Coker GROUP

Business Advisors for the Healthcare Industry

Managing High Performing Medical Groups

A Data Driven Approach to Improving the Bottom Line

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Today's Agenda

I. Industry Evolution

II. Influential Factors

III. Management Principles

IV. Data-Driven Approach and Setting Targets

V. Key Performance Indicators

- i. Financial
- ii. Productivity and Compensation
- iii. Patient Access
- iv. Revenue Cycle
- v. Non-Provider Staffing

VI. Data-Driven Staff Management

VII. Provider Engagement

VIII. Cultural Development

Industry Evolution

VOLUME → **VALUE**

Patients

Consumer-driven, high deductible health plans with increasing price transparency

More demanding consumers due to online research and reviews

Technology utilization and expectations for texting, portals, virtual visits

Providers

Re-tooling operations to infuse more focus on care management, cost reduction, data utilization and prevention/overall wellness

Harnessing innovation and entrepreneurialism (particularly for independent providers)

Increasing financial pressure and administrative burdens driving interest in employment / alignment

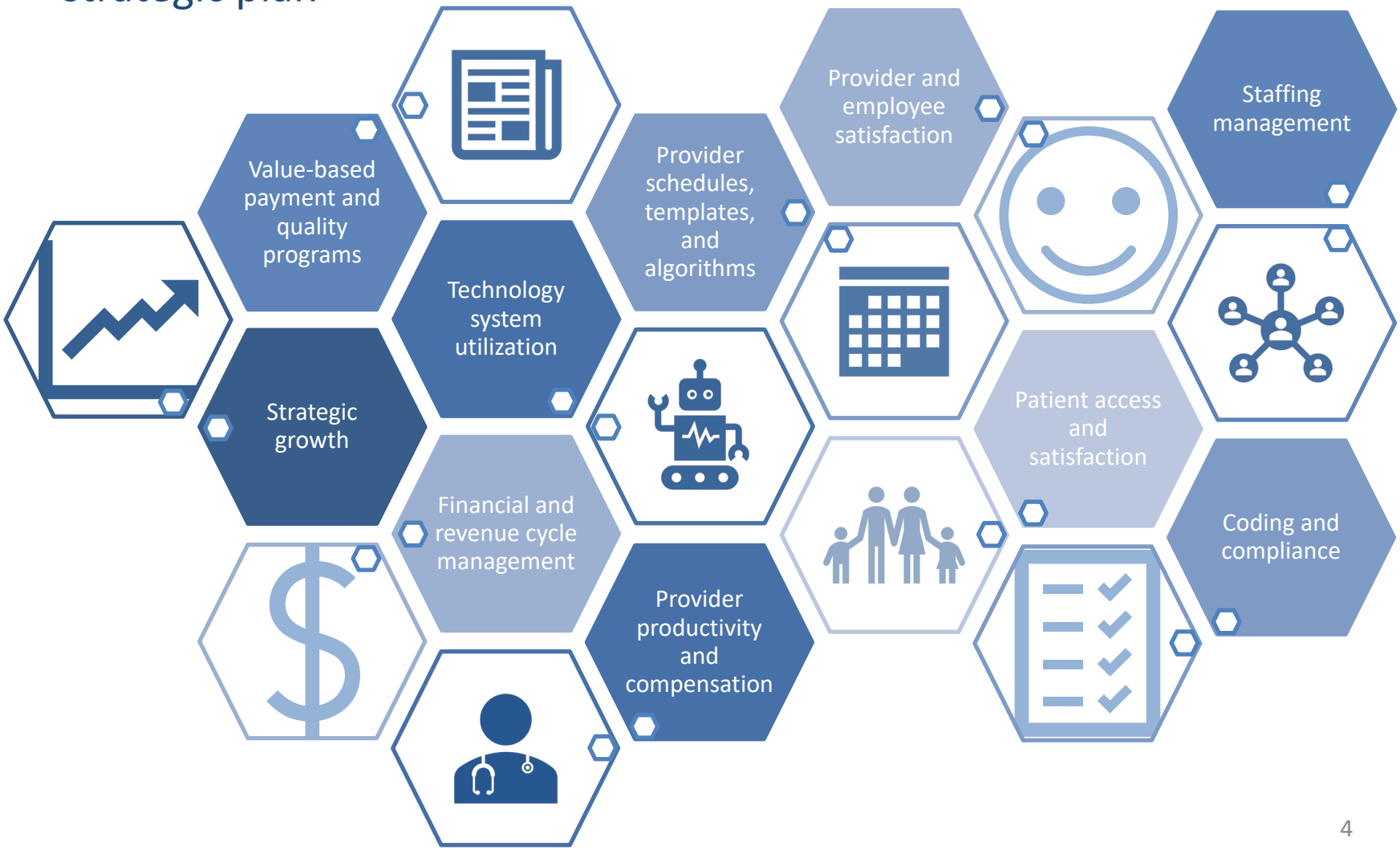
Payers

Risk shifting from payers to providers, both upside and downside, based upon outcomes

Increasing number of value-based programs (i.e., bundled payments, pay-for-performance, shared savings plans, etc.)

Influential Factors

Practice management can be overwhelming, but data-driven decision making will help prioritize opportunities and support the strategic plan



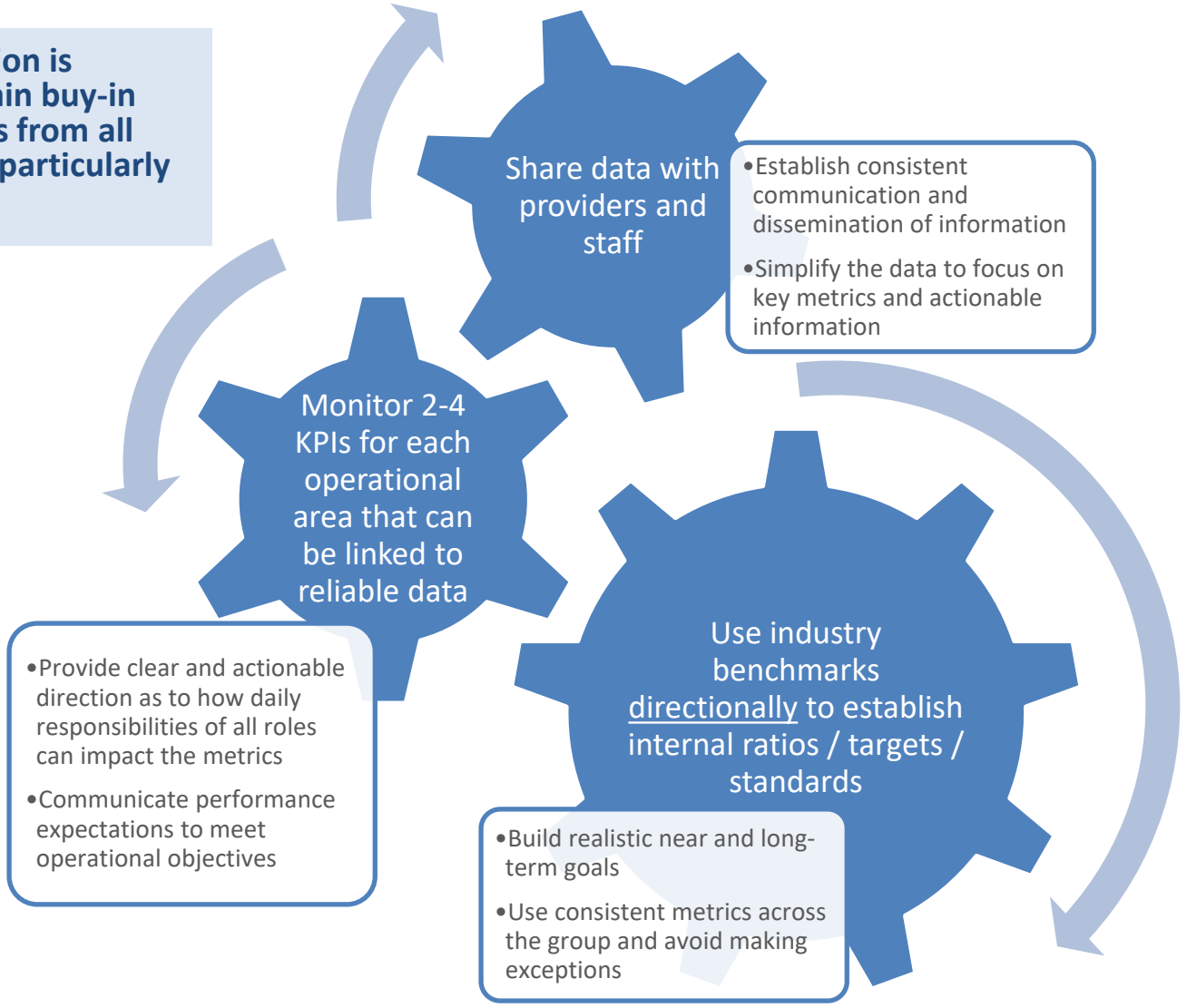
Management Principles

Operational Themes

- ✓ Engaged accountability and ownership
- ✓ Proactive vs. reactive
- ✓ Data-driven management
- ✓ Teamwork and group objectives

Employ a Data-Driven Approach

Data validation is essential to gain buy-in and consensus from all stakeholders, particularly providers



Setting Targets

Benchmarks are not one size fits all and should be used directionally in most cases

Recommendations

- Select benchmarks with the most direct applicability to your practice that also have the largest sample size (national for most metrics)
- Adjust the benchmark based on unique operational reality of your organization and customize targets that can be easily tracked and communicated
- Establish baseline data and analytics for all performance metrics
- Empower managers, staff, and providers to take ownership of metrics and hold them accountable to targets, providing training and resources to understand tactical application for each role
- Revise targets as benchmarks and operations change (e.g. adding/subtracting a provider or location)

Application

- Measure bottom-line financial and operational performance
- Build consensus and support to achieve strategic goals and monitor progress
- Better understand key drivers for maintaining independence
- Better understand value to prepare for potential acquisition

Financial Performance Indicators

The financial indicators below are typically used by medical group leadership, but consider focusing your entire organization on 2-3 of these metrics to incentivize all stakeholders around financial performance

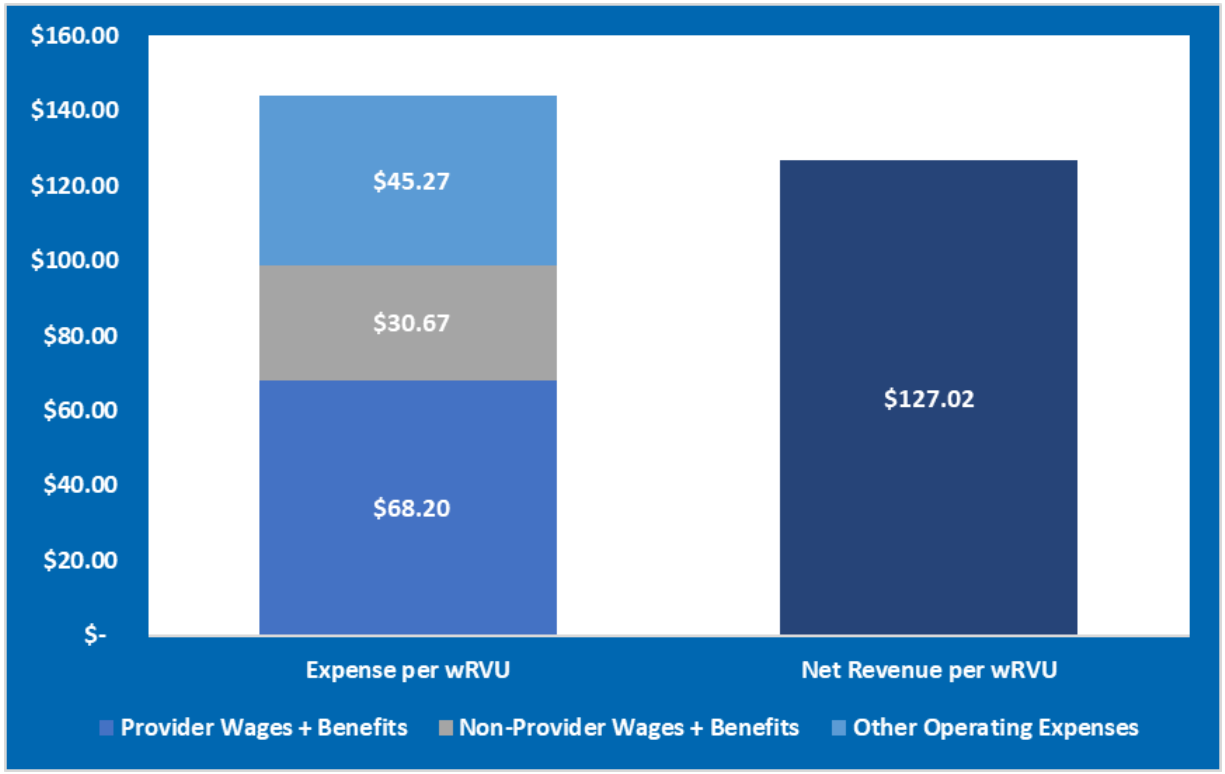
Financial Performance Category	Actual	Target	%tile
Total Gross Charges *(% of Net Revenue)*	224%	185%	**79**
Net FFS Revenue per MD FTE	**$563,311**	**$676,528**	**35**
Gross Collection %	45%	51%	**29**
Adjustments to FFS charges *(% of Net Revenue)*	122%	86%	**81**
Collections per wRVU	**$74**	**$81**	**36**
Gross Days in AR	33.5	35.5	**41**
POS Collections %	30%	80%	--
Claim Denial %	**11%**	**6%**	**92**
Total Operating Cost	130%	133%	**47**
Investment per Physician FTE	**($260,462)**	**($181,790)**	**40**
FY18 Payer Mix	--	--	--
Medicare	30.3%	37%	**27**
Medicaid	15.6%	13%	**59**
Commercial *(Blue Cross + Commercial, HMO, PPO)*	53.5%	44%	**76**
Charity care	0.2%	0%	**79**
Self-pay	0.6%	2%	**<10**

Relevant KPIs for:
1. Providers
2. Leadership
3. Front Office
4. Back Office
5. Business Office

Investment per provider FTE is the preferred measure of bottom-line financial performance

Revenue and Expenses Drive Profitability

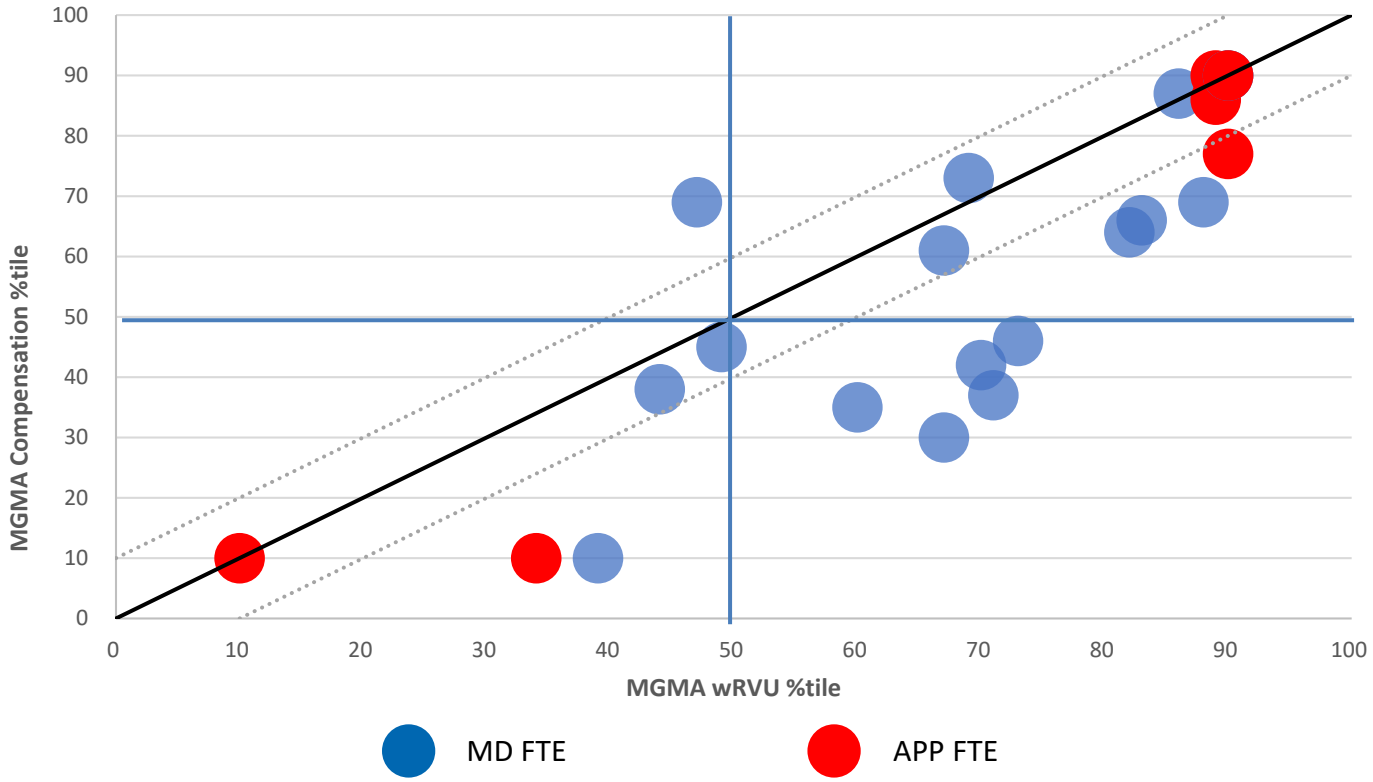
Leadership can benefit from tracking revenue and expense per wRVU to identify areas of potential opportunity



- Expense categories can be as detailed as desired and many can be benchmarked
- Focus on manageable areas – if physician compensation cannot change for any reason, invest in improving other categories that will decrease expenses and/or increase revenue
- Consider tracking by specialty or location for larger provider groups

Align Productivity and Compensation

Monitor the correlation of productivity and compensation to identify outliers and specific providers with opportunity for improvement

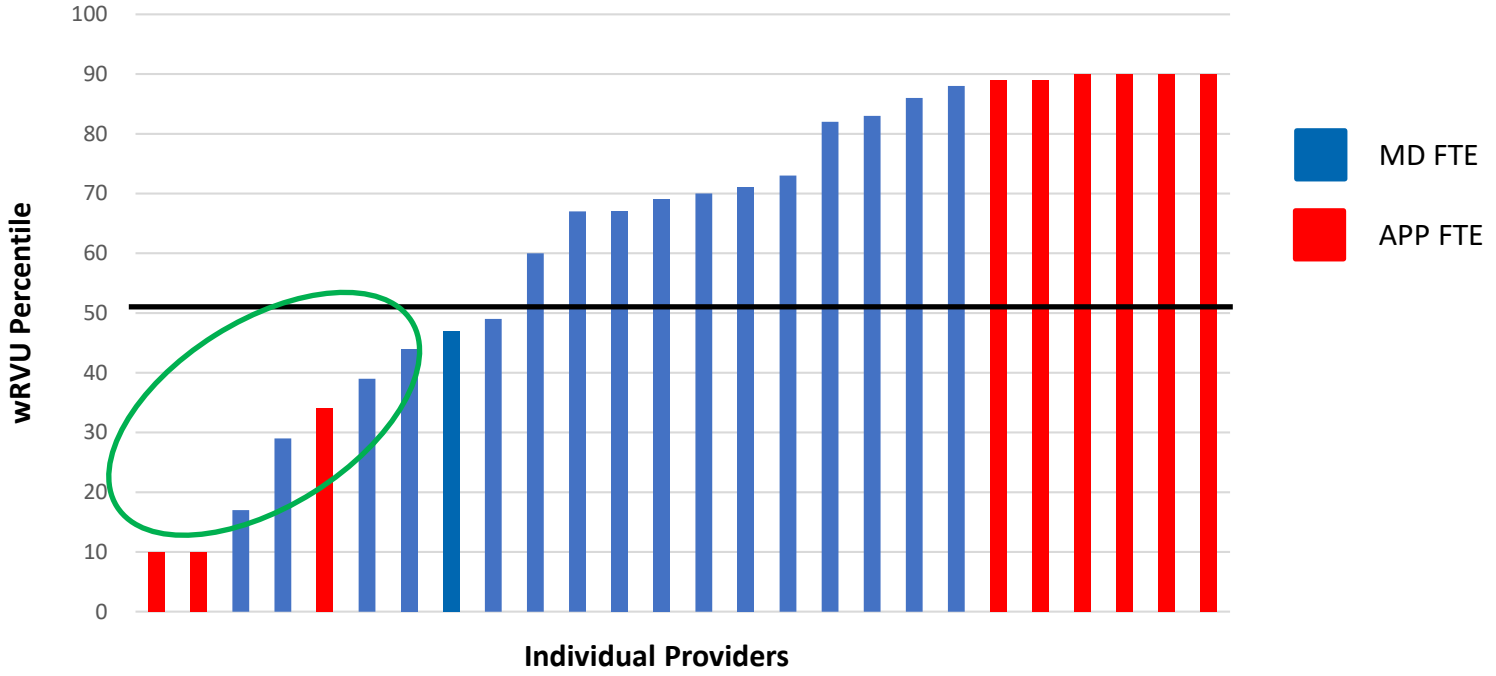


Potential Takeaways for Example Data

- This group appears to be compensating many providers below their comparable level of productivity
- Could indicate need for compensation plan redesign or targeted productivity improvement

Provider Productivity Improvement

Most medical groups still rely on wRVU production as the primary driver of FFS revenue



Key Considerations

- Apply a consistent and objective definition of a clinical FTE
- Use the most appropriate specialty benchmark based on scope of services
- Focus on improving low performers and high performers often benefit as well
- Share best practices from high performers
- Communicate productivity with unblinded data if possible – providers should know how they compare

Patient Access Dashboard

Patient access is complex and often tedious to monitor, but improving access is one of the few ways to increase productivity and revenue without adding providers or extending hours

	Visit Slot Utilization				3rd Next Available				Patient Satisfaction		
Practice	**Scheduled Appts**	**Kept Appts**	**No Show %**	**Cancel %**	**New Patient (If Accepting)**	**Physical**	**30 Min F/U**	**% of FTEs Closed to New Patients**	**Recommend**	**Explain**	**Listen**
Location 1	20,534	16,637	7%	12%	43	88	57	28%	89	93.7	94.9
Location 2	562	425	9%	15%	25	52	27	8%	88.9	92.5	93.6
Location 3	1,176	1,076	3%	3%	108	51	17	0%	92.8	96.9	95.9
Location 4	5,671	4,330	4%	20%	51	63	44	0%	93	96.8	97.2
Location 5	7,312	6,067	4%	13%	53	114	57	75%	93	95.6	97.6
Location 6	10,831	8,410	7%	16%	37	41	35	10%	92.8	94.4	95.3

Recommendations

- Utilize 3rd Next Available data to identify potential capacity constraints as well as indicate demand
- No-shows and cancelations will always exist, but consider tactics to minimize the impact on provider schedules as much as possible
- Consider tying patient satisfaction to access to identify high and low performing locations or providers

Revenue Cycle Metrics

Key Revenue Cycle Performance Area	Relevant Metrics	Best Practice Target(s)/Range
Registration **Prior Authorization** **Time-of-Service Collections**	Demographic and insurance information verified	>95%
	Prior authorization for services	>98%
	Collect copayments, patient account balances	Copayments: 100%
	Collect copayments, patient account balances	Balances: >80% Others: >75%
Coding	Coding Audits	Quarterly
	Charge edits due to coding errors	<5%
	Claims denied due to coding	<2%
	Certified coders for surgical procedures	All certified
Claims Statements	Resolution of pre-adjudication claim edits	0-48 hours
	Claim denial rate	<5%
Charge Submission	Days of lag (date-of-service to date-of-charge submission	24 hours office 72 hours non-office
Collection	Patient accounts sent to collection vendor	75 to 90 days
Denials	Investigate denials	Within 72 hours
	Work denials	Within 7 days
	Appeal timeline	File within 7 days of posting
	Rejection/denial rate	<5%
	Percentage of denials that can be prevented	80%
	Percentage of denials that can be recovered	75%
	Percent of denials due to past filing limit	0%
	Lag time from payment receipt to posting	Same day or within 24 hours
	Identification and return of identification or overpayments	Within 60 days
	Adjustments due to untimely filing	0%
Management reporting	Reports available within 5 days after month-end	100%

Revenue cycle metrics can be cumbersome to track depending on your reporting capabilities and systems. Focus on those with the most opportunity for financial improvement.

Source: Deborah Walker Keegan, Ph.D. and Elizabeth Woodcock, MBA, FACMPE, CPC "[The Physician Billing Process]," Medical Group Management Group Association (2016)

Staffing Calculator Example

Develop an objective approach to staffing management, an important driver of expenses as well as performance improvement

Non-Provider Staffing Calculator	
Specialty (select from menu)	**OBGYN**
Practice wRVUs (annualized)	50,000
Current Non-Provider Staffing	
Front Office FTEs	5.00
Clinical Staff FTEs	12.00
Providers	
Physician FTEs	6.00
Midlevel FTEs	4.00
Optimal Staffing at Benchmark	
Front Office FTEs	7.95
Clinical Staff FTEs	9.15
Variance to Target Benchmark	
Front Office FTEs	(2.95)
Clinical Staff FTEs	2.85
Net Variance	**(0.10)**

- Model is based on staff FTEs per 10K wRVUs, which varies by specialty
  - This example assumes all 10 provider FTEs are producing at MGMA median
- Smaller practices may require minimum staff FTE thresholds
- Could also consider staff FTEs per provider FTE rather than wRVUs
- Variance does not necessarily indicate opportunity to add or reduce FTEs
  - Important to evaluate front office and clinical independently as well as overall staff totals
  - Consider division of roles and responsibilities compared to benchmark definition

Employee Key Performance Indicators (KPIs)

Front Office and Call Center

- Point-of-service Collections (copays, patient balances)
- Phone stats: volume, duration, abandonment rate
- No-show rate
- Patient satisfaction

Clinical Staff

- Visit slot utilization
- Quality metrics
- Patient follow-up time
- Prescription refill turnaround time
- Patient satisfaction

Billing Office and Coding

- Claim denial rate
- Days in AR
- Coding audit performance
- Charge submission lag days

Recommendations

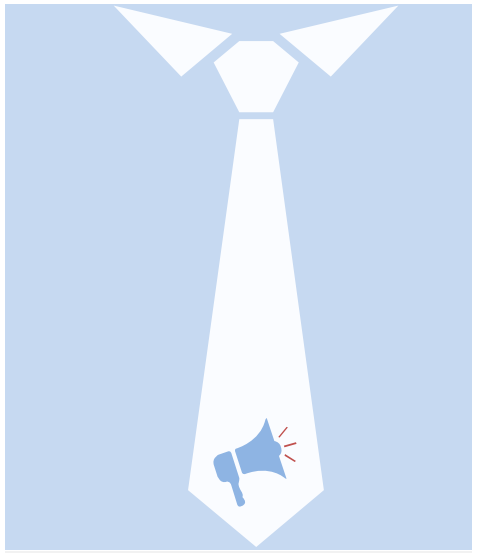
- Select Key Performance Indicators (KPIs) that align with strategic and operational priorities and can also be easily measured and communicated
- Incorporate metrics into job competencies and annual review processes at the individual and group level
- Provide near-term incentives for some metrics that staff and providers can collaborate to achieve (e.g. reduced no-show rate)

Data-Driven Staff Management

Improve operational workflows to become more efficient, less redundant, and objectively measurable

- Establish a culture of teamwork where all staff work together in support of the provider group
  - Promote group/practice/organizational goals and discuss how each role can contribute
  - Cultivate group level goals vs. individual objectives
  - Engage providers as a team rather than individual business units
- Reinforce accountability with open communication and performance metrics tied to annual reviews
  - Develop objective key performance indicators (KPIs) by role with clear targets
  - Incorporate fun with near term goals and friendly competition (even small carrots can be effective)
  - Empower staff and local leadership, potentially elevating high performers to working leads
- Communicate consistently at all levels from morning huddles with staff teams to monthly “all hands” lunches
  - Huddle on daily objectives such as backfilling cancellations or double booking chronic no-shows
  - Meet weekly or monthly to discuss objectives such as phone abandonment rates or patient satisfaction scores
- Clarify expectations and responsibilities for every role, revising job competencies as needed
  - Rotate less desirable roles like answering phones or calling patients back
  - Establish career development goals and invest resources in personnel growth

Engage Providers as Leaders, Mentors, and Champions



Leader

- A person who commands a group, organization, or is followed by others
- Behaves in a manner that makes others want to follow the direction they're headed and to achieve the organization's goals
- Counsels followers to become leaders themselves

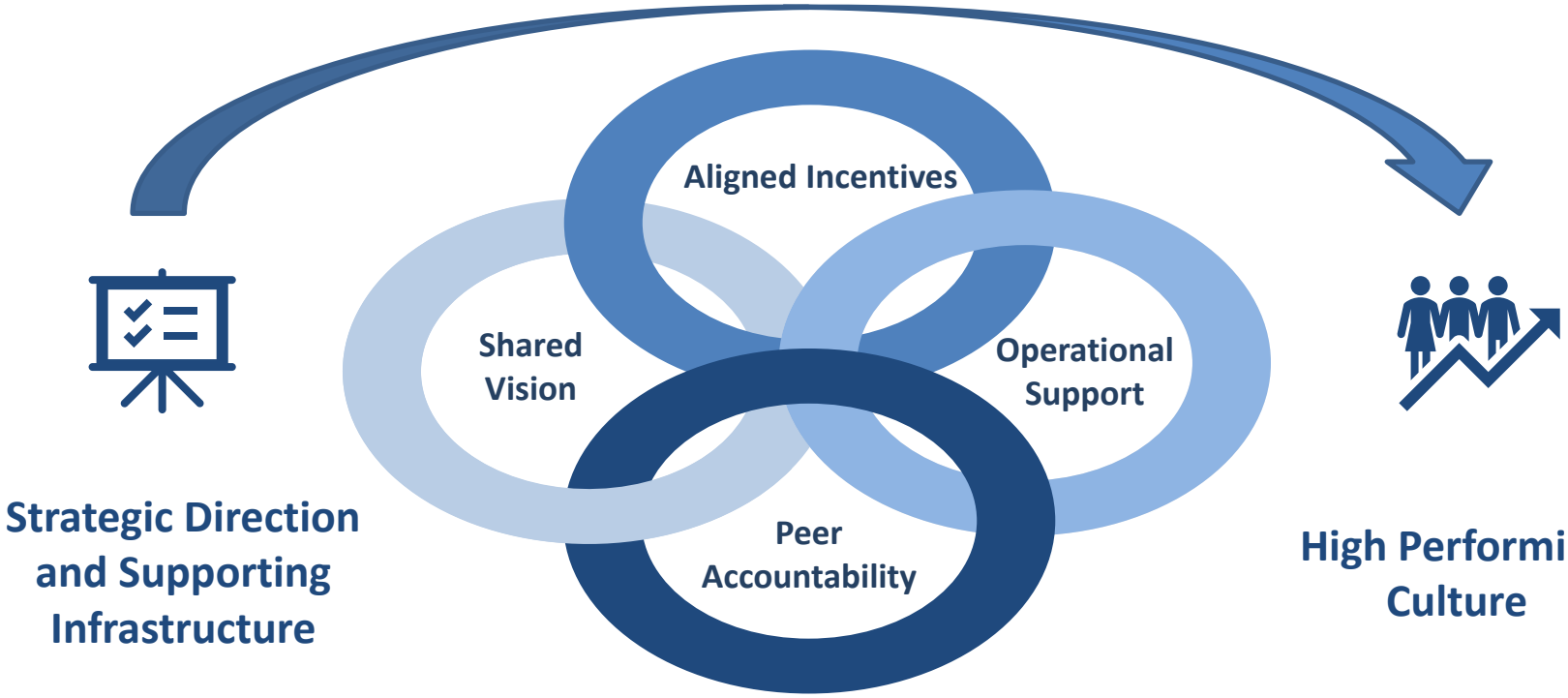
Mentor

- Provides one or more mentees with advice, exposure, inspiration, and lessons learned from the mentor's own experiences
- Connects mentees to their networks and fosters professional development

Champion

- An active, vocal, and enthusiastic supporter of an individual, a cause, or a project
- Usually a senior level person in the organization capable of removing certain barriers or overcoming obstacles to ensure success of a cause or project
- Do not have to be appointed or voted upon, can simply be an advocate

Develop A High Performing Culture



Data and Communication

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