No margin, no mission

Benchmarking is a key to potent fiscal management.

by Lisa Smith

Can the ethical mission of health care survive among organizations competing for survival in the marketplace? YES! Sister Irene Krause, Daughters of Charity National Health Care System, a Healthcare Hall of Fame inductee is credited with bringing the *No Margin, No Mission* mantra to health care. She believed healthcare organizations can better fulfill their mission of providing needed healthcare services with potent fiscal management.

How do you achieve potent fiscal management? Consider benchmarking as one tool in your tool box. Benchmarking comparisons and follow up analysis are efficacious for both income and expense sides of your business. The goal of benchmarking is to develop a realistic picture of how you operate today and the superior practice performance you want.

Income comparisons include but are not limited to payer mix, reimbursement rates, RVU volume, denial rates, procedures/visits per provider and accounts receivable. Accounts receivable is typically split by the different payers with a category for patient balances. The health insurance landscape is changing. If your medical practice is seeing more patients with low income products or high deductible products, the hurdles you have to jump may increase. The latest Pay for Performance (P4P) concepts may create new dynamics to your income stream as well. The Center for Medicare and Medicaid Services (CMS) has introduced a financial incentive for Physicians and other practitioners. The current thinking is this will be a stepping stone to P4P for CMS. And as we look historically, where CMS goes, others follow. The challenges with collections can be myriad and deep. Evaluating where you stand compared to the industry, locally when data is available, will help prioritize staff time and maximize cash in the door.

When benchmarking expenses the key is to end up cost aware and not cost driven. Expense comparisons include but are not limited to overhead, staff per provider and operating cost per provider. The benchmarks should be specialty specific as well as specific to private practice or hospital based.

Ready to benchmark? Here are the steps:

- Determine what is critical to your organization’s success
- Identify metrics to measure
- Determine the source of the benchmark
- Measure your performance
- Diagnose and determine if you need to take action
- Return on Investment (ROI)
- Implement changes
- Do it again!

You will need to determine who you want to benchmark to. Consider multiple sources to help you determine if your analysis is reasonable. First the benchmark with the easiest access is your own practice. Compare historical time periods such as annually or quarterly or monthly. You may wish to contrast Physicians within your own practice. Comparing peer Physicians can be productive if handled is a proactive and constructive manner.

You may choose to benchmark to colleagues in your specialty locally or through your specialty association. Be careful, comparing reimbursement rates can violate anti-trust laws. Consult your lawyer if you have any questions about anti-trust.

Other national associations such as the Medical Group Management Association (MGMA) offer many benchmarks. MGMA offers these data bases in an electronic form for purchase to members and non-members.

In summary, why should you benchmark? Benchmarks help to increase productivity and battle declining reimbursements by achieving more from current efforts; improve revenues and find new sources of income through practice diversification; create cost management and controlling costs and allocating resources more effectively; and to improve operational efficiency and run a lean, nimble practice that can respond to market forces and grasp new opportunities.

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