



Key Performance Indicators For Pediatric Practices

Paul D. Vanchiere, MBA
Paul@PediatricSupport.com

www.PediatricSupport.com

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Disclosures:

- **Pediatric Management Institute**
 - *Founder/Principal Consultant*
- **Greenwood Pediatrics**
 - *Chief Financial Officer*

*Will not be discussing any medical devices or products related
to medical care of patients.*

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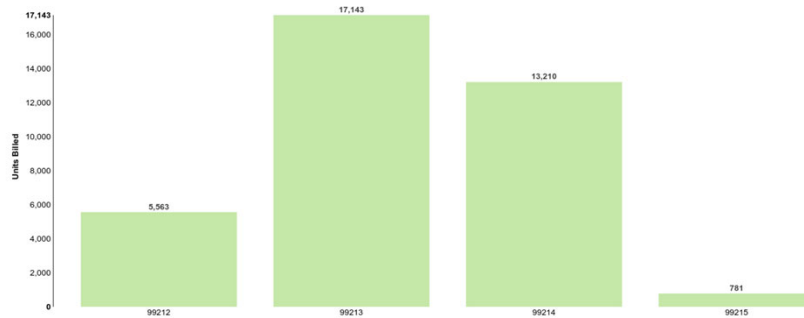
Agenda

- Sources of Data:
 - Accountant's Treasure Chest
 - Your billing system
- Bare minimum you should be looking at
- Leveraging the information to track KPI's

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Find Opportunities To Improve

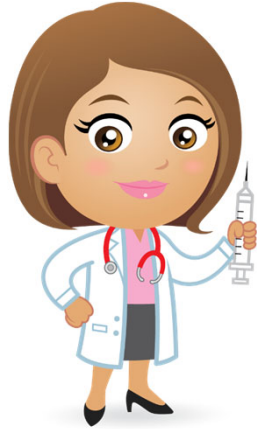


CPT Code	Units	Current %age	Payments	Payment/Unit	Ideal Percentage	Ideal Units	Reallocated	
							Payments	Variance
99212	5,563	15.16%	\$158,688	\$28.53	2.50%	917	\$26,170	-\$132,518
99213	17,143	46.71%	\$877,197	\$51.17	45.00%	16,514	\$844,993	-\$32,203
99214	13,210	36.00%	\$980,151	\$74.20	42.50%	15,596	\$1,157,203	\$177,052
99215	781	2.13%	\$101,164	\$129.53	10.00%	3,670	\$475,343	\$374,178
	36,697	100.00%	\$2,117,200		100.00%	36,697	\$2,503,709	\$386,509

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Pediatrics Is Unique...



Overhead for Pediatrics can run 50 – 65% while Cardiothoracic Surgeon is less than 10%

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Accounting vs. Finance

Accounting:

Accounting is the methodical or precise recording, reporting, and assessment of financial deals and transactions of a business.



Finance:

Reviewing/Analyzing the Accounting records to ensure that the practice resources are being used to maximize the practice's bottom line.

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Accountant's Treasure Box



Income Statement / P&L



Balance Sheet



Statement of Cash Flows



Statement of Retained Earnings



Sample Profit & Loss Report

5-FTE Pediatric Sample	Total
Professional Fees	\$ 6,450,000
Contractual Adjustments	\$ (1,550,000)
Bad Debt	\$ 16,250
Net Revenue	\$ 4,916,250
Other Income	\$ 2,600
Total Revenues	\$ 2,600
Bonuses - Physicians	\$ 500,000
Bonuses - Staff	\$ 25,000
Severance Pay	\$ 1,500
Wages - Overtime	\$ 18,500
Wages - Physicians	\$ 675,000
Wages - Staff	\$ 625,000
Total Salaries & Wages	\$ 1,845,000
Employer FICA	\$ 115,000
Employer Medicare	\$ 25,000
Federal Unemployment	\$ 1,500
State Unemployment	\$ 6,000
Workers' Compensation Insurance	\$ 2,500
Total Payroll Related Expenses	\$ 150,000
Employer Provided 401 K Contributions	\$ 7,500
Employer Provided Health Insurance	\$ 100,000
Employer Provided IRA Contributions	\$ 7,500
Employer Provided Life Insurance	\$ 350
Employer Provided Pensions & Retirement	\$ 7,500
Holiday Pay	\$ 15,000
Parking	\$ 2,300
Sick Pay	\$ 5,000
Vacation Pay	\$ 85,000
Total Benefits	\$ 230,150
Answering Service	\$ 12,000
Billing Service	\$ 135,000
Books & Subscriptions	\$ 250
Building Maint & Repair	\$ 1,000
Cell Phone	\$ 600
Computer Lines	\$ 8,500
Consultants	\$ 2,500
Copying Machine Rental	\$ 2,400
Depr - L/H Improvement	\$ 15,000
Depr - Major Moveable Equipment	\$ 2,500
Depr - Minor Moveable Equipment	\$ 7,500
Educational Materials	\$ 1,200
Equipment - General	\$ 150



Financial Perspective

5-FTE Pediatric Sample	Total	Professional Services	Laboratory	Radiology	Vaccines	Support Staff	Billing Office	Administration
Professional Fees	\$ 6,450,000	\$ 5,440,000	\$ 300,000	\$ 60,000	\$ 650,000			
Contractual Adjustments	\$ (1,550,000)	\$ (1,383,550)	\$ (76,258)	\$ (15,193)	\$ (75,000)			
Bad Debt	\$ 16,250	\$ 12,500	\$ 2,000	\$ 500	\$ 1,250			
Net Revenue	\$ 4,916,250	\$ 4,068,950	\$ 225,743	\$ 45,308	\$ 576,250	\$ -	\$ -	\$ -
Other Income	\$ 2,600	\$ 2,600						
Total Revenues	\$ 2,600	\$ 2,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonuses - Physicians	\$ 500,000	\$ 500,000						
Bonuses - Staff	\$ 25,000	\$ 9,200	\$ 2,600	\$ 1,400		\$ 4,800	\$ 2,400	\$ 4,600
Severance Pay	\$ 1,500							\$ 1,500
Wages - Overtime	\$ 18,500	\$ 18,500						
Wages - Physicians	\$ 675,000	\$ 675,000						
Wages - Staff	\$ 625,000	\$ 200,000	\$ 65,000	\$ 35,000	\$ 30,000	\$ 120,000	\$ 60,000	\$ 115,000
Total Salaries & Wages	\$ 1,845,000	\$ 1,402,700	\$ 67,600	\$ 36,400	\$ 30,000	\$ 124,800	\$ 62,400	\$ 121,100
Employer FICA	\$ 115,000	\$ 89,301	\$ 4,214	\$ 2,269		\$ 7,779	\$ 3,889	\$ 7,548
Employer Medicare	\$ 25,000	\$ 19,413	\$ 916	\$ 493		\$ 1,691	\$ 846	\$ 1,641
Federal Unemployment	\$ 1,500	\$ 1,165	\$ 55	\$ 30		\$ 101	\$ 51	\$ 98
State Unemployment	\$ 6,000	\$ 4,659	\$ 220	\$ 118		\$ 406	\$ 203	\$ 394
Workers' Compensation Insurance	\$ 2,500	\$ 1,941	\$ 92	\$ 49		\$ 169	\$ 85	\$ 164
Total Payroll Related Expenses	\$ 150,000	\$ 116,440	\$ 5,496	\$ 2,959	\$ -	\$ 10,145	\$ 5,073	\$ 9,846
Employer Provided 401 K Contributions	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Employer Provided Health Insurance	\$ 100,000	\$ 77,653	\$ 3,664	\$ 1,973		\$ 6,784	\$ 3,382	\$ 6,564
Employer Provided IRA Contributions	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Employer Provided Life Insurance	\$ 350	\$ 272	\$ 13	\$ 7		\$ 24	\$ 12	\$ 23
Employer Provided Pensions & Retirement	\$ 7,500	\$ 5,824	\$ 275	\$ 148		\$ 507	\$ 254	\$ 492
Holiday Pay	\$ 15,000	\$ 11,648	\$ 550	\$ 296		\$ 1,015	\$ 507	\$ 985
Parking	\$ 2,300	\$ 1,786	\$ 84	\$ 45		\$ 156	\$ 78	\$ 151
Sick Pay	\$ 5,000	\$ 3,883	\$ 183	\$ 99		\$ 338	\$ 169	\$ 328
Vacation Pay	\$ 85,000	\$ 66,005	\$ 3,114	\$ 1,677		\$ 5,750	\$ 2,875	\$ 5,679
Total Benefits	\$ 230,150	\$ 178,719	\$ 8,433	\$ 4,541	\$ -	\$ 15,568	\$ 7,784	\$ 15,106
Answering Service	\$ 12,000	\$ 12,000						
Billing Service	\$ 135,000	\$ 113,860	\$ 6,279	\$ 1,256	\$ 13,605			
Books & Subscriptions	\$ 250	\$ 250						
Building Maint & Repair	\$ 1,000	\$ 710	\$ 39	\$ 52		\$ 39	\$ 97	\$ 65
Cell Phone	\$ 600	\$ 400						\$ 200
Computer Lines	\$ 8,500	\$ 7,500					\$ 500	\$ 500
Consultants	\$ 2,500							\$ 2,500
Copying Machine Rental	\$ 2,400	\$ 1,500				\$ 500	\$ 200	\$ 200
Depr - LH Improvement	\$ 15,000	\$ 10,645	\$ 581	\$ 774		\$ 581	\$ 1,452	\$ 968
Depr - Major Moveable Equipment	\$ 2,500							\$ 2,500
Depr - Minor Moveable Equipment	\$ 7,500	\$ 2,500	\$ 2,500	\$ 2,500				
Educational Materials	\$ 1,200	\$ 1,200						
Equipment - General	\$ 150							

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Financial Perspective

5-FTE Pediatric Sample	Total	Professional Services	Laboratory	Radiology	Vaccines	Support Staff	Billing Office	Administration
Equipment - General - Maintenance	\$ 200							\$ 200
Equipment - General - Repairs	\$ 500							\$ 500
Equipment - Medical	\$ 17,750	\$ 17,750						
Equipment - Medical - Maintenance	\$ 1,500	\$ 1,500						
Equipment - Medical - Repairs	\$ 1,000	\$ 250	\$ 750					
Interest Payments	\$ 1,200	\$ 1,000		\$ 200				
Janitorial	\$ 2,000	\$ 1,419	\$ 77	\$ 103	Depending on Set Up	\$ 77	\$ 194	\$ 129
Janitorial Supplies	\$ 500	\$ 355	\$ 19	\$ 26	Depending on Set Up	\$ 19	\$ 48	\$ 32
Laboratory - Fees	\$ 1,200		\$ 1,200					
Laboratory - Supplies	\$ 35,000		\$ 35,000					
Licenses	\$ 600	\$ 200	\$ 200	\$ 200				
Malpractice Insurance	\$ 30,000	\$ 30,000						
Marketing	\$ 15,000	\$ 15,000						
Meetings	\$ 1,000		\$ 1,000					
Office Equipment	\$ 500							\$ 500
Office Supplies	\$ 13,500	\$ 7,500	\$ 500	\$ 500			\$ 2,500	\$ 2,500
Offsite Storage - Medical	\$ 2,400	\$ 2,400						
Offsite Storage - Office	\$ 1,200							\$ 1,200
Postage Meter	\$ 1,500	\$ 250					\$ 1,000	\$ 250
Rent	\$ 120,000	\$ 85,161	\$ 4,645	\$ 6,194	Depending on Set Up	\$ 4,645	\$ 11,613	\$ 7,742
Society Dues	\$ 600	\$ 600						
Software - Development	\$ 3,500							\$ 3,500
Software - Maintenance	\$ 12,500	\$ 10,000						\$ 2,500
Software - Purchase	\$ 75,000	\$ 70,000	\$ 2,500	\$ 2,500				
Supplies - Medical	\$ 50,000	\$ 50,000						
Supplies - Vaccines & Injectables	\$ 500,000				\$ 500,000			
Telephone Lines	\$ 15,000	\$ 12,000				\$ 1,000	\$ 1,000	\$ 1,000
Trash	\$ 850	\$ 603	\$ 33	\$ 44		\$ 33	\$ 82	\$ 55
Travel Expense	\$ 2,500							\$ 2,500
Triage Service	\$ 50,000	\$ 50,000						
Uniforms	\$ 600	\$ 120	\$ 120	\$ 120		\$ 120	\$ 120	
Utilities	\$ 20,000	\$ 14,194	\$ 774	\$ 1,032	Depending on Set Up	\$ 774	\$ 1,935	\$ 1,290
Operating Expenses	\$ 1,165,700	\$ 620,868	\$ 56,217	\$ 15,500	\$ 513,605	\$ 7,788	\$ 20,741	\$ 30,981
Total Expenses	\$ 3,390,850	\$ 2,218,766	\$ 137,746	\$ 59,400	\$ 543,605	\$ 158,303	\$ 95,998	\$ 177,032
Physician Related Items (Sal & Bon Only)	\$ 1,175,000	\$ 1,175,000						
Total Non-Physician Related Expenses	\$ 2,215,850	\$ 1,043,766	\$ 137,746	\$ 59,400	\$ 543,605	\$ 158,303	\$ 95,998	\$ 177,032
Earnings Before Physician Comp	\$ 2,700,400	\$ 3,025,184	\$ 87,997	\$ (14,093)	\$ 32,645	\$ (158,303)	\$ (95,998)	\$ (177,032)



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WHAT REPORTS DO YOU SEE ON A MONTHLY BASIS? WITHIN 5 DAYS OF THE MONTH'S CLOSE

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Bare Minimum Reports Needed Every Month

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1 Charges, Payments & Adjustments by:

- Rendering Provider
- Insurance/Managed Care Plan
- Location
- CPT Code

2 Total Well vs. Sick Visits by:

- Rendering Provider
- Insurance
- Location

3 Accounts Receivable Aging Report

4 Profit & Loss Report

- Individual Month
- YTD

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Indicator	Formula	Numerator	Denominator	Result	Comment
Gross Collection Ratio	Total Collections / Total Gross Charges	\$ 690,000	\$ 975,000	70.77%	Not applicable for measuring different practices
Net Collection Ratio	Total Collections / (Total Charges - Adjustments)	\$ 600,000	\$ 625,000	96.00%	
Overhead	Total Operating Expenses / Total Collections	\$ 454,010	\$ 690,000	65.80%	Total O.E. Prior to Physician Comp
Individual Category Expense	Vaccine Expense / Total Collections	\$ 99,900	\$ 690,000	14.48%	
Category Collection Rate	Vaccine Expense / Vaccine Revenues	\$ 115,000	\$ 117,000	98.29%	Determine how admin fees are handled in advance
Average Charges per Day	Gross Charges / Number of Days	\$ 243,750	91	\$ 2,679	Charges and Days in last 3 Months (365/4)= 91.25
Physician FTE's	Total Provider Hours Worked / 2080	8,320	2,080	4.00	May need to adjust 2,080 hours to allow for day off
AR per FTE Physician	Practice AR Balance / Physician FTE's	\$ 350,000	4	\$87,500	Not much insight
Physician Days Worked					
Days in AR	Provider AR Balance / Average Charges per Day	\$ 87,500	2,679	32.66	
AR Turnover	Provider AR / Average Monthly Collections	\$ 87,500	57,500	1.52	Can be done by Provider to Practice Total. Usually both if compensation tied to collections
AR Ratio	Provider AR / Average Monthly Charges	\$ 87,500	81,250	1.08	
AR Credit Balances	Total AR Credits / Provider AR	\$ 3,500	81,250	4.31%	
Self Pay Percentage	Self Pay Balances / Practice A/R	\$ 85,000	350,000	24.29%	
Payor Mix Ratios	Individual Payor Receipts / Total Receipts (By Claim) Total Denial Amount / Total Charges	\$ 235,000	\$ 690,000	34.06%	Can be aggregated by account of payor totals
Denial Rate		\$ 650	\$ 850	76.47%	
Staff Ratio	Total FTE Employees / Total FTE Providers	27.80	4	6.95	
	Clinical Staff FTE / Total FTE Providers	7.75	4	1.94	
	Support Staff FTE / Total FTE Providers	3.25	4	0.81	Administrative & Clerical
Department Area FTE per Provider	Business Office Staff FTE / Total FTE Providers	8.80	4	2.20	
	Front Office Staff FTE / Total FTE Providers	6.00	4	1.50	
	IT Staff FTE / Total FTE Providers	2.00	4	0.50	

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Example of Online Calculators On PMI Website

Charge per Encounter

Description:

This KPI shows the average gross charges per patient encounter.

Why Is This KPI Important?

Monitoring Production: Tracking Charges per Encounter allows the practice to ensure that consistent levels of charges are being generated by each provider or across the practice. During the winter, Charges per Encounter are expected to decrease as Pediatricians see more sick visits. During the months of June and July, they increase to reflect the larger number of checkups being completed before the children return to school. These seasonal variations should be anticipated, especially if you carry a private inventory of vaccines.

This KPI is also useful to compare various providers. Sometimes, certain providers may have more aggressive coding patterns than others and could provide learning opportunities for providers to share their coding strategies.

Future Gross Charges: Charges per Encounter is especially helpful when budgeting or projecting financial activity. For example, if the practice is looking to estimate the gross charges for a period of time in the future, they can simply estimate the number of encounters they expect and multiply that times the Charges per Encounter. Doing this takes into consideration the provider's capacity and any seasonal variation in charges if you examine future charges on a monthly basis. This KPI can be run on an individual provider level or across the entire practice.

PMI Recommended Frequency to Run this KPI:
Monthly

Formula:
Total Charges / Office Encounters

Show the Math:
\$975,500 / 4,000 = \$243.75

How Should I Track It?
This KPI can be tracked using an Excel spreadsheet by Practice and/or Department if you categorize expenses properly.

Total Provider/Practice Charges

\$

Number of Provider/Practice Visits

\$ 243.75

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Accounts Receivable Turnover

Formula:

Provider or Practice AR / Provider or Practice Average Monthly Collections = Accounts Receivable Turnover

Show the Math:

$\$87,500 / \$57,500 = 1.52$

Description

This KPI shows your collections for a given period compared to your total accounts receivable balance.

Why is This Important?

This KPI is important because it is a barometer of how well you are bringing in the money owed to you. In the example below, you can see that every 1.52 months, you are essentially collecting or adjusting all the money owed for services rendered.

In a perfect world, the Accounts Receivables will turn rapidly. During times of increasing charges, such as flu season, this amount will be much different than during the spring. That is why comparing the month of January to the month of May is very misleading. Practices should compare same months when running this analysis.

PMI Recommended Frequency to Run this KPI:

Monthly



Average Charges Per Day

Formula:

Gross Charges For Past 90 Days / 90

Show the Math:

$\$245,000 / 90 = \$2,722$

Description:

This ratio is used for monitoring daily fluctuations in a practice's ability to generate charges. This, in turn, drives revenue.

Why Is This KPI Important?

Average Charges per Day is one of those "quick and dirty" ways to keep an eye on how things are going in your practice in terms of revenue. It is a rudimentary calculation that gauges many things in one number. For example, if there is a drop in the amount of charges per day, is that because the provider stopped seeing patients early? Could it be that his well-child visits canceled? Could it be that he/she did not give as many vaccines that day?

This KPI can be run for 5, 30, 60, 90 or even 120 day periods. Just be sure that whatever number of days you use, you add up the charges for the same number of days before running the calculation.

PMI Recommended Frequency to Run this KPI:

Weekly and/or monthly



Charge Per Encounter

Formula:
Total Charges / Office Encounters

Show the Math:
\$975,500 / 4,000 = \$243.75

Description:
This KPI shows the average gross charges per patient encounter.

Why Is This KPI Important?
Monitoring Production: Tracking Charges per Encounter allows the practice to ensure that consistent levels of charges are being generated by each provider or across the practice. During the winter, Charges per Encounter are expected to decrease as Pediatricians see more sick visits. During the months of June and July, they increase to reflect the larger number of checkups being completed before the children return to school. These seasonal variations should be anticipated, especially if you carry a private inventory of vaccines.

This KPI is also useful to compare various providers. Sometimes, certain providers may have more aggressive coding patterns than others and could provide learning opportunities for providers to share their coding strategies.

Future Gross Charges: Charges per Encounter is especially helpful when budgeting or projecting financial activity. For example, if the practice is looking to estimate the gross charges for a period of time in the future, they can simply estimate the number of encounters they expect and multiply that times the Charges per Encounter. Doing this takes into consideration the provider's capacity and any seasonal variation in charges if you examine future charges on a monthly basis.

This KPI can be run on an individual provider level or across the entire practice.

Revenue Per Encounter

Formula:
Total Revenue / Office Encounters

Show the Math:
\$500,000 / 4,000 = \$125.00

Description:
This shows the average revenue per patient encounter.

Why is This KPI Important?
The use of this KPI is twofold: (a) to monitor provider revenue generation and (b) to estimate future revenue.

Monitoring Production - Tracking Revenue per Encounter allows the practice to ensure that consistent levels of revenue are being generated by each provider or across the practice. During winters, Revenue per Encounter is expected to decrease, as Pediatricians see more sick visits. During the months of June and July, they increase to reflect the larger number of check-ups being completed before children return to school. These seasonal variations should be anticipated, especially if you carry a private inventory of vaccines.

This KPI can be run on an individual provider level or across the entire practice.

PMI Recommended Frequency to Run This KPI:
Monthly



Clean Claim Rate

Formula:
Clean Claims / Total Claims Submitted

Show the Math:
950 / 1,000 = 95%

Description:
This KPI shows the number of "clean" claims submitted compared to all claims filed with managed care plans.

Why is This KPI Important?
A "dirty" claim is a claim that will have payment delays. More billing systems attempt to catch claims that may be missing important pieces of information before sending to the managed care company for payment. These "dirty" claims should be routed back to the person responsible for the claim not being clean so that they can learn why their actions could have caused a delay in payment. This feedback is a learning process to ensure that your staff and providers seize the opportunity to avoid similar mistakes going forward.

PMI Recommended Frequency to Run this KPI:
Daily



Days In Accounts Receivable

Formula:
Provider or Practice AR Balance / Provider or Practice Average Charges per Day

Show the Math:
\$87,500 / \$2,679 = 32.66 Days

Description:
This widely-used metric provides a number showing the practice or provider accounts receivable balance compared to your practice or provider daily charges.

Why is This KPI Important?
This KPI allows the practice to monitor how well the billing cycle is working. The theory behind this KPI is it tells the practice how many days it takes to collect what is owed for the provider's services.

PMI Recommended Frequency to Run this KPI:
Monthly



Gross Collection Ratio

Formula:
Total Payments / Total Charges

Show the Math:
\$685,000 / \$800,000 = 86.63%

Description:
Shows total collections compared to the revenue you are generating.

Why is This KPI Important?
This internal barometer is a KPI that helps identify if there are any issues causing delays in the billing cycle.

This KPI is not one to be used to compare practices and can be misleading when the practice changes their fee schedule.

PMI Recommended Frequency to Run This KPI:
Monthly



Net Collection Ratio

Formula:
Total Payments / (Total Charges - Contractual Adjustments)

Show the Math:
\$685,000 / (\$800,000 - \$100,000) = 97.86%

Description:
Shows total collections, as it relates to expected contracted reimbursement rates from payors.

Why is This KPI Important?
While a practice may charge \$300 for a series of CPT codes, the managed care company may have a contract to pay you \$210 when you add up the combined allowables for the billed CPT codes. As such, many practices use the Net Collection Ratio to examine the amount of payments compared to the negotiated rates.

PMI Recommended Frequency to Run This KPI:
Monthly



Overhead Rate

Formula:

Total Operating Costs / Total Revenue Generated

Show the Math:

$\$400,000 / \$690,000 = 57.97\%$

Description:

Shows how much it costs to run your practice in relation to revenues generated.

Why is This KPI Important?

As Pediatricians manage their practices, they need to track the amount of money it costs to provide their services. Due to seasonality, \$30,000 in one month may not be enough money to cover all the expenses of another. Therefore, this KPI provides guidance by comparing the expenses for a period of time along with the expenses incurred. Most practices usually run this KPI without any provider compensation included in the Total Operating Cost.

The goal of this metric is to figure out how much it costs to provide care for a child BEFORE provider compensation.

PMI Recommended Frequency to Run This KPI:

Monthly



Cost Per Encounter

Formula:

Total Operating Expense / Office Encounters

Show the Math:

$\$450,000 / 5,000 = \90.00

Description:

This KPI shows your practice cost per encounter.

Why is This KPI Important?

This KPI is important because it helps you ascertain the cost to provide care for each patient you see. This becomes a valuable statistic when you are negotiating with managed care companies so you know what it will cost you on average to provide care to a child - especially in capitated contracts!

PMI Recommended Frequency to Run this KPI:

Monthly

Can be run across entire practice or by location if expenses are tracked by location.



Margin Per Encounter

Formula:

Revenue per Encounter – Cost per Encounter

Show the Math:

$\$125 - \$100 = \$25$

Description:

Shows how much revenue is available for provider compensation, benefits, etc.

Why is This KPI Important?

It's important to not only know the cost per encounter (which does not include provider compensation) but to know the amount available for provider compensation. Running this metric by insurance company helps identify optimal and subpar contracts.

PMI Recommended Frequency to Run This KPI:

Monthly



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Provider Compensation Ratio

Formula:

$(\text{Total Salary} + \text{Total Bonuses} + \text{Total Benefits}) / \text{Total Revenue Generated}$

Show the Math:

$(\$175,000 + \$20,000 + \$15,000) / \$600,000 = 35\%$

Description:

This KPI determines the percentage of the provider's compensation compared to the revenue generated.

Why is This KPI Important?

Pediatricians need to be mindful that, if they are not covering their salary, bonus and benefit costs, it is likely that the employer will be unable to do so for long. The only obvious exception is for providers who have recently joined the group and are ramping up their practices.

When combined with the practice, department or provider overhead rate, it should not exceed 100%. For example, if the overhead rate for a Pediatrician is 54% and the percentage of provider compensation is over 46%, the Pediatrician's salary is being subsidized by the practice. In this situation, the Pediatrician should be prepared for a renegotiation of their salary.

Conversely, if the overhead rate is 54% and the total compensation is 30%, the Pediatrician may generate profits for the employer or to subsidize other providers.

PMI Recommended Frequency to Run This KPI:

Monthly



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Want to figure out how much you can afford to pay a provider? PMI makes it easy with an online calculator [Find Out More](#)
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How Much Can You Afford To Pay A Provider?

Every week PMI receives several phone calls and emails asking for help to determine how much to pay a provider. We suspect there are many others out there with similar questions and we want to help!

PMI now offers an online calculator that allows you to adjust the relevant variables to determine what your practice can afford to pay a provider. To effectively use the calculator, follow the four steps explained below.

With this calculator, you can enter these practice-specific variables to determine how much a practice can afford to pay:

- Number of Days Worked
- Revenue Per Encounter
- Practice Overhead Rate
- Desired Profit Margin
- Provider's Benefit Cost



Need to figure out how much your practice is worth?

Learn the basics from PMI... [Find Out More](#)

Before you begin, there are a couple of important things you will need to figure out in advance to complete the calculation:

1. **Provider's Revenue per Encounter.** If you want to determine what you can afford for a new provider joining your practice, simply use the practice's overall revenue per encounter. (Total Revenue Generated divided by Total Patients Seen). If you are looking to analyze a provider who has been with you at least a year, simply divide the revenue they generated in the past twelve months by the number of patients they saw during the same period. Be sure to use an entire twelve month period to address seasonality issues normally seen in Pediatrics.
2. **Practice Overhead Rate.** For more accurate results, you will need to determine all the practice expenses prior to provider compensation and benefits. [(Total Practice Expenses minus Provider Costs) divided by Total Practice Revenue].

Need some help figuring this out? Reach out to us and we will be happy to help.

Step 1
Estimate the number of days the provider will work over a given year.

Number of days the provider is expected to work per week:

Expected number of weeks the provider will take off for vacation:

Estimated number of sick days allowed for the provider:

Number of days provided for CME:

Estimated number of days the provider will work per year:
188.00

Daily KPI Summary Sheet- Month of _____

	Monday	Tuesday	Wednesday	Thursday	Friday	Week Total	Month to Date
Total Charges Posted							
Total Adjustments Posted							
Total Denials Posted							
Total Receipts Posted							
Collection Ratio							
Number of Patient Visits							
Total Claims Submitted							
Total Claims Rejected							
Claims Rejection Rate							
Clean Claim Rate							
Transmission Denial Rate							
Staff Hours Worked							
Staff Overtime Hours							
Medical Supply Expense							
Vaccine Expense							
Vaccine Injections							

Attach summary sheets from billing system, transmission reports & payroll reports

Monthly KPI Summary Sheet

	April	May	June	Quarter Total	Annual Total	Quarter Last Yr	Annual Last Yr	Quarter Variance	Annual Variance
Total Charges Posted									
Total Adjustments Posted									
Total Denials Posted									
Total Receipts Posted									
Collection Ratio									
Number of Patient Visits									
Total Claims Submitted									
Total Claims Rejected									
Claims Rejection Rate									
Clean Claim Rate									
Transmission Denial Rate									
Staff Hours Worked									
Staff Overtime Hours									
Medical Supply Expense									
Vaccine Expense									
Vaccine Injections									
Total Encounters									
Charges per Encounter									
Revenue per Encounter									
Accounts Receivable									
Beginning A/R									
Ending A/R									
Change in A/R									
Gross Collection Ratio									
Net Collection Ratio									
Days in A/R									
A/R Balance Review									
Current									
31-60 Days									
61-90 Days									
91-120 Days									
121-150 Days									
Over 150 Days									

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Monthly KPI

	April 2012	May 2012	June 2012	Quarter Total	Annual Total	Quarter Last Yr	Annual Last Yr	Quarter Variance	Annual Variance
Total Encounters									
Charges per Encounter									
Revenue per Encounter									
Physician Days Worked									

	April 2012	May 2012	June 2012	Quarter Total	Annual Total	Quarter Total 2011	Annual Total 2011	Quarter Variance	Annual Variance
Accounts Receivable									
Beginning A/R									
Ending A/R									
Change in A/R									
Gross Collection Ratio									
Net Collection Ratio									
Days in A/R									
A/R Balance Review									
Current									
31-60 Days									
61-90 Days									
91-120 Days									
121-150 Days									
Over 150 Days									

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Monthly KPI

	April	May	June	Quarter Total	Annual Total	Quarter Last Yr	Annual Last Yr	Quarter Variance	Annual Variance
Monthly Payor Analysis									
Charges									
Cigna									
United									
BCBS									
Aetna									
Medicaid									
Revenue									
Cigna									
United									
BCBS									
Aetna									
Medicaid									
Denials									
Cigna									
United									
BCBS									
Aetna									
Medicaid									
Adjustments									
Cigna									
United									
BCBS									
Aetna									
Medicaid									

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Paul D. Vanchiere, MBA
 Paul@PediatricSupport.com

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