Benchmarks for Your Practice

What yardstick should you use to measure your practice against those of your colleagues?

One of the most frequently asked questions I hear is, "How does my practice measure up to industry benchmarks?" Assessing your practice critically does indeed mean comparing it against external measures. But where to start? Here are some key performance indicators that you should become familiar with:

**Accounts receivable**
How does your accounts receivable (A/R) compare to other practices in your specialty? Of course the goal is to collect 100 percent of allowed charges including the patients' responsibility, but how long does it take to collect that in your practice? Better performing practices collect their revenues faster than other practices as demonstrated in the following data taken from the Medical Group Management Association's "Performance and Practices of Successful Medical Groups."

How do the better performing practices collect more effectively? It all starts with patient registration data capture, insurance verification, and copay collection.

**Staffing**
Another benchmark that physicians often focus on is staffing. In the "2010 MGMA Cost Survey Report" for cardiology practices, the median staffing is 5.36 support staff per full time equivalent (FTE) physician. Intuitively, practices look to manage costs by cutting staff, but when comparing how practices at the 75th percentile are staffed in the following table, it is clear that higher staffing levels result in higher productivity as measured by total RVUs and physician work RVUs. Optimizing staff means that each individual performs at their level of license so that the practice can support physicians' clinical work flow most effectively.

**Net collection rate**
Another area to examine is your net collection rate. Net collections are the amount practices collect after allowing for payer contract adjustments. Better performers collect 100 percent of their adjusted fee-for-service charges. The table below provides the adjusted fee-for-service charges for a "sample" practice and the resulting collections against those adjusted charges.

This sample practice collects 97 percent of its adjusted fee-for-service charges. If they were collecting at 100 percent of adjusted charges, that would be an additional $733,465.53 in annual revenue. That amounts to about $30,000 for each physician, for the year.

**Content to be average?**
Managing to median benchmarks or accepting average can have significant implications for your practice. Ask yourself why you are satisfied with just being "average," when other practices consistently perform better. If another practice can produce more or collect more, why can't your practice? What do you have to do to become a better performing practice? Better performers standardize operations across their practice and individual work groups. Here are some questions to ask yourself:

- Do you have different procedures for each provider?
- Are your collection policies documented, or does each physician let a collection report sit on their desk without delegating the authority to transfer accounts to outside collections?
- Have you implemented electronic claims submission and electronic remittance auto-posting to take advantage of time savings and efficient payer processing?
• Do you invest in your staff by providing training on an annual basis?
• Does your staff participate in your vendor's annual user group meeting so that you continually push the technology envelope?

Next time you compare your numbers against the average ask yourself if average is really satisfying. Don't set the bar too low. Ask critical questions that lead to answers to make your practice a better performing practice. You'll be happy you did.

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