

Primary Physician Management

Key Performance Indicator (KPI) Definitions

Metric Description			Metric Calculation			
Measure	Purpose	Value	Equation	Variable Notes	Data Source	Frequency
1a. Primary Physician* Practice Operating Margin Ratio	Measures the financial performance of a primary physician entity on an accrual basis.	Determines the state of financial health and sustainability of current practice operations.	$\frac{\text{Net income from primary practice operations}}{\text{Primary Practice Operating revenue}}$	All physician practice expenses should be included when calculating net [†] Operating revenue includes revenue from patient care services, delivered by primary care physician(s), other operations and government appropriations within a specific practice's operation.	<u>IS</u> IS	Monthly
1b. Specialty Physician [‡] Practice Operating Margin Ratio	Measures the financial performance of a specialty physician entity on an accrual basis.	Determines the state of financial health and sustainability of current practice operations.	$\frac{\text{Net income from specialty operations}}{\text{Specialty Operating revenue}}$	All physician practice expenses should be included when calculating net [†] Operating revenue includes revenue from patient care services, delivered by specialty physicians, other operations and government appropriations.	<u>IS</u> IS	Monthly
1c. Net Income/Loss per Primary FTE [§] Physician	Measures the average profit or loss of Primary FTE physician on an accrual basis.	Determines the financial health on a physician FTE level. Can be used for tracking and trending the profitability of the entity based on a physician level. Supports the need for strategy development to minimize losses.	$\frac{\text{Net income from operations}}{\text{Number of FTE physicians}}$	All physician practice expenses should be included when calculating net [†] Excludes physician extenders.	<u>IS</u> Payroll/ Accounting	Monthly
1d. Net Income/Loss per Specialty FTE [§] Physician	Measures the average profit or loss of a specialty FTE physician on an accrual basis.	Determines the financial health on a physician FTE level. Can be used for tracking and trending the profitability of the entity based on a physician level. Supports the need for strategy development to minimize losses.	$\frac{\text{Net income from operations}}{\text{Number of FTE physicians}}$	All physician practice expenses should be included when calculating net [†] Excludes physician extenders.	<u>IS</u> Payroll/ Accounting	Monthly
2. Practice Net Days in Accounts Receivable (A/R)	Calculates the average number of days it takes to collect payment on services rendered. Measures Revenue Cycle effectiveness and efficiency.	Used as a potential proxy for DCOH ("Cash Inventory"). Determines the effectiveness of patient care collections, and can be used for budgeting and cash flow projections.	$\frac{\text{Net Patient Service A/R}}{\text{Average daily net patient service revenue}}$	Excludes uncollectibles as well as discounts for third party payers and discounts for charity care. Excludes credit balances, non-patient A/R-related third-party settlements and non-patient A/R. Net revenue is defined as patient service revenue less bad debt. (Report total net patient service revenue for the past 3 months / Σ # days in the 3 month period)	<u>BS</u> IS	Monthly
3. Practice Cash Collection Percentage	Measures Revenue Cycle efficiency supports the valuation of current A/R and predicts income.	Provides an opportunity to increase cash flow and forecasts accuracy of expected revenues.	$\frac{\text{Actual Patient Service Cash Collections}}{\text{Net Patient Service Revenue}}$	Total cash reported from patient cash account. Gross charges (-) Deductions: Deductions include contractual allowances as well as bad debt and charity care discount. Excludes pay for performance, includes bad debt recovery.	<u>IS</u> IS	Monthly
4a. Total Primary* Physician Compensation as a Percentage of Net Revenue	Demonstrates an ability to afford primary physician compensation in relation to the revenue of the physician enterprise.	Predicts reasonableness of primary physician compensation relative to revenue. (Direct contribution of a physician.)	$\frac{\text{Total Primary Physician Compensation}}{\text{Total Net Primary Patient Service Revenue}}$	Includes base salary + bonus (paid in the reporting month), and benefits; excludes professional liability insurance Includes revenue generated by physician extenders	<u>IS</u> IS	Monthly
4b. Total Specialty [‡] Physician Compensation as a Percentage of Net Revenue	Demonstrates an ability to afford specialty physician compensation in relation to the revenue of the physician enterprise.	Predicts reasonableness of specialty physician compensation relative to revenue. (Direct contribution of a physician.)	$\frac{\text{Total Specialty Physician Compensation}}{\text{Net Specialty Patient Service Revenue}}$	Includes base salary + bonus (paid in the reporting month) and benefits; excludes professional liability insurance. Includes revenue generated by physician extenders	<u>IS</u> IS	Monthly
5. Percent of Patient Schedule Occupied	Identifies opportunity to maximize slot utilization and improve practice productivity.	Measures available capacity in a patient schedule	$\frac{\text{Number of patient hours occupied}}{\text{Number of patient hours available}}$	Cancellations and no shows are included in "occupied" Excludes blocked time: blocked time is defined as physicians' scheduled hours that are unavailable (blocked) due to meetings, lunches, and/or administrative functions.	Scheduling system	Monthly

PRIMARY PHYSICIAN MANAGEMENT KEY PERFORMANCE INDICATOR (KPI) DEFINITIONS

Metric Description			Metric Calculation			
Measure	Purpose	Value	Equation	Variable Notes	Data Source	Frequency
6. Professional Services Denial Percentage	Tracks payer denials and impact on cash flow. Trends payment opportunity and process improvement	Drives root cause accountability in the revenue cycle processes	$\frac{\sum \text{CPT (units of service) codes denied}}{\sum \text{CPT codes billed}}$	Codes denied include only CPTs that result in payment denial or payment delay, (per managed care contract or allowable services). Excludes Anesthesia None	PPS	Monthly
7. Point-of-Service (POS) Collection Rate	Provides opportunity to increase collections, decrease collection costs, and accelerate cash flow	Identifies opportunity for increased POS collections.	$\frac{\text{Total POS collections}}{\text{Total patient cash collected-all self pay}}$	POS collections include pre-service through the completion of service and includes monies paid for prior services (past due balances). Total patient (self pay) cash collected	PPS	Monthly
8. Total Charge Lag Days	Measures charge capture workflow efficiency and identifies delays in cash	Accelerates cash flow	$\frac{\sum \text{days from revenue recognition date (posting date) less date of service date (by CPT code)}}{\sum \text{CPT codes billed}}$	Sum of all days for all revenue by CPT code posted for the reporting month. Revenue recognition (posting date) includes clinical pathology, and excludes Anesthesiology and Surgical Pathology. None	PPS	Monthly
9. Aged Accounts Receivable (A/R) by Payer Group ^{II} as a Percentage of Outstanding Total A/R	Trending indicator of receivable aging and collectibility by payer group	Indicates payment delays or revenue cycle's ability to liquidate A/R by payer group	$\frac{\text{Billed Payer Group by Aging (0-30, >30, >60, >90, >120 days)}}{\text{Outstanding A/R by payer group}}$	Aged from original revenue recognition (posting) date, re-aging should not occur based on posting of transactions, includes all active billed debit balance accounts: aging categories are mutually exclusive. (see below for payer groups) None	PPS	Monthly
10. Aged Accounts Receivable (A/R) as a Percentage of Outstanding Accounts Receivable	Trending indicator of receivable aging and collectibility	Indicates payment delays or revenue cycle's ability to liquidate accounts receivable	$\frac{0-30, >30, >60, >90, >120 \text{ days}}{\text{Total outstanding A/R}}$	Aged from original revenue recognition (posting) date, re-aging should not occur based on posting of transactions, includes all active billed debit balance accounts: aging categories are mutually exclusive. None	PPS	Monthly

Footnotes:

* Primary Physician includes the following physician specialties: Family Practice, Internal Medicine, Pediatrics, OB/Gyn and Hospitalists.

† List of expenses:

- Advertising/Marketing
- Medical Supplies
- Office Supplies
- Staff Salary
- Staff Benefits
- Provider Salary
- Malpractice
- Rent/Lease (and Building expenses)
- Furniture/equipment
- Central support services (IT, billing, HR, finance)

‡ Specialty Physician includes all other physicians that are not listed as Primary Physicians.

§ One FTE equals 32 or greater patient care hours

|| Payer Group:

- 1) Medicare - Traditional
- 2) Medicare Advantage (includes risk, managed care, and other terms)
- 3) Medicaid
- 4) Medicaid Contracted (includes risk, managed care, and other terms)
- 5) Contracted Payers (includes different products from payers like Blue Cross, Aetna, United Health Care, etc. Includes state workers comp plans and VA)
- 6) Non-Contracted Payers (* depending on the state and the provider, includes "Commercial or indemnity", VA, TriCare, Workers Comp)
- 7) Self Pay (includes Charity, post insurance and pending government funded programs)
- 8) Capitation

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