
Benchmarking: How to Make the Best Decisions for Your Practice

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Benchmarking: How to Make the Best Decisions for Your Practice

Today more than ever before, managing a practice is not just about caring for your patients – it is also about running a successful business. If you lack efficiency, your quality of service will ultimately suffer. To thrive, you need to make informed decisions, but this can be a challenge. After all, as the saying goes, “You don’t know what you don’t know.” Without a way to measure relevant financial and operational indicators, you might find yourself relying on educated guesswork. Thankfully, there is an alternative to good guessing: benchmarking a strategic management tool that helps evaluate effectiveness and fosters goal-setting.

Essentially, benchmarking provides a snapshot of the performance of your business and helps you understand where you are in relation to a particular standard. If your accounts receivable are averaging a sluggish 54 days and you’re wondering whether this is normal, benchmarking can show how you compare to your specialty’s average at just 45 days, signifying not only that you’re trailing behind your peers but that a reduction should be achievable. Or, if you find that your patient wait times have increased, benchmarking can help you find the optimal balance between same-day and future appointment openings. Benchmarking can even help effectively manage your successes. Suppose you know your practice is gaining new patients at an astonishing rate. Only by analyzing this growth will you be able to easily predict whether it is time to hire another full time employee, or if this is just a short-term spike in workload.

So, what exactly should you be benchmarking? In a nutshell, the statistics and trends you need to gather can be broken down into two categories; operational and revenue-related.

Operational benchmarking

Benchmarking your operations embraces everything from staffing and productivity to office flow and analysis of procedures performed. It will help you to uncover such details as:

- How many patients per month each provider is seeing,
- How many more procedures your practice is performing this quarter than last,
- Where the bottlenecks in office flow are
- What your patient retention rates are

All these factors impact the efficiency of your business. Once you know, say, the average number of statement reminders it takes before a patient pays their bill, you can work out when you should stop mailing reminders and turn the account over to collections. The savings in resources that these types of measures afford may seem slight, but added together over the course of several months it can transform your practice. Even managing relationships with referring providers, essentially a marketing exercise, can benefit from benchmarking – you will be able to give some impressive aggregate data to these providers that will help your practice stick in their minds.

One of the largest expenses in a practice comes in the form of payroll. Are you paying too much overtime or do you have too many employees to perform office operations that could be automated or even eliminated. I’ve seen many practices that are performing certain functions (i.e. logging patients manually) just because it has always been done that way. If it doesn’t serve a purpose, it should be eliminated.

Revenue benchmarking

Similarly, revenue-related trends and statistics – whether concerning reimbursement, claim rejections and denials, the collections process or payer trends – can reveal the financial health of your practice and what steps you need to take to control it. Monitoring payer contracts, specifically, the contracted reimbursement rates for each procedure, may seem like a lot of extra work, but is a vital part of maximizing your revenue. A 2004 survey by the Medical Group Management Association (MGMA) found that practices that don't keep track of their payer contracts are reimbursed on average four percent less per evaluation and management (E/M) code billed. Thinking that a payer will always stick to the rate quoted in your contract without any input from your practice can be a costly mistake to make.

More general payer trends are also important to monitor because they are likely to indicate a parallel trend in your revenue. Armed with this knowledge, you can negotiate more skillfully when your payer contracts are up for renewal. The composition of payers is also an important factor, albeit one that is more difficult to influence. Consider a practice that has a stable number of patient visits per month. If the composition of payers shifts from a majority of commercial to a majority of government and self-payers, accounts receivable days are likely to increase and total revenue is likely to decrease. If you are proactively keeping track of these changes rather than just waiting until it is reflected in your cash flow, you can implement reimbursement policies to safeguard your practice.

Set goals

For benchmarking to be effective, however, it can't just be about measuring – it also should involve active goal-setting. To be able to set realistic goals, you need to evaluate:

1. How efficient your practice is currently
2. How much you have improved over time (compared to your own past data)
3. How far you still have to go

Your own practice is the first best reference point – compare this month to last month as well as the same time last year. What has changed? In particular, focus on a workflow audit and an analysis of how much you are putting in compared to how much you are getting out. How quickly can you process payments and charges? What percentage of the amount you bill is never reimbursed? Which payers are rejecting the most claims?

Secondly, look outside your practice if you can. Be as diligent as possible about finding data that is specifically relevant to your specialty and type of practice. For example, a drop-in women's health clinic will not provide the best comparable data to an appointment-only OB/Gyn practice, even if the provider and staff numbers are similar.

Use analysis provided by associations such as:

- The Medical Group Management Association (MGMA)
- The American Health Information Management Association (AHIMA)
- Healthcare Billing and Management Association (HBMA)
- The National Association of Healthcare Consultants.

In addition, look for information about best practices within your specialty. Subscribe to peer-reviewed trade journals and network as much as possible through local peer organizations, trade associations, software user meetings and opportunities within your specialty societies.

Be Compliant

In an increasingly regulated industry, benchmarking also has the added benefit of helping practices comply with the guidelines issued by the Office of Inspector General (OIG). These guidelines were issued to assist physician practices and third party billing companies to file claims more accurately, prevent fraud, and avoid conflicts with federal health care law. The seven steps that the OIG lists as integral to creating a compliance program are:

1. Conducting internal monitoring and auditing
2. Implementing compliance and practice standards
3. Designating a compliance officer or contact
4. Conducting appropriate training and education
5. Responding appropriately to detected offenses and developing corrective action
6. Developing open lines of communication
7. Enforcing disciplinary standards through well-publicized guidelines

Benchmarking takes care of steps one and two; because it provides more structure, benchmarking also lays a solid foundation for establishing procedures, highlighting required action steps, and other elements that are in line with the guidelines. By following the guidelines, your internal controls not only help you stay in compliance with applicable statutes and regulations, they also benefit your practice by increasing efficiencies and reducing errors and optimizing employee performance.

Let technology do the hard work

Of course, it is one thing to know what you should be doing and quite another to implement it. I still talk to physicians who insist that they just haven't enough time to benchmark with this level of detail. There is one straightforward solution to this problem: automate your practice. The right practice management system will not only make benchmarking much easier (running reports takes seconds rather than hours), but it will also streamline your workflow and maximize your revenue so that the goals that you've set become much more attainable. Generally, the cost of automating your practice is quickly recouped. One option would be to choose a lower-cost Internet-based solution that doesn't require purchasing expensive servers or hiring IT support.

The most important aspect of your business that a good practice management system can help with is the claims process. Choose a software solution that has claims scrubbing ability. This way, any errors on a completed CMS 1500 form will be detected before the claim is submitted, meaning that you won't have to deal with re-submitting returned forms several weeks later and the "billing black hole" that this sometimes can lead to. A practice management system should have all the different requirements of each payer stored and be dynamic so that as requirements change, so does the software. For instance, as of this writing, if you submit a claim for a patient over the age of 100 to Medicaid of California, the software needs to know that currently, the payer will only accept the claim if all dates are in six digit format (mmddyy) except in box 19, where an eight digit date is required. Being able to track how actual reimbursement compares to the contracted amount for each payer also simplifies this important aspect of benchmarking.

People power

Finally, the one thing that single-minded physicians occasionally forget when implementing a benchmarking system: the success of a practice can depend on its staff. You can't single-handedly be effective at benchmarking without the buy-in of your employees. Sharing the benchmarks of your organization with your employees is also vital to their performance! If they are unclear about what is expected of them, how will they know whether they are doing a good job? Drawing up job descriptions for your seasoned employees may seem unnecessary, but clarifying responsibilities can help tremendously. Explain what you are trying to achieve with benchmarking and how they can help. Share your goals!

Knowledge, no matter what your profession, is power, and keeping your finger on the pulse of your practice is an obvious first step in keeping it healthy both financially and operationally. Being a physician in the twenty-first century may involve some juggling of roles, but benchmarking and setting sensible business goals will ultimately reduce the challenges that it presents.

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