



Stamford Health System

Surviving in a Competitive Marketplace:
Opportunities for Physician Practices

January 25, 2005





Introduction

Integrated HealthCare

- Established in CT in 1996
- Ronald Dreskin, Managing Partner
 - Over 25 years of leadership experience in the health care industry
 - Former executive for NYC academic teaching hospital
 - Columbia University School of Public Health Faculty Member

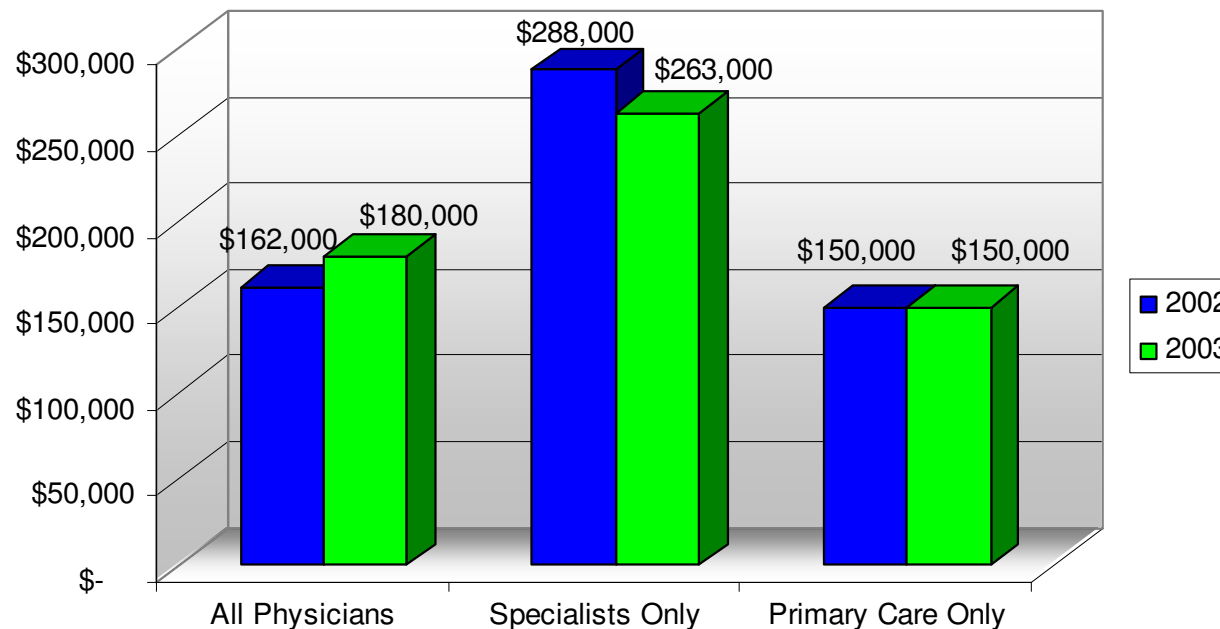


Agenda

- National Trends
- How to Improve Your Practice
 - Mission Statement
 - Benchmarking Defined
 - Sample Self-Assessment Tools
- Competition
 - Strategic Responses
- Next Steps

National Trends-Compensation

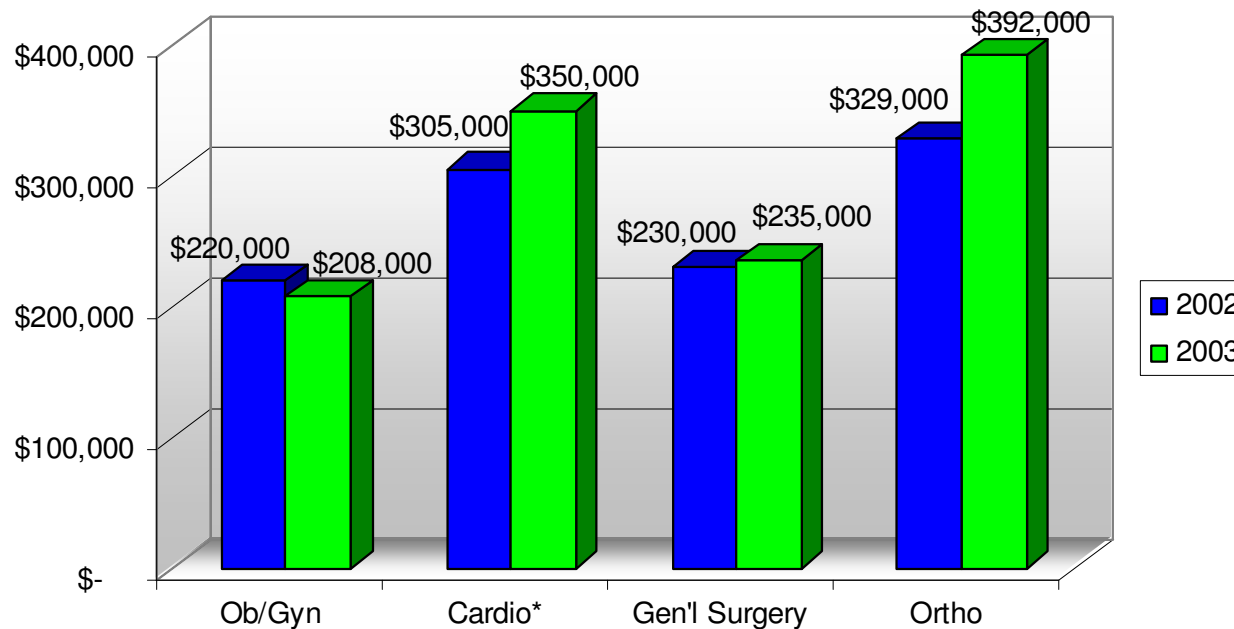
**Median Physician Compensation
2002 vs. 2003**



Source: Medical Economics 2003 Compensation Survey; Compensation excludes fringe benefits

National Trends: Specialty Compensation

Median Compensation, Selected Specialties
2002 vs. 2003

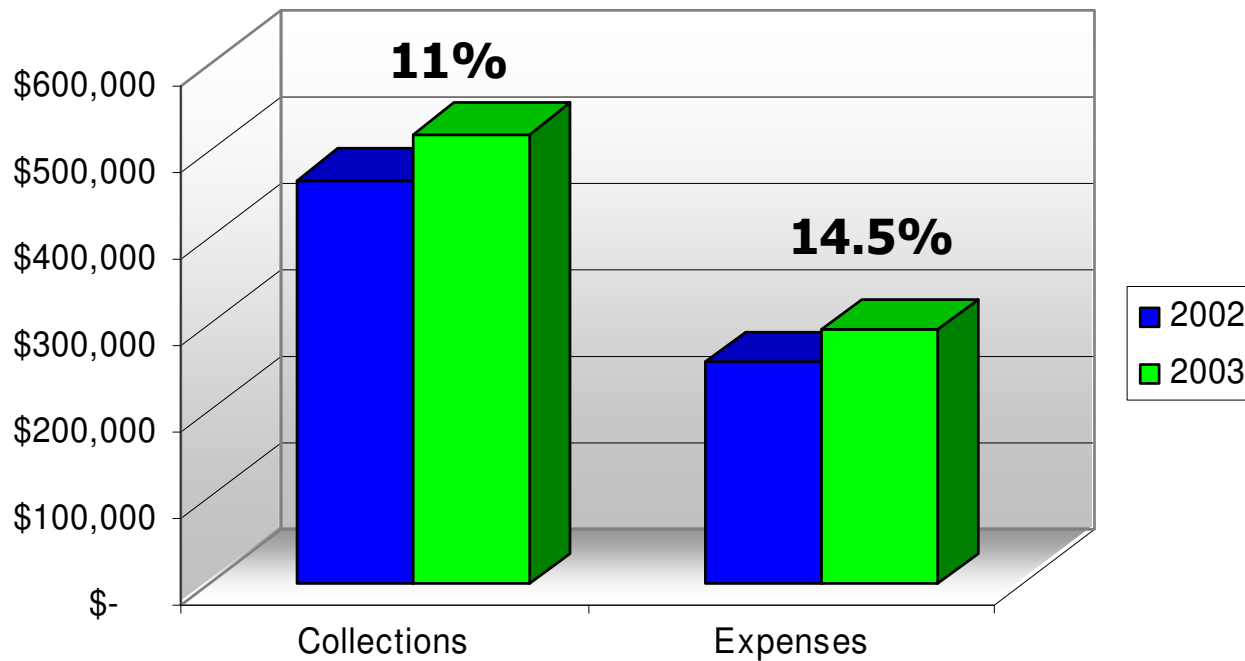


Source: Medical Economics 2003 Compensation Survey

*Cardio numbers represent an average of invasive and non-invasive cardiologist compensation

National Trends: Expenses

Internal Medicine Collection and Expenses
2002 vs. 2003



Source: MGMA Cost Survey 2004



How to Improve Your Practice

- Identify Mission
- Assess your Practice Performance
 - Self-Assessment tools
 - Benchmark key indicators
- Consider Collaborating to Leverage Resources
- Quantify Opportunities and Implement



Mission Statement - Definition

A Mission Statement is a self-imposed obligation which reflects the values of the organization and which drives the organization's objectives.



Sample Mission Statement

*"The mission of our Practice is to provide **superior care** to our patients and the community, to run a **profitable** organization and to ensure the **long-term continuity** of the Practice."*



Benchmarking Defined

"A continuous process of measuring

- *Productivity*
- *Revenue*
- *Costs*
- *Quality*

using standard, objective measures."



Benchmarking 101

- Benchmark key indicators
 - Benchmark practice against industry
 - Benchmark internally
 - Benchmark yourself over time
- Share data among practice providers
- Show what can/should be achieved
- Set targets



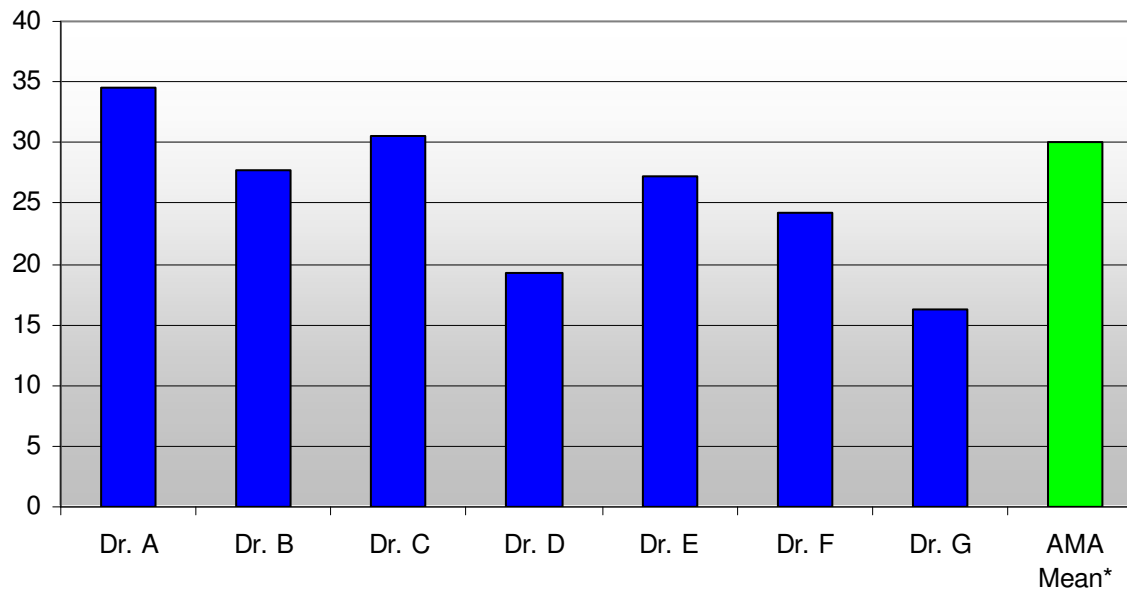
Keys to Profitability

Physician Practices Need to be Able to Benchmark the Following Key Indicators:

- **Productivity Indicators**
 - Hours per wk—*example included*
 - Visits per hr
 - Revenue per physician—*example included*
- **Account Receivable Indicators**
 - A/R by Aging — *example included*
 - A/R by Physician
- **Expense Indicators**
 - Overhead as a percentage of revenue
 - Staffing levels — *example included*
- **Governance** - Qualitative Indicator
 - How effective is your decision-making process?
 - Hiring a new MD— *example included*

Productivity Indicator 1: Hours per Week

**Hours Spent in Clinical Care per Week:
Case Study**



Annual Revenue Opportunity: \$241,500

Case Study: 7-physician ob/gyn group in CT
*AMA Mean based upon a 4-day work week



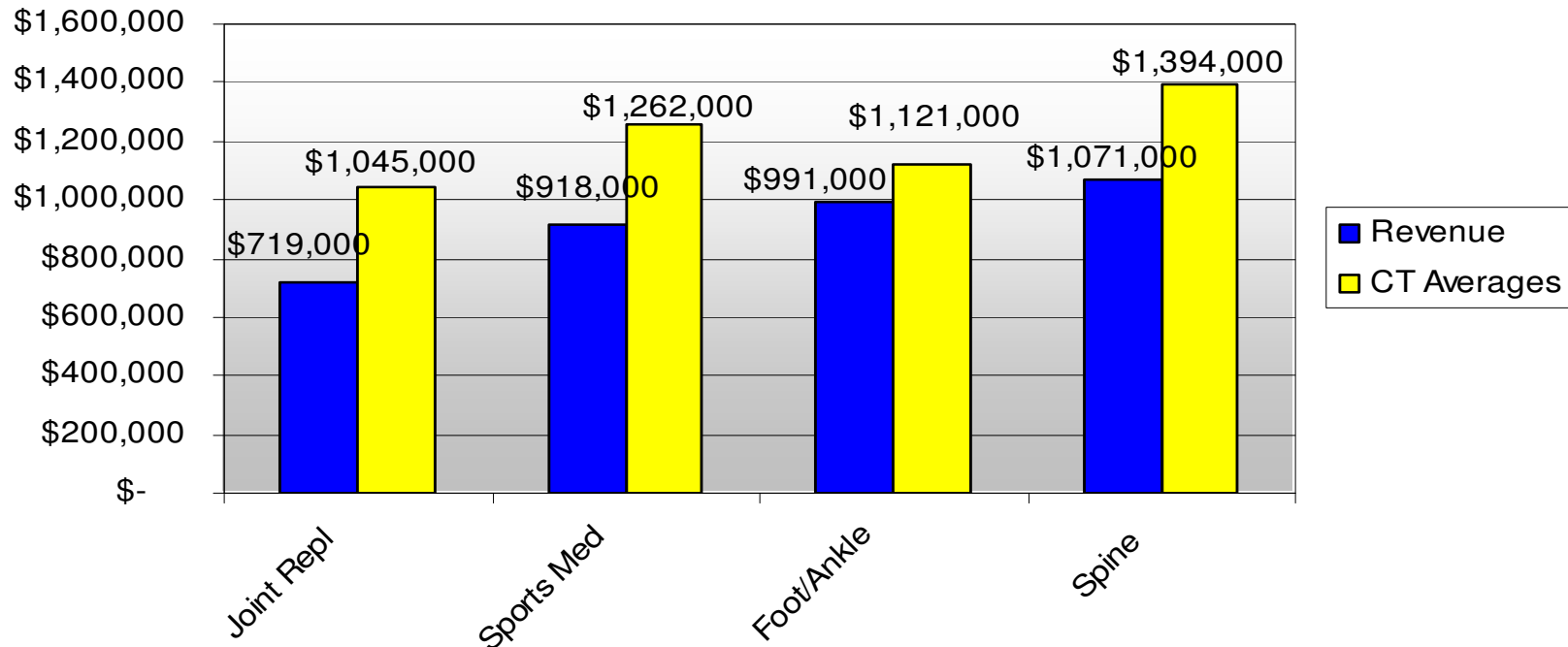
Worksheet to Calculate Revenue Opportunity

1. AMA mean hours per week (30) * 7 physicians =	210
2. Less total actual practice hours worked per week =	<u>180</u>
3. Difference in hours per week worked =	30
4. 30 hours per week * 3.5 ¹ visits/hr equals visits per week of =	105
5. At collection rate of \$50 per visit, lost revenue per week =	\$ 5,250
6. At 46 weeks per year, lost revenue per year =	<u>\$241,500</u>

1. Actual AMA mean visits per hour is 4.0

Productivity Indicator 2: Collections by Sub-Specialty

Collections by Sub-Specialty: Case Study

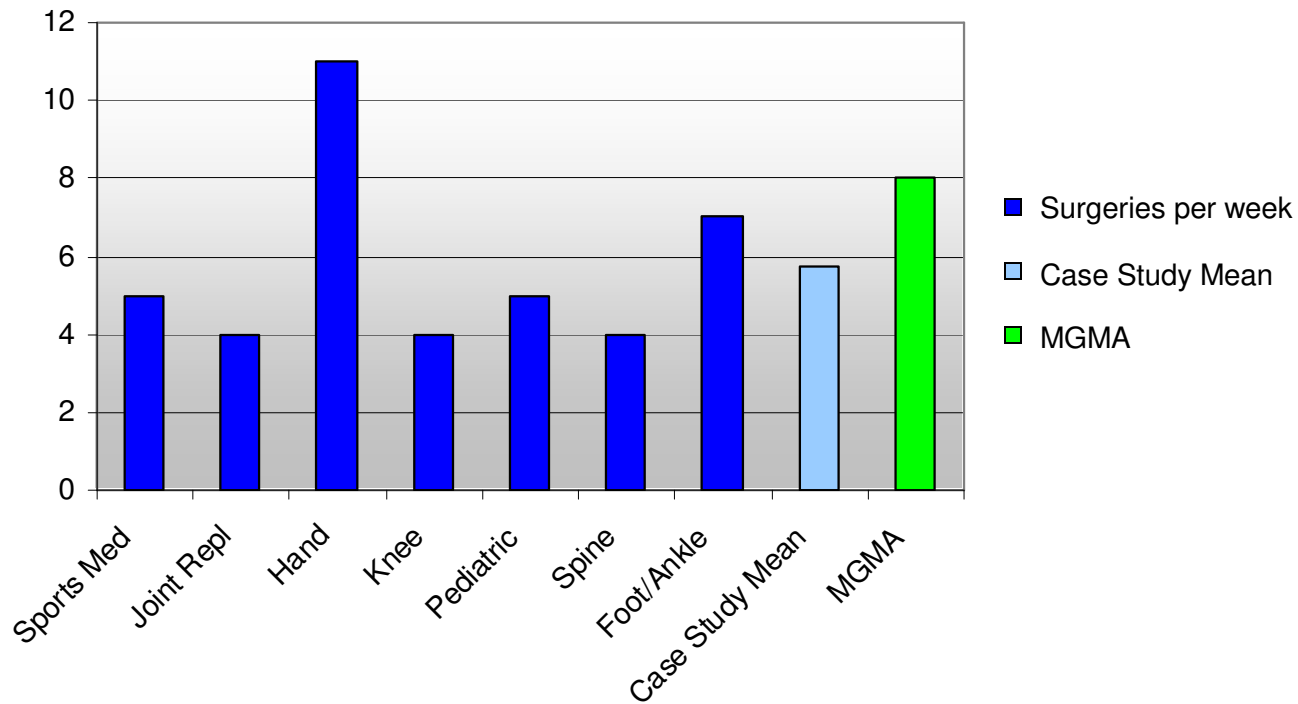


Potential Revenue Opportunity: \$2,481,000

Case Study: 11-physician orthopedic group in CT

Productivity Indicator 3: Surgeries per Week

Surgeries per Week: Case Study



Case Study: 11-physician orthopedic group in CT



Accounts Receivable Indicator 1: A/R by Aging

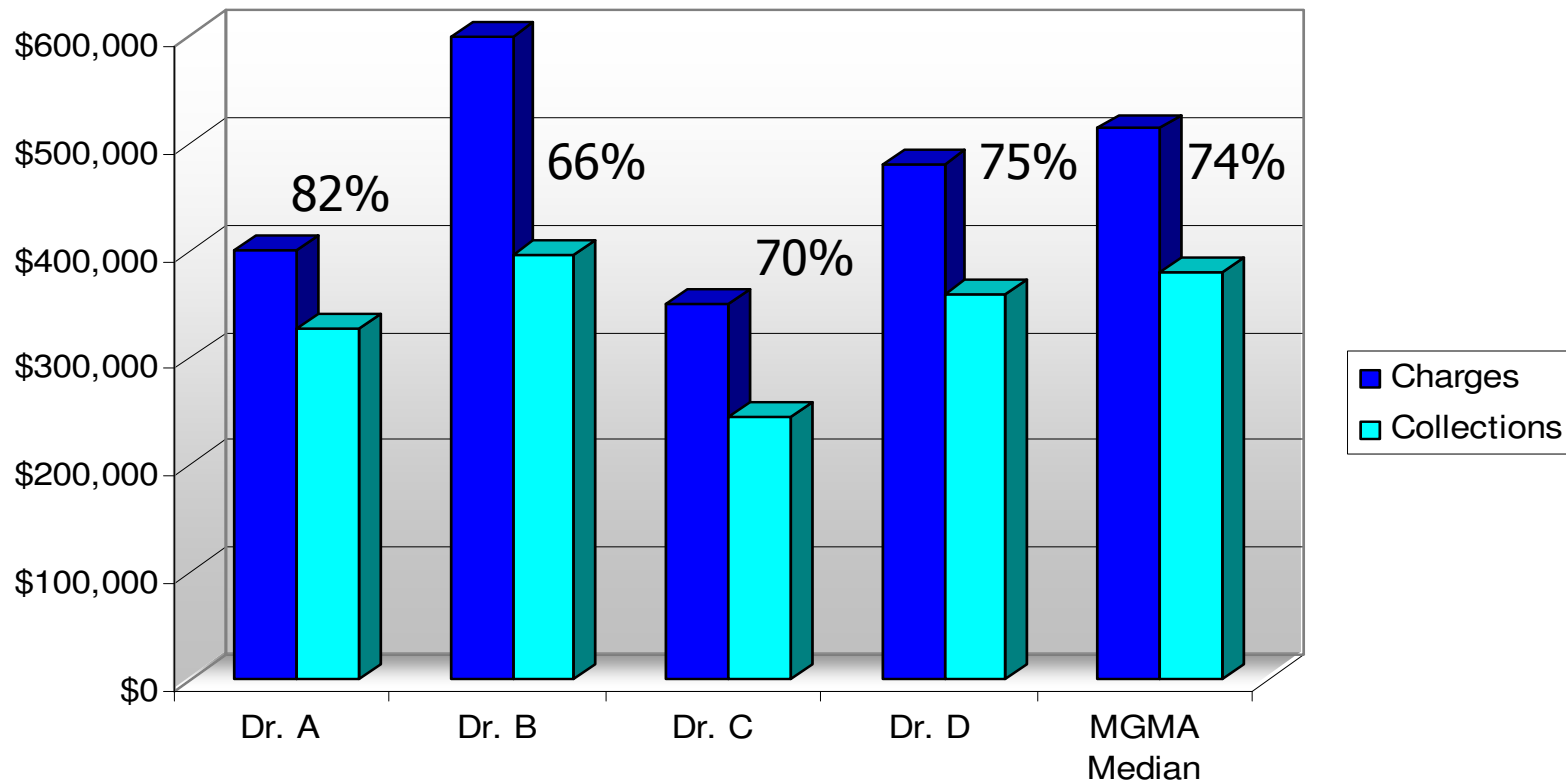
A/R by Aging: Case Study

<u>AGING</u>	<u>AMOUNT</u>	<u>% OF TOTAL</u>	<u>MGMA*</u>
0-30	\$ 158,866	32%	54%
31-60	\$ 57,794	12%	16%
61-90	\$ 20,536	4%	9%
91-120	\$ 19,094	4%	6%
<u>>120</u>	<u>\$ 243,710</u>	<u>49%</u>	<u>14%</u>
TOTAL	\$ 500,000	100%	99%

Case Study: 4-physician family medicine practice in CT
Source Data: MGMA Cost Survey 2004

Accounts Receivable Indicator 2: Charges vs. Collections

Charges vs. Collections: Case Study



Case Study: 4-physician family medicine practice in CT



Expense Indicator: Staffing Levels (a)

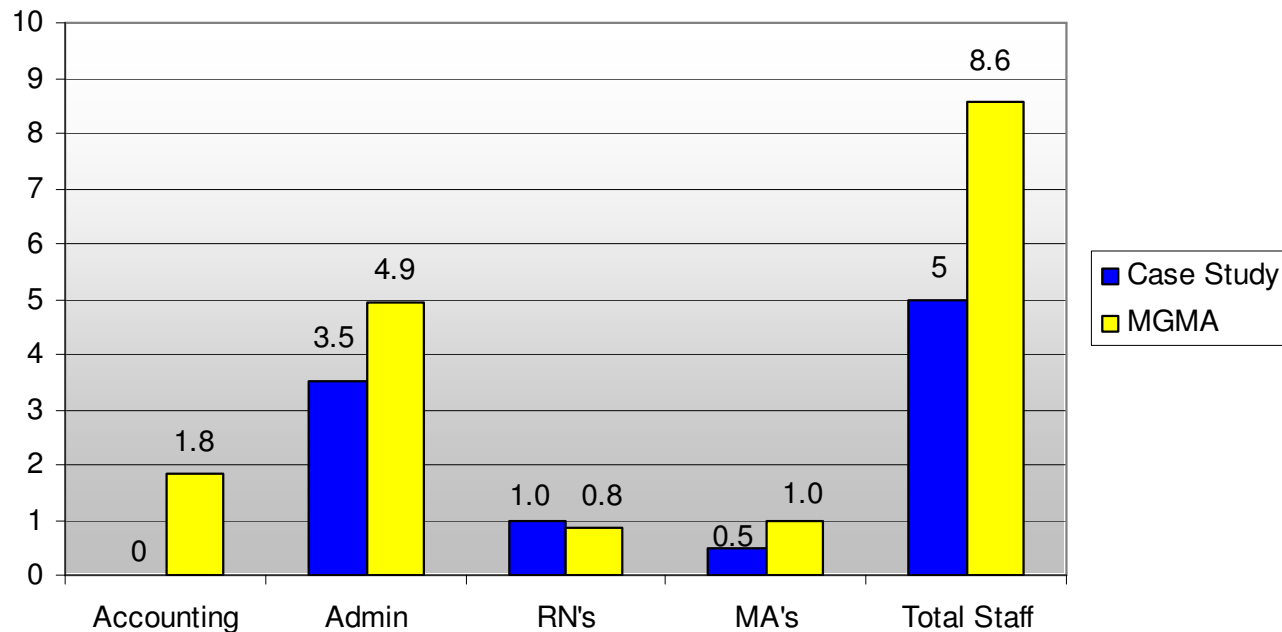
Staffing Levels vs. Benchmark: Case Study Example of Over-Staffing

	Case Study	MGMA	Variance
Medical Reception	5.4	3.4	2.0
Nursing	3.6	4.3	(0.7)
Medical Records	1.3	1.2	0.1
Total Staff	10.3	8.9	1.4

Case Study: 2.5 FTE internal medicine physicians within a multi-specialty group in CT

Expense Indicator: Staffing Levels (b)

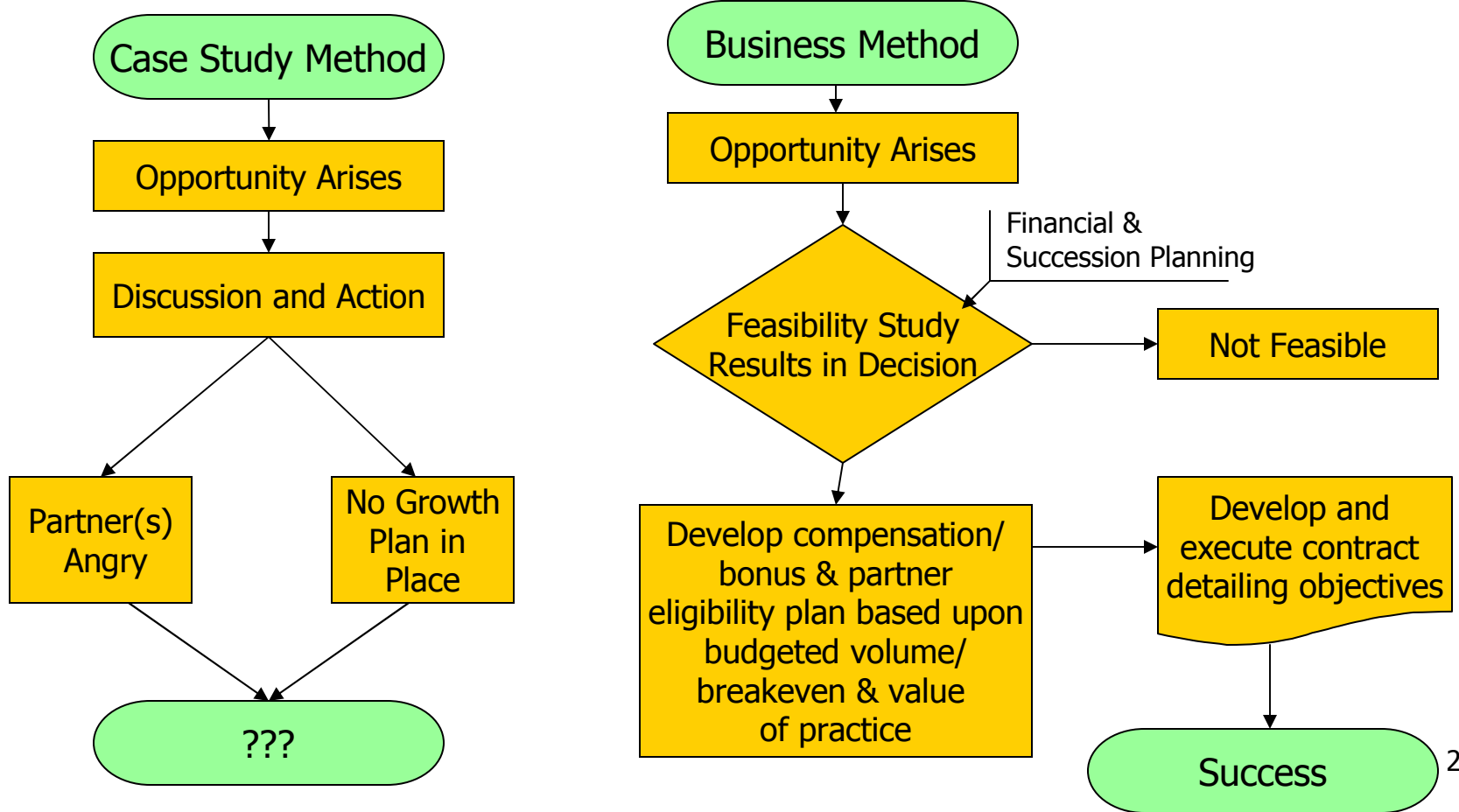
Staffing Levels vs. Benchmark: Case Study
Example of Under-Staffing



Case Study: 3-physican general surgery group in CT

Group Governance and Decision-Making

Decision-Making Case Study: Recruitment of New MD



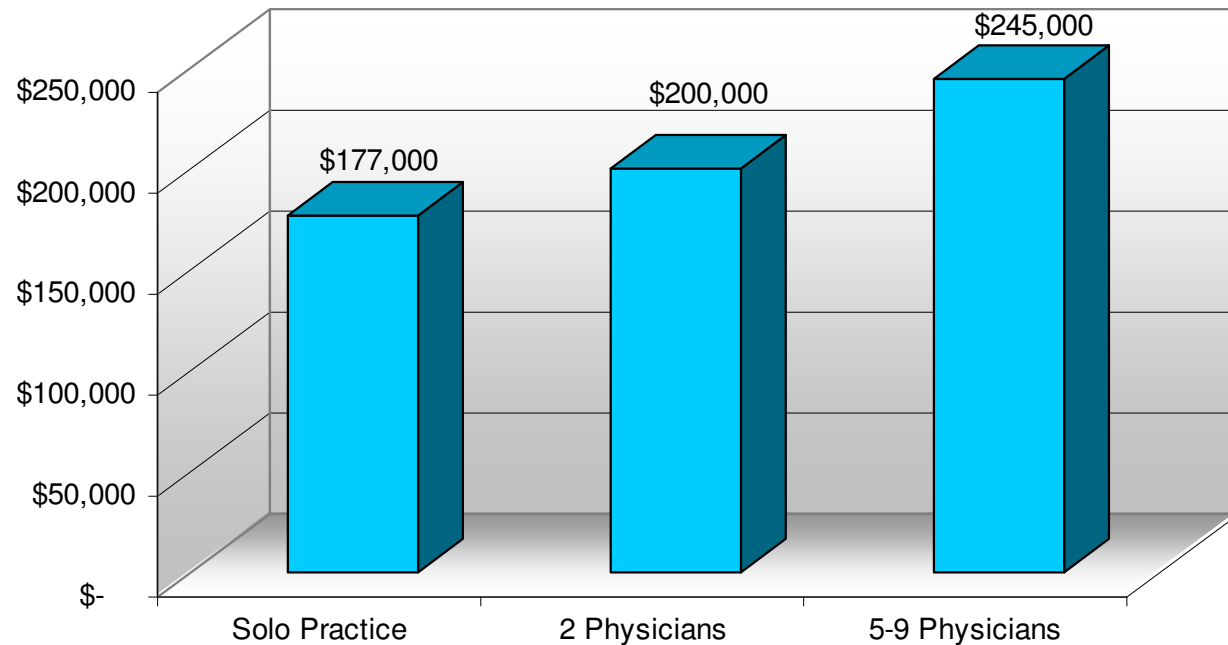


Competition: Local Stamford Market

- Your competition in the surrounding area is exploiting opportunities developed by consolidation
 - Pooling resources has enhanced technology
 - Centralized scheduling has improved patient access, throughput and utilization of physician time
 - Centralized Billing Offices have enabled advanced technology and standardization of best practices
- These improvements have increased profitability and recruitment opportunities

National Trends: Compensation and Group Size

**Median Physician Compensation by Group Size
2003**



Source: Medical Economics 2003 Compensation Survey



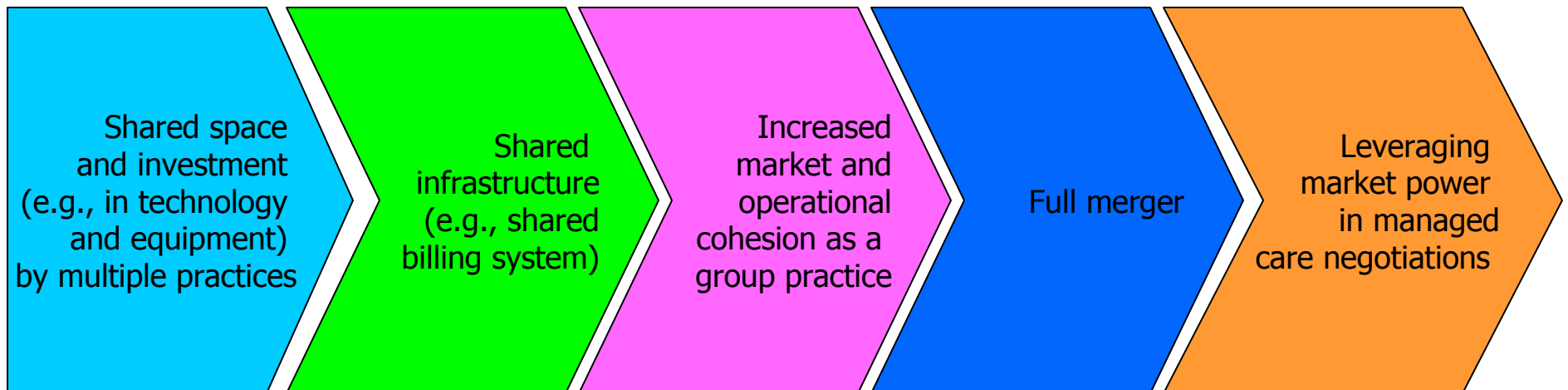
Potential Strategic MD Responses

- Improve Individual Practice Performance
 - Organizational Effectiveness
 - Revenue Enhancement
 - Operational Efficiency/Cost Reduction
- Collaborate Among MDs to Gain:
 - More resources to improve technology, both office and clinical
 - Economies of scale in overhead, e.g. staffing
 - Improved hiring opportunities
- Collaborate Among MDs to avoid:
 - Competition in recruiting that leads to MD over-population in specialty
 - Squabbling that leads to out-migration to other area providers



MD-MD Collaborative Efforts

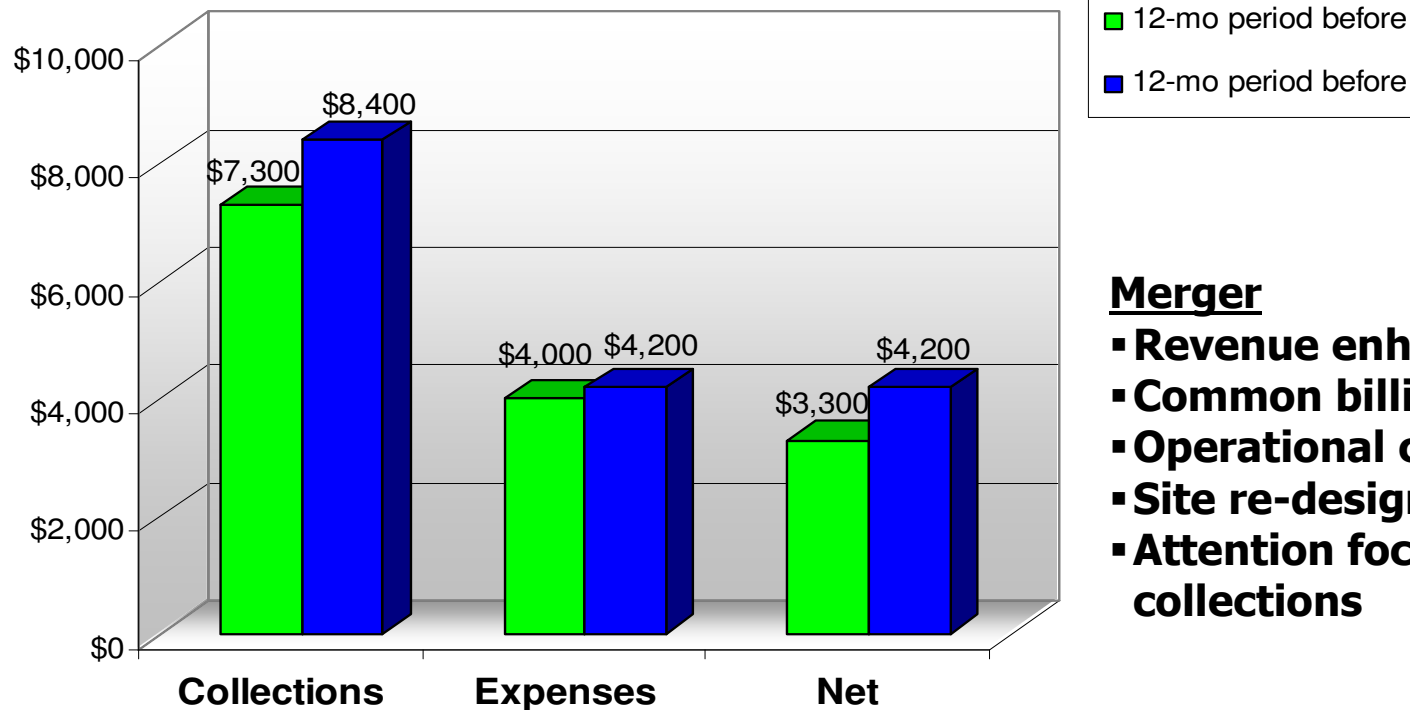
Array of Collaborative Strategies



MD-MD Collaborative Efforts: Merger Case Study

Tale of a Merger: Before and After

Amounts in \$1,000s



Merger

- Revenue enhancement
- Common billing & collections
- Operational consolidation
- Site re-design
- Attention focused on collections

Case Study: 10-physician orthopedic group in CT



Discussion: Next Steps



For More Information

- A Copy of this Presentation is available at www.ihchealth.com

- Any Questions/Comments may be addressed to:

Ron Dreskin

Tel: (203) 487-0880

rdreskin@ihchealth.com