142 | \$20,706 | \$29,097 | \$69,259 | \$104,702 | \$99,111 | \$98,418 |
| Bad debts due to FFS activity | 152 | \$7,402 | \$4,764 | \$1,122 | \$1,399 | \$1,200 | \$9,109 | \$9,121 |
| Net capitation revenue | 18 | \$2,709 | \$9,899 | \$1,294 | \$1,349 | \$1,045 | \$2,709 | \$9,502 |
| Gross capitation charges | 16 | \$95,227 | \$1,202,220 | \$1,122 | \$1,869 | \$93,127 | \$1,462,000 | \$1,698,396 |
| Gross capitation revenue | 16 | \$1,104 | \$92,709 | \$99 | \$1,394 | \$1,007 | \$1,104 | \$71,240 |
| Net other medical revenue | 59 | \$4,727 | \$8,444 | \$1,009 | \$1,899 | \$2,109 | \$92,298 | \$19,709 |
| Gross revenue from other medical activities | 63 | \$4,100 | \$4,229 | \$1,027 | \$1,400 | \$1,904 | \$91,427 | \$21,000 |
| Incentive-based revenue | 12 | \$9,813 | \$7,170 | \$1,000 | \$1,200 | \$1,007 | \$10,007 | \$21,000 |
| Other medical revenue | 66 | \$1,702 | \$4,000 | \$99 | \$1,974 | \$1,904 | \$39,209 | \$9,804 |
| Cost of sales/other medical activity | 2 | - | - | - | - | - | - | - |
| Net nonmedical income/loss | 16 | \$9,114 | \$9,000 | \$99 | \$1,700 | \$92,000 | \$24,700 | \$12,007 |
| Nonmedical revenue | 3 | - | - | - | - | - | - | - |
| Extraordinary nonmedical revenue | 3 | - | - | - | - | - | - | - |
| Financial support for operating costs | 12 | \$2,709 | \$9,000 | \$1,400 | \$2,800 | \$92,700 | \$14,700 | \$24,400 |
| Nonmedical cost | 10 | \$1,000 | \$1,100 | \$9 | \$4 | \$91 | \$1,200 | \$8,000 |
| Extraordinary nonmedical cost | 1 | - | - | - | - | - | - | - |
| Net income/loss, excluding financial support (all practices) | 196 | (\$1,100) | \$10,000 | (\$14,000) | (\$12,000) | (\$10,000) | (\$10,000) | (\$14,000) |
| Net income/loss, practices with financial support | 12 | (\$1,700) | \$19,700 | (\$14,700) | (\$19,400) | (\$1,900) | \$4,300 | \$93,007 |
| Net income/loss, practices without financial support | 184 | (\$9,400) | \$10,000 | (\$19,000) | (\$19,000) | (\$10,000) | (\$14,000) | (\$14,000) |

Cost and Revenue

2023 REPORT BASED ON 2022 DATA

Productivity per FTE Physician for **Internal Medicine**

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| Benchmark | All Practice Types | | | | | | | |
|--------------------------------|--------------------|-------|---------|------------|------------|--------|------------|------------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total procedures | 29 | 1.39 | 1.00 | 0.21 | 0.97 | 1.00 | 1.93 | 4.49 |
| Patients | 181 | 1.94 | 2.70 | 0.91 | 2.01 | 0.91 | 2,052 | 5.20 |
| Work RVUs | 183 | 7.94 | 4.92 | 2.99 | 4.70 | 7.07 | 15.80 | 19.99 |
| Total RVUs | 146 | 11.93 | 10.07 | 1.97 | 6.93 | 10.07 | 29.99 | 39.99 |
| Total encounters | 79 | 1.42 | 1.99 | 0.91 | 2.10 | 1.99 | 5,009 | 11.97 |
| Panel size | 10 | 4.19 | 7.09 | 0.91 | 1.99 | 1.99 | 1.99 | 29.99 |
| Number of exam/treatment rooms | 16 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Square feet | 15 | 1.92 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 4.99 |

| CAUTIONS | | |
|-------------------------------|----------|---|
| DIFFERENT PATIENT COUNTS | | |
| ONLY APPROXIMATE CALCULATIONS | | |
| Encounters/Patients | 2.44 | Caution: Comparing counts of 181 and 79 |
| Charge/Encounter | \$374.89 | Caution: Comparing counts of 171 and 79 |
| Total FFS Rev/Encounter | \$162.25 | Caution: Comparing counts of 206 and 79 |

| CAUTIONS | |
|--|--|
| DIFFERENT PATIENT COUNTS | |
| ONLY APPROXIMATE CALCULATIONS | |
| Total FFS Rev + Financial Support vs. Total Medical Revenue \$953,317 vs. \$872,066 | |
| Financial Support vs. Total FFS Rev - Net FFS Rev \$140,586 vs. \$59,335 | |



Cost and Revenue
 2023 REPORT BASED ON 2022 DATA
 Staffing Practice Data for Family Medicine by Number of FTE Physicians (expanded)
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| Benchmark | 3 or Fewer FTE Physicians | | | | | | | | | 4 to 6 FTE Physicians | | | | | | | 51 to 75 FTE Physicians | |
|-----------------------------------|---------------------------|------|---------|------------|------------|--------|------------|------------|-------|-----------------------|---------|------------|------------|--------|------------|------------|-------------------------|------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean |
| Total support staff | 500 | 7.4 | 4.8 | 2.5 | 4 | 6.34 | 8.8 | 11.1 | 129 | 9.3 | 6.2 | 5.5 | 8.8 | 15.41 | 20.9 | 26.5 | 0 | * |
| Total physicians | 513 | 1.0 | 0.7 | 2.12 | 1 | 1.66 | 2.1 | 2.8 | 134 | 4.1 | 0.8 | 2.26 | 4 | 4.62 | 5.5 | 6.0 | 1 | * |
| Total providers | 387 | 1.2 | 1.0 | 1.3 | 1 | 1.3 | 1.9 | 2.5 | 105 | 7.0 | 2.0 | 4.0 | 5.0 | 6.0 | 6.5 | 10.5 | 1 | * |
| Total advanced practice providers | 387 | 1.0 | 1.5 | 0.4 | 0.9 | 1.33 | 1 | 1 | 105 | 1.8 | 1.4 | 1.0 | 1.4 | 2.21 | 3.0 | 5.0 | 1 | * |

| Benchmark | 7 to 10 FTE Physicians | | | | | | | | 11 to 25 FTE Physicians | | | | | | | 26 to 50 FTE Physicians | | |
|-----------------------------------|------------------------|------|---------|------------|------------|--------|------------|------------|-------------------------|------|---------|------------|------------|--------|------------|-------------------------|-------|------|
| | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | Std Dev | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean |
| Total support staff | 35 | 26.4 | 12.2 | 6.9 | 15 | 24.4 | 32.0 | 39.9 | 12 | 40.0 | 18.9 | 11.2 | 27.8 | 40.9 | 61.2 | 75.6 | 1 | * |
| Total physicians | 35 | 0.1 | 1.0 | 2.16 | 1.0 | 8.49 | 9.9 | 9.9 | 12 | 9.9 | 3.0 | 2.22 | 11.9 | 12.65 | 14.0 | 21.0 | 1 | * |
| Total providers | 31 | 10.8 | 3.4 | 7.5 | 8.8 | 11.7 | 14.1 | 16.2 | 12 | 8.0 | 4.0 | 10.5 | 9.6 | 11.9 | 20.9 | 27.2 | 1 | * |
| Total advanced practice providers | 31 | 1.2 | 2.0 | 0.4 | 1.0 | 2.8 | 5.1 | 7.6 | 12 | 4.9 | 2.9 | 1.9 | 2.4 | 5.77 | 6 | 15.4 | 1 | * |





Cost and Revenue
2023 REPORT BASED ON 2022 DATA

Staffing per FTE Physician for **Cardiology** by **Number of FTE Physicians** (expanded)

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| Benchmark | 3 or Fewer FTE Physicians | | | | | | | | | 4 to 6 FTE Physicians | | | | | | |
|---|---------------------------|------|----|-------------|------------|------------|------------|-------------|-----------|-------------------------|----|-------------|------------|--------|------------|------------|
| | Count | Mean | SD | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | SD | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total providers | 63 | | | | | | | | 41 | | | | | | | |
| Primary care physicians | 8 | | | | | | | | 6 | | | | | | | |
| Nonsurgical specialty physicians | 18 | | | | | 1 | | | 18 | | | | | 1 | | |
| Surgical specialty physicians | 9 | | | | | | | | 10 | | | | | | | |
| Total advanced practice providers | 63 | | | | | | | | 41 | | | 0.27 | | 0.69 | | 1.14 |
| Total support staff | 89 | | | | | | | | 39 | | | | | | | |
| Total employed support staff | 89 | | | | | | | | 39 | | | | | | | |
| Total contracted support staff | 2 | | | | | | | | 6 | | | | | | | |
| Total business operations support staff | 39 | | | | | | | | 18 | | | | | | | |
| General administrative | 25 | | | | | | | | 13 | | | | | | | |
| Patient accounting | 2 | | | | | | | | 1 | | | | | | | |
| General accounting | 1 | | | | | | | | 0 | | | | | | | |
| Managed care administrative | 8 | | | | | | | | 2 | | | | | | | |
| Information technology | 1 | | | | | | | | 0 | | | | | | | |
| Total front office support staff | 69 | | | 0.41 | | 1.1 | | 5.85 | 36 | | | 0.49 | | | | |
| Medical receptionists | 11 | | | | | | | | 6 | | | | | | | |
| Medical secretaries, transcribers | 4 | | | | | | | | 3 | | | | | | | |
| Medical records | 5 | | | | | | | | 4 | | | | | | | |
| Other administrative support | 21 | | | | | | | | 7 | | | | | | | |
| Total clinical support staff | 67 | | | | | | | | 19 | | | | | | | |
| Registered nurses | 26 | | | | | | | | 13 | | | | | | | |
| Licensed practical nurses | 19 | | | | | | | | 7 | | | | | | | |
| Medical assistants, nurse aides | 48 | | | | | | | | 13 | | | | | | | |
| Total ancillary support staff | 37 | | | | | | | | 14 | | | | | | | |
| Clinical laboratory | 1 | | | | | | | | 2 | | | | | | | |
| Radiology and imaging | 19 | | | | | | | | 10 | | | | | | | |
| Other medical support services | 20 | | | | | | | | 10 | | | | | | | |
| Benchmark | 7 to 10 FTE Physicians | | | | | | | | | 11 to 25 FTE Physicians | | | | | | |
| | Count | Mean | SD | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile | Count | Mean | SD | 10th %tile | 25th %tile | Median | 75th %tile | 90th %tile |
| Total providers | 26 | | | | | | | | 12 | | | | | | | |
| Primary care physicians | 2 | | | | | | | | 1 | | | | | | | |
| Nonsurgical specialty physicians | 10 | | | | | 1 | | | 7 | | | | | * | | |
| Surgical specialty physicians | 4 | | | | | | | | 0 | | | | | | | |
| Total advanced practice providers | 26 | | | | | | | | 12 | | | | | | | |
| Total support staff | 25 | | | | | | | | 14 | | | | 0.88 | | 4.46 | |
| Total employed support staff | 25 | | | | | | | | 14 | | | | | | | |
| Total contracted support staff | 2 | | | | | | | | 3 | | | | | | | |
| Total business operations support staff | 15 | | | | | | | | 9 | | | | | | | |
| General administrative | 13 | | | | | | | | 7 | | | | | | | |
| Patient accounting | 3 | | | | | | | | 1 | | | | | | | |
| General accounting | 1 | | | | | | | | 0 | | | | | | | |
| Managed care administrative | 3 | | | | | | | | 1 | | | | | | | |
| Information technology | 0 | | | | | | | | 0 | | | | | | | |
| Total front office support staff | 24 | | | | | | | | 14 | | | | | | | |
| Medical receptionists | 8 | | | | | | | | 5 | | | | | | | |
| Medical secretaries, transcribers | 1 | | | | | | | | 2 | | | | | | | |
| Medical records | 5 | | | | | | | | 3 | | | | | | | |
| Other administrative support | 10 | | | | | | | | 3 | | | | | | | |
| Total clinical support staff | 16 | | | 0.33 | | 1.5 | | 2.82 | 9 | | | | * | | | |
| Registered nurses | 13 | | | | | | | | 7 | | | | | | | |
| Licensed practical nurses | 7 | | | | | | | | 5 | | | | | | | |
| Medical assistants, nurse aides | 13 | | | | | | | | 7 | | | | | | | |
| Total ancillary support staff | 13 | | | | | | | | 11 | | | | | | | |
| Clinical laboratory | 3 | | | | | | | | 1 | | | | | | | |
| Radiology and imaging | 6 | | | | | | | | 4 | | | | | | | |
| Other medical support services | 10 | | | | | | | | 7 | | | | | | | |



ACTIVITY BASED COSTING





Activity Based Costing (ABC) – History and Applications

- Traditional vs. ABC
 - Traditional form you are used to seeing on your practice reports
 - Income Statement covered above looks at revenue and expense
 - Top to bottom
 - More simple but arbitrary that does not distinguish the many complex variables, especially fixed and variable costs
 - ABC working from the bottom to the top.
 - Think of it as a volume sensitive building block approach.
 - Primarily focused only allocating a cost per unit with revenue coming as a second phase/consideration
- Developed by Robert Kaplan and William Bruns in late 80's
- Initially focus was manufacturing and especially useful in complex manufacturing
 - <https://www.dummies.com/article/business-careers-money/business/accounting/general-accounting/activity-based-costing-for-overhead-allocation-204526/>
- Has health care applications from solo doc to complex multi-specialty practices
- Can provide a basis to compare FFS and capitation and help identify inefficiencies or excess capacity. Reference below has an ER example.
 - <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6197877/>





Activity Based Costing (ABC) – History and Applications

- In more complex applications, can be used to identify variation to optimize resource allocation, process improvement, mitigate risk, and provide a foundation for value-based payment initiatives.
 - <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7495936/>
- Next level, Time Driven ABC added in 2004
 - <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6259879/>
- Before your salary, what is your cost/patient and can you really afford that contract?
- Will use simple application for medical practice with a lot of poetic license to answer that question.
- Purist would claim heresy... apologies to Kaplan and Bruns and the variations that followed





Definition of ABC Accounting Model

Definition of ABC Accounting Model:

- (a) Identifies activities in a product or service and then assigns the cost of that activity to all products and services proportionate to the actual consumption by each activity ...
 - https://en.wikipedia.org/wiki/Activity-based_costing
- (b) An approach to the costing and monitoring of activities, which traces resource consumption and costing final outputs.
 - <https://www.stratadecision.com/blog/the-rise-of-time-driven-costing-a-history-of-activity-based-costing-in-healthcare/>



Definitions of ABC components

- Activity – An event that incurs costs ⇒ Today's example - Patient visit
- Cost object – Anything for which a separate measure of cost is desired/required.
 - Today, determining incremental cost of a patient visit.
 - Will keep simple
 - Solo doc
 - One location
 - One type of service ⇒ E&M
 - Subspecialty, surgical or OB-GYN, multiple-specialty, multi-site where add locations, procedures to E&M visits might have multiple.
- Activity Cost Pool – cost allocated to a particular activity or grouping ⇒ Today:
 - Clinical Productivity
 - IT
 - Billing & Administrative
 - Site Related Expenses



Definitions of ABC components

- Cost driver – any factor or activity that has a direct cause and effect relationship with resources consumed that may reflect
 - Frequency
 - Duration
 - Physical requirement
 - Intensity
- Cost unit – cost assigned to the item of production or service being assessed ⇒ Patient Visit
- Direct cost – cost directly associated with the activity or process step (e.g., RN labor cost, cost per gown)
- Indirect cost – not directly identifiable with cost object but part of the overhead or general support (e.g., utilities, office insurance)
- <https://www.slideshare.net/ATBHATTI/activity-based-costing-system-15438620>





Examples of Cost Pools

- Activity Cost Pool – cost allocated to a particular activity or grouping ⇒
 - Clinical Exam Room Activities
 - IT & Lab
 - Billing & Administrative
 - Site
- Examples of Cost Drivers – any factor or activity that has a direct cause and effect relationship with resources consumed.
 - Clinical Exam Room Activities ⇒ Disposables, RNs, LPNs, Exam room equipment
 - IT & Lab ⇒ Amortized costs of EHR, Annual EHR maintenance fees, Hardware costs, Lab equipment, Lab supplies, Scheduling software
 - Billing & Administrative ⇒ Administrative staff, Medical Transcription, Front office staff, Legal, Accounting ... Consultants
 - Site ⇒ Lease or mortgage payments, taxes, insurance, utilities





Examples of Cost Pools

- Cost unit
 - Create a matrix with columns for direct and indirect costs
 - Can war game patient volumes from a potential contract since direct costs will vary and indirect costs will be there whether you accept the contract or not
- The above examples are not all-inclusive
 - You may find the items in your Statement of Revenues and Expenses helpful in personalizing your list
 - Compare some of your ABC to BM metrics if available.
- Some business you can't afford to accept
 - Do you know the difference?
 - One does not increase profitability by increasing the number of loss units!
- ABC For Dummies
 - <https://www.dummies.com/article/business-careers-money/business/accounting/general-accounting/activity-based-costing-for-overhead-allocation-204526/>



| Volume Assumption --> 30 PTS/DAY X 46 X 5 --> 6,900 PT VISTS/YR | | | Volume Assumption --> 34.35 PTS/DAY X 46 X 5 --> 7,900 PT VISTS/YR (9.72% Increase) | | | | | | | |
|---|--|-----------|---|----------------------------|---------------------|-----------------------|---------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| ACTIVITY COST POOL | COST DRIVERS | FREQUENCY | COST UNIT | | | | DIRECT OR INDIRECT | ASSUME 1,000 ADDITIONAL PTS | REVISED COST FOR 7,900 ENCOUNTERS | REVISED COST FOR 6,900 ENCOUNTERS |
| | | | ESTIMATED OVERHEAD | COST DRIVER ACTIVITY LEVEL | OH APPLICATION RATE | TWO SERVICE EXAMPLE** | | | | |
| Clinical Exam Room Activities | Disposables | | \$60,500 | 6,900 | \$8.77 | \$6.14 | D | 7,900 | \$69,268.12 | \$60,500.00 |
| | RNs PER 5,000 PTS | | \$100,000 | 5,000 | \$20.00 | \$20.00 | D | 7,900 | \$158,000.00 | \$138,000.00 |
| | LPN PER 3,000 | | \$30,000 | 3,000 | \$10.00 | \$10.00 | D | 7,900 | \$79,000.00 | \$69,000.00 |
| | New Exam Room ESQUIPMENT | | \$10,000 | 6,900 | \$1.45 | \$1.45 | I | 7,900 | \$10,000.00 | \$10,000.00 |
| IT & Lab | Amortized cost of EHR | | PUTTING IT ALL TOGETHER - WHAT IS THE BOTTOM LINE | | | | | 7,900 | \$10,000.00 | \$15,000.00 |
| | Annual Cost of EHR | | ENCOUNTERS | | 6,900 | 7,900 | 7,900 | \$7,500 | \$7,500.00 | |
| | Hardware Cost | | TOTAL COST/ENCOUNTER | | \$103.13 | \$96.58 | 7,900 | \$5,000 | \$5,000.00 | |
| | Lab Equipment | | REVISED PRACTICE COST | | \$711,566.67 | \$762,959 | 7,900 | \$57,246.38 | \$50,000.00 | |
| | Lab Supplies | | INCREMENTAL COST | | | \$51,392 | 7,900 | \$5,000.00 | \$5,000.00 | |
| | Practice Mgmt. Software | | INCREMENTAL COST/ENCOUNTER | | | \$51.39 | 7,900 | \$39,500.00 | \$34,500.00 | |
| Billing & Administrative | Administrative Staff | | REVENUE/ENCOUNTER | | \$140 | \$140 | 7,900 | \$53,000.00 | \$53,000.00 | |
| | Medical Transcribers Exp per 4,000 pts | | PROJECTED REVENUE | | \$966,000 | \$1,106,000 | 7,900 | \$61,444.44 | \$53,666.67 | |
| | Front Office Support Staff - 2 | | PROJECTED INCREMENTAL REVENUE | | | \$140,000 | 7,900 | \$4,500.00 | \$6,900.00 | |
| | Billing Staff per 4,500 claims | | PROJECTED NET INCOME | | \$254,433.33 | \$343,041 | 7,900 | \$6,500.00 | \$6,500.00 | |
| | Legal | | PROJECTED NET INCOME/ENCOUNTER | | \$36.87 | \$43.42 | 7,900 | \$112,500.00 | \$112,500.00 | |
| | Accounting | | PROJECTED NET INCOME/ENCOUNTER | | \$36.87 | \$43.42 | 7,900 | \$8,000.00 | \$8,000.00 | |
| | Consultants | | PROJECTED NET INCOME/ENCOUNTER | | \$36.87 | \$43.42 | 7,900 | \$8,000.00 | \$8,000.00 | |
| Site Related Expenses | Mortgage Payment | | PROJECTED NET INCOME/ENCOUNTER | | \$36.87 | \$43.42 | 7,900 | \$8,000.00 | \$8,000.00 | |
| | Property Taxes | | PROJECTED NET INCOME/ENCOUNTER | | \$36.87 | \$43.42 | 7,900 | \$8,000.00 | \$8,000.00 | |
| | Officde insurance | | \$3,800 | 6,900 | \$0.55 | \$0.55 | I | 7,900 | \$3,800.00 | \$3,800.00 |
| | Utilities (Hours) | | \$7,200 | 6,900 | \$1.04 | \$1.04 | I | 7,900 | \$7,200.00 | \$7,200.00 |
| TOTAL NON-PHYSICIAN PRACTICE COST | | | \$599,000 | <-- 6,900 ALLOCATED* | | | 7,900 | \$762,959 | \$711,566.67 | |
| TOTAL COST PER ENCOUNTER | | | 6,900 | \$103.13 | | \$94.49 | ABC per Patient Visit --> | \$96.58 | \$103.13 | |



HUMAN RESOURCES





Key Domains of HR

- Acquiring a talented workforce – recruiting, hiring, & onboarding
- Positive employee experience – safety and retention
- Financial package – compliant direct compensation and benefits
- Employee development of skills, knowledge, & strengths
- Legal & regulatory complexities





Skill Sets of Human Resources

- How to evaluate résumés
 - Sufficient detail regarding their skill sets
 - Accomplishments, skills, outcomes
 - Growth orientation
 - Advancement in roles and responsibilities
 - Targeted Information specific to your practice needs
 - Demonstrate understanding of the practice and explain why their skills are an asset
 - Clean content free of typos and grammatical mistakes
 - Sign of professionalism and attention to detail
 - **Red** flags
 - Vagueness - suspicion phrases such as "*familiar with, knowledge of, or experienced in*" → *overstated or limited experience*
 - Multiple short tenues
 - Gaps in employment

○ <https://www.dummies.com/article/business-careers-money/business/human-resources/human-resources-kit-for-dummies-cheat-sheet-208154/>





Human Resource Pearls

- Five must ask interview questions
 - “What interests you about this job, and what skills and strengths can you bring to it?” → Level of interest & alignment
 - “Can you tell me a little about your last job?” → Personal accountability & negative karma. Bad day or
 - “How have you changed the nature of your current job?” → Adaptability, creativity, & resourcefulness
 - “What was the most difficult decision you ever had to make on the job?” → Decision making style & sync with your culture
 - “What sort of work environment do you prefer? What brings out your best performance?” → Are they a good match?
- Tips on creating an employee-friendly work environment
 - Career paths and mentoring
 - Flexibility with healthy work-life balance but not at expense of mission
 - Regular feedback. I would add “Praise in public, discipline in private.”
 - Develop a purpose driven culture (*adapted*)
- <https://www.dummies.com/article/business-careers-money/business/human-resources/human-resources-kit-for-dummies-cheat-sheet-208154/>





Key federal laws affecting HR

- **Americans with Disabilities Act (ADA)** prohibits discriminating against people with disabilities, requires “reasonable accommodation” for individuals with disabilities, and applies to all private employers with >15 employees.
- **Age Discrimination in Employment Act (ADEA)** prohibits discrimination against employees >40 years old and applies to all private-sector employers with > 20 employees who work >20 weeks/year.
- **Consolidated Omnibus Budget Reconciliation Act (COBRA)** provides certain former employees, retirees, spouses, former spouses, and children the right to temporary continuation of health coverage at group rates >20 employees.
- **Fair Labor Standards Act (FLSA)** establishes minimum wage rates, requires overtime pay for certain employees, restricts the employment of minors, and imposes certain recordkeeping obligations. Applies to all employers.
- **Immigrant Reform and Control Act (IRCA)** requires employers attest to the immigration status of their employees, bans employers from hiring undocumented workers, and establishes penalties for such behavior. Applies to all employers.
- **Title VII of the Civil Rights Act** prohibits discriminating against employees and applicants for employment, in the terms and conditions of employment, on the basis of race, color, religion, sex, or national origin. Applies to >15 employees





HR Highlights for Small Practices

- Andrea Butcher, CEO of HRD, a leadership development company
 - Human Resources Kit For Dummies, 4th Edition
 - 398 pages of what you need to know!
 - Web resources: <https://www.wiley.com/en-us/Human+Resources+Kit+For+Dummies%2C+4th+Edition-p-9781119989899#downloadstab-section>
- Employee Handbook (pages 177 – 180)
 - Welcome to the team and generally outlines expectations on policies, guidelines, and benefits
 - Sample components include but not limited to
 - Regulatory requirements (e.g., EEO policies on discrimination & harassment)
 - Basic expectations (e.g., work hours & tracking, dress codes, safety, PTO)
- Procedures Manual
 - Detailed step-by-step processes (e.g., how to report prohibited behavior, request vacations)
 - Standard operating procedures (SOP)
 - Goal is to produce predictability, set expectations, and standardization
- Pearls:
 - Legal document so careful what you promise
 - If you wrote it, follow it ... or don't write it!
 - Disclaimer that general source of information & not binding employment contract



Introduction

- a) Welcome
- b) About the Company (including mission statement and values and a brief history of the company)

Section I: Introduction to Employee Handbook and Employment At-Will**Section II: Equal Employment Opportunity**

- a) Equal Employment Opportunity Policy
- b) Policy Against Harassment

Section III: Basic Policies

- a) Introductory Period
- b) Employee Classifications
- c) Hours of Work, Overtime, and Payday (could be expanded to include timekeeping rules, travel time, on-call time, reporting time, and other guidelines)
- d) Performance and Pay Review
- e) Employee Benefits
- f) Proof of Right to Work

Section IV: Time Away from Work

- a) Vacation
- b) Holidays
- c) Sick Leave
- d) Paid Time Off
- e) Leaves of Absence

Section V: Employee Relations and Workplace Conduct

- a) Open Door
- b) Internal Complaint Review Procedure
- c) Dress and Grooming Standards
- d) Smoking
- e) Employment of Relatives
- f) Non-Fraternization
- g) Solicitation, Distribution, and Bulletin Boards
- h) External Communications
- i) Outside Employment
- j) Company Property and Confidential and Personal Information
- k) Technology Use and Security
- l) Blogging/Social Networking Policy
- m) Mobile Device Policy
- n) Proprietary and Trade Secret Information
- o) Safety Policy
- p) Inspections on Company Premises
- q) Drug-Free Workplace
- r) Employee Assistance Program
- s) Workplace Violence
- t) Personnel Records
- u) Termination, Discipline, and Rules of Conduct

Section VI: Acknowledgment of Employee Handbook

Sample Resources

Each item represents knowledge the team member should possess when the onboarding process is complete. Ideally, a team member who has been properly oriented should be able to answer “yes” to each of the following statements.

I have a clear idea of the company’s core business and both the vision and the mission that underlie the business.

I understand the duties and responsibilities of my job.

I know the location of all company facilities and equipment that are central to my day-to-day work experience.

I have all the basic resources I need to perform my job effectively.

I have met with the person I report to and either met or spoken to co-workers with whom

I need to work as part of my job.

I am aware of all security procedures (including passwords) related to my job and in relation to the company in general.

I am familiar with all basic company policies (including holidays, sick days, and vacation time), and I know it is my responsibility to follow such policies. I also know that it is my responsibility to keep aware of updates or changes to company policies by periodically reviewing the employee handbook and/or any later-issued company policies. Finally, I am aware of my responsibility to report possible discrimination or harassment by using the reporting procedure established by the company, which is set forth in the employee handbook.

I understand my compensation package and am aware of any bonus opportunities that could affect how much money I earn.

If this form is given to an employee classified as nonexempt (so that the employee is entitled to overtime compensation, etc.), leave the following language in the form. If the recipient employee is classified as exempt, remove the following language from the form:

I understand that I am a nonexempt (overtime eligible) employee and that it is my responsibility to fully and accurately report all time that I work, not work “off the clock,” properly record all meal periods that I take, and follow all other company timekeeping practices.

I understand my health insurance coverage (and other insurance-related benefits), and I am aware of the basic procedures for using those benefits.

I am aware of all company employee-support services. I know whom to ask if I need help.

I understand that, if I have any questions or concerns regarding compliance with any company policies or procedures by me or any other employee, including my manager, I must inform Human Resources immediately.



CONTRACTING & NEGOTIATION





Contracting – Negotiation Tactics

- Pre-negotiation – Do your homework!
 - Establish your goals and parameters for the “perfect” negotiation
 - Determine how you would like the contract to look
 - Position the other party to respond & negotiate against your version of the contract
- “Take it or leave it” – Be your own advocate → know your cost and increasing loss units does not increase profitability
- Establish amendment & assignment provisions up front:
 - Mutual & not unilateral
 - Notice provisions for methods & deadlines
 - In writing
- Establish termination expectations up front (for and without cause, notice provisions)
- Identify the ultimate payer – insurance company or Third Party Administrator (TPA) – payment policies may be different, solvency





Contracting – Negotiation Tactics

- Quickly assess what type of negotiation you are in
 - Sustainability goals: Long term relationship vs next quarter
 - Principled negotiation
 - Decision maker vs. used car lot
- Establish billing requirements and guardrails
 - Prevents retroactive denial once eligibility and benefits verified for clean claims
 - Deadlines for claims submissions (avoid < 90 days), payments, penalties for late payment, allowance for special circumstances
 - Special circumstances such as requirement to use their credit card and payment of “CC fees”
 - Compatibility with your IT system & culture
 - Any company IT upgrades that could delay claims payments for months





Contracting – Negotiation Tactics

- Realize that Request for Proposals (RFPs) are different animals
- Stalemate: Go to the parking lot
- Don't walk out unless stay out
- Funnel discipline
 - Keep your number of must-haves small and maximize impact
 - Keep your number of “concessions” to them large and minimize impact
- Zone of Potential Agreement (ZPA)
 - Elements
 - Tradeoffs
- BATNA





Contracting – Contract Analysis

- Identify elements required for a “clean claim” and clearing house
- Termination for and without cause, notice provisions
- Realistic assessment: Top 20 CPT codes & evaluate those payments. Common tricks
- Breaches – notifications, timelines for ability to remedy
- Verify promised amendment & assignment provisions made it into the contract:
- Term – Real term, initial, renewal, evergreen
- Indemnification
- Definitions
- Prudent lay person language, especially for emergency services
- Payment windows and volumes for MCO with discounts voided after 45 days for non-payment
- Bans silent PPOs
- PHI liability
- Volume projections






Contracting – Common Pitfalls

- Perception is reality until confirmed or corrected
- Final version is the only one that counts - supersedes all previous versions, agreements, and understandings
 - Bait and switch following assumption of earlier version and verbal assurances
 - At every stage, vulnerable points are termination, assignment, and amendment
- Incorporated by reference and blank contract provisions
- Performance metric risks - do you have material control over the process or are you collateral damage
- Capitation – real volumes, acuity adjustments
- Risk pools and solvency, accuracy and validity





Contracting – Common Pitfalls

- Decision making and governance within the group - NDA
 - Compartment ability/unacceptability with sections on emergency services, medical necessity, utilization review, dispute resolution, arbitration
 - Irrational volume projections
 - Fiduciary responsibility
 - Scope of coverage
 - Joint and several liability
- 



Lease vs. purchase vs. consortium

- What type of asset?
- Credit rating consideration
- Life cycle
- Consortium
- General
- Validation ... Change course





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