Using Key Metrics to Improve Your Bottom Line

Disclosure

- Financial:
  - President, HCS Consulting
  - Received compensation from PPS
  - Conducts the PT Benchmark studies & webinars
- Nonfinancial:
  - None
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PPS Annual Conference October 2016

Goals

• Review key metric concepts
• Discuss 8 Key Metrics
• Understand why it is important to monitor
• Provide a tool for monitoring
• Learn how to use the Excel workbook

Key Performance Indicators

• KPIs are used in many industries
• Managers use KPIs to monitor performance & make adjustments
• What you measure, tends to improve
• Often viewed in a dashboard concept
• Look at actual vs. goal
• I prefer to look at 24 months of data so we can spot trends & seasonality
Using KPIs

- Key Performance Indicators can be a driving force for improving your practice
- Weekly review of some KPIs may be warranted
- Monthly review of KPIs is critical
- Quarterly reviews look at trends
- Annual reviews help set goals & strategies

Benchmarking

- External comparisons to your internal data
- Are you performing well compared to others?
- Standardize reporting to make it consistent and comparable

Averages will be shared for key metrics
# Key Metric Options

- New Cases (Patients)
- Visits
- Arrival Rate
- Percent Capacity
- Charge per Licensed Hour
- Cost per Visit R3MA
- Profit as % of Services Income
- DAR – Days in A/R
- Patient Satisfaction
- OTC collection %
- Income per visit/hour
- Cost per hour
- Visits per licensed hour
- Collection Ratio
- Payments vs Collection Goal
- Expenses as Percent of Inc
- A/R aging profiles
- Visits per new case
- Conversion rate
- More....

# 8 Key Metrics

- New Cases (Patients)
- Visits
- Arrival Rate
- Percent Capacity
- Charge per Licensed Hour
- Cost per Visit R3MA
- Profit as % of Services Income
- DAR – Net AR to Avg Daily Charges over 3 months
For Each Metric

- **Q** = The question we are answering
- **P** = Positive trend
  - Keep it going
- **N** = Negative trend
  - Delve deeper, find out why
  - Must find out what to change

**Icon Key for Comparing Values to the Median**
- Better than the median, in the "best" quartile:
- In the middle, 50%:
- Worse than the median, in the "worst" quartile:
8 Key Metrics Dashboard

- Excel workbook that helps you track key metrics
- Uses macros to provide rolling updates
- Must turn macros on
- Tracks current year actual & goal and previous year actual to provide some historical perspective

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New Cases (Patients)

- Q: Is marketing working?
  - New cases are the lifeblood of any practice
  - A steady stream of new cases is vital
- P: Continue marketing, especially in good times
- N: Check out referral sources, boost marketing activities

PT Benchmark 2016 Avg =
Visits

• Q: Are the new cases being converted to visits?
  – Can’t get the patient better if we don’t treat them
  – We typically get paid by the visit, so critical for revenue
• P: Monitor for overutilization
• N: Look at issues with arrival rate, percent capacity, artificial limits or “dropouts”
• PT Benchmark 2016 Avg =

Metric 2: Visits
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Arrival Rate

- Q: Are the patients showing up?
  - Can’t get them better if they don’t show up
  - Reciprocal of cancel + no-show rate, a positive spin
  - Very specific definition – same day
- P: Goal is 90% or better
- N: Look at all aspects – front desk, PT, etc...
  - This is a customer service issue

Calc: Arrival Rate

- Visits ÷ (Visits + Cancels + No-shows)
- 846 visits (Jan-14 column in workbook)
- 92 cancels + no-shows (specific definitions)
- 846 ÷ (846 + 92)
- 846 ÷ 938 = 90.2%
- PT Benchmark 2016 Avg =
- A 1% change = THOUSANDS in revenue depending on your volume – all goes to PROFIT
Cancels & No-Show Rules

- Concept = hole in schedule today
- Based on same day activity
- Critical to keep it the same on any day of week

Metric 3: Arrival Rate
Percent Capacity

- **Q:** Are you staffed properly?
  - Strive to find the right mix
  - Everyone thinks they are busy
- **P:** Goal is 90% or better
- **N:** Look at all aspects – front desk, PT, etc...
  - This can be a customer service issue, right-sized staffing, etc...

Calc: Percent Capacity

- Know the number of potential slots each day by PT
- Filled Slots ÷ Potential Slots
  - (Visits + Cancels + No-shows) ÷ Potential Slots
- \((846 + 92) ÷ 992\)
- \(938 ÷ 992 = 94.6\%\)
- Jan-14 example from workbook
- Not reported in PT Benchmark as I can’t get data from enough people
- Also can look at hours with patients vs. hours scheduled
Metric 4: Percent Capacity

Charge per Licensed Hour

- Q: How productive are the PTs being?
  - Can also look at units per hour or visits per hour
  - Makes sure that time is being used in a productive manner
- P: Continue to monitor
- N: Find out where the breakdown is occurring
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Calc: Charge per Licensed Hour

- Must track licensed hours
  - Short term: Use clinical hours – any hours available for patient care or doing patient care tasks (exclude PTO, meeting, etc...)
  - Long term: Use paid hours – this is the true cost
- Charges \( \div \) Licensed Hours
- \$129,307 \( \div \) 643 = \$201.10
- PT Benchmark 2016 Avg = $

Metric 5: Charge per Licensed Hour
Calc: Cost per Visit – R3MA

- Sum of expenses for 3 months ÷ visits for the same 3 months
- Jan-14 to Mar-14 example
- $232,362 ÷ 2,620 = $88.69
- PT Benchmark 2016 Avg = $

Cost per Visit – R3MA

- Q: What does it cost you to provide care?
  - Can also look at cost per hour – probably better metric
  - Best do Rolling 3 Month Average to reduce variations
- P: Keep it going
- N: Look for cause in P&L, visit & licensed hours fluctuations
Metric 6: Cost per Visit – R3MA

Profit as % of Services Income

- Q: How is the company doing overall?
  - Incorporates all financial & productivity aspects, may fluctuate wildly – can use R3MA to smooth it out
  - Goal: Minimum 10%
- P: Keep it up
- N: First look at labor cost, then variable & fixed
  - Income fluctuations can also affect
Calc: Profit as % Svc Inc

- Can use Net Ordinary Income or Net Income from QuickBooks. In PT Benchmark use NOI.
- Must include owner’s labor cost
  - For PT Benchmark we standardize it at $102K
- Reconcile accounts, run P&L
- Profit (NOI) ÷ Income
- $12,000 ÷ $100,000 = 12.0%
- PT Benchmark 2016 Avg =

Metric 7: Profit as % Svc Inc

[Graph showing data]
Days in AR

• Q: How is the AR process working?
  – Compares Net AR (less liens) to the Average Daily Charge over a 3 month period showing the average number of days it takes to get paid
• Goal: 35 or less
• P: High five the AR staff
• N: Look at aging profiles, complete AR process, OTC collections, visit & licensed hour changes, etc...

Calc: Days in AR

• Divide the current Net AR by the average daily charge (sum of charges for previous 3 months/90)
  – Most people use 30 days per month
• (Total A/R less liens) ÷ Average daily charge
• ($199,854 - $4,543) ÷ ($407,439 ÷ 90)
• $195,311 ÷ $4,527 = 43 days
• PT Benchmark 2016 Avg =
Metric 8: Days in AR

Business Planning

• Have a written business plan – 5 parts
  – Vision “What are we building?”
  – Mission “Why do we exist?”
  – Objectives “What will we measure?”
  – Strategies “How will we build it?”
  – Action Plans “What work must be done?”
• Define measurable objectives to make sure you are on track & review monthly
Budget

- Every practice should have a budget
- Operational goals
  - NP, Visits, Visits/Hour, Visits/NP, Arrival Rate, % Capacity, Marketing Metrics, etc...
- Financial goals
  - Income – Charges & Collections
  - Labor, Variable & Fixed Expenses & Profit
  - Income & Cost per Visit & Licensed Hour

Application

- If you have a written Business Plan
- If you have a written Budget
- Now you have goals to compare against
- So, start doing it
- Figure out the key metrics for you practice
- Don’t pick to many 2-8 is ideal
Using the Data

• Who tracks the data?
• Who reports the data?
• How often?
• What do you do with it?

Timing

• Weekly
  – New Cases, Visits, Charges, Arrival Rate, Percent Capacity, Payments, OTC Collection %, more...
• Monthly
  – All from weekly
  – Financials
  – Actual to Budget comparisons
  – Review Plan
  – More...
• Quarterly
• Annually
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So, Now What?

identify

Key Metrics

monitor

encourage

adjust

enjoy

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