Outpatient Facility Coding Alert

Financial Strategies: Apply 8 Benchmarks to Assess Your Surgery Center's Financial Health

Start with 2 or 3 key measures—use those to evaluate your top concerns.

If you're concerned about your ambulatory surgery center's profitability, it's a good idea to review your benchmarks. And it's good to study in detail how benchmarking works for particular specialties, so that you can model general principals and measures, as appropriate in your ASC. Here's a look at guidance on how to benchmark retina services in an ophthalmic eye care center.

Background: Reimbursements for retinal procedures took significant hits in 2016, and even though CMS scrapped 2016's proposed Medicare Part B Drug Payment Model pilot program, drug reimbursements are always on their radar and future reductions could hit retina specialists hard. Now more than ever, it's important to monitor your retina practice's financial health.

Benchmarking empowers you to check your gut feelings with hard data, says BSM Consulting's **Andrew Maller, MBA, COE**, who presented at the last ASCRS/ASOA annual symposium in New Orleans.

When you think about your retina practice or the retina specialty portion of your comprehensive eye care practice, you may have concerns like:

- Why am I making less than last year?
- Why is our overhead so high?
- Our drug costs are ruining our profitability!
- Why is it that the techs are always standing around in the back office? Do we have too many staffers?
- My associate is not productive enough.

"Applied correctly, benchmarking can show you whether your subjective concerns are valid, what's causing your problems, and how to fix them," Maller says. Here's how to gain insight and get that money back,

If your practice hasn't benchmarked much before, Maller has some caveats. Pick two or three benchmarks to start with so you don't overwhelm yourself, he advises. And don't check numbers once a month—if you do, you'll overreact to fluctuations that don't impact your retina practice's financial health long-term. Most experts recommend you check benchmarks twice a year or quarterly.

Here are some benchmarks Maller suggests for retina practices:

1. Net Collections Per FTE MD: Helps you gauge provider productivity. Look for year-over-year changes or significant variances among different doctors.

How to calculate: Divide net collection total for year by number of FTE MDs. ("FTE MD" definition: If a provider works at least 180 days in the clinic or in surgery, BSM labels them as "full-time," says Maller.) Exclude all revenue from J codes.

Range: $1.0 million – $1.8 million.

If your practice is below range, you may have provider inefficiencies or collection difficulties in your practice.

2. Patient Visits per FTE MD

How to calculate: Divide annual total of patient visits by number of FTE MDs. Include visits coded with eye codes and

E/M codes, as well as no-charge visits. Exclude injection visits from this calculation.

Range: 3,500-5,700

Why the huge range here? Retina specialists who do lots of injection visits are going to have fewer office visits than their peers.

3. Net Collections per Patient Visit

How to calculate: Divide annual net collections by total number of patient visits (Eye codes and E/M codes, as well as no-charge visits). Exclude injection visits from this calculation.

Range: $225-$366, a decrease from the range in years past.

Insight: Several practice administrators who attended Maller's ASCRS session say they use this metric differently for retina than they have in the past. Why? It doesn't take into account surgical professional fees, which have surged with the rise of injectable drugs to treat AMD. Many admins continue to use this metric for forecasting, however, because surgical professional fees start with patient visits.

4. New Patient Ratio

How to calculate: Divide the number of new patient visits by the sum total of new and established patient visits.

Insight: A higher number signals that you're doing well bringing in new patients, but not so well keeping them. A lower number may be a sign that your practice is having trouble fitting new patients into the schedule.

5. Operating Expense Ratio

How to calculate: Divide operating expenses by net collections. Exclude drug costs and MD compensation from operating expenses. Exclude drug revenue from net collections. "It's difficult for most accounting systems to pull out J code revenue," Maller notes, "but it's essential if you want an accurate snapshot."

Range: 46% □ 64%

6. Gross Payroll Ratio

How to calculate: Divide gross staff wages by net collections.

Tip: If you want to quickly take into account the cost of employment benefits, add about 5 percent to your gross wages total, Maller recommends.

Range: 18% □ 27%

"This is the one that's seen the biggest changes over recent years," Maller notes. There's no question that it costs your retina practice more to get paid than it used to. You've likely had to add staff to do pre-authorizations and inventory tracking and your expenses are up.

7. Net Collections per FTE Support Staff

How to calculate: Divide net collections by the number of support staff.

Range: $150,000 □ $225,000

Insights: A lower number may indicate that your practice is overstaffed, and a higher number may indicate that your practice is understaffed, but don't jump to hasty conclusions, Maller warns. If you suspect your practice is overstaffed, compare this metric to your payroll to revenue ratio. One reason this benchmark could be on the low side: You've recently brought on a new associate who's still building a patient base.

8. FTE Support Staff per FTE MD

How to calculate: Divide number of FTE support staff by number of FTE MDs.

Range: 6-9

Insights: This number is higher for retina practices than for comprehensive practices, where it's 4-8, and it fluctuates depending on the business model. For example, multi-location practices will have a higher number.

Can't get enough metrics? Here's 5 more you could be tracking:

- Patient visits per clinic section
- Diagnostic testing percentage
- Intravitreal injection yield
- Laser procedure yield
- Outpatient surgery yield

Out with the old ...

Retina practices likely saw decreased revenue last year because the 2016 Medicare Physician Fee Schedule drastically cut reimbursement for several procedures:

67107—Retinal detachment repair, scleral buckle—dropped 16 percent.

67108—Repair of retinal detachment with vitrectomy—took a 34 percent cut, with average reimbursement falling from $1631 in 2015 to $1105 in 2016.

67110—Pneumoretinopexy—took a 19 percent reduction.

But now, there's good news: The MPFS for 2017 restores reimbursement lost this past year for **67107**, **67108**, and **67110**.

The schedule also nixes CMS's previous plans to cut 2017 reimbursements for three trabeculoplasty procedures—**65855**, **66170**, and **66172**. CMS now accepts the original RUC-recommended RVUs they were rejecting this time last year. That's good news for your retina practice's financial health after a tough 2016.