



Provider Margin Reviews

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Topics Covered & Dates

✓
Set Your Practice Fees

Wednesday, August 28, 2024

✓
Practice Budgeting Tool

Thursday, September 5, 2024

✓
Managing Payor Rates

Wednesday, September 25, 2024

Provider Margin Reviews

Wednesday October 9, 2024

Employed Provider Bonus Models

Wednesday, October 16, 2024

Split The Pot

Wednesday, October 23, 2024



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Next Week (Oct 16th)- Employed Provider Bonus Models

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Straight Salary

Fixed salary regardless of clinical productivity or other activities



ADVANTAGES

- ▶ Easily administered
- ▶ Transparent
- ▶ Offers financial security and mitigates stress, burnout

DISADVANTAGES

- ▶ No clinical productivity incentive
- ▶ Will overcompensate and undercompensate
- ▶ Minimizes adoption of new technology

Salary + Outcomes

Base salary plus bonus based on any combination of factors such as quality metrics and patient satisfaction



ADVANTAGES

- ▶ Provides a measure of financial security (important for recent graduates)
- ▶ Can be transparent
- ▶ Customizable to mission/goals

DISADVANTAGES

- ▶ No clinical productivity incentive
- ▶ Challenging to calibrate

Salary + Productivity

Base salary plus productivity incentive bonus



ADVANTAGES

- ▶ Levers to incentivize clinical work
- ▶ Can be transparent
- ▶ Level of financial security mitigates stress, burnout

CORE INCENTIVE	DESCRIPTION	POTENTIAL METRIC EXAMPLES
Productivity	Measure of a physician's clinical work or output	<ul style="list-style-type: none"> ▶ wRVUs ▶ Historical Averages
Quality	Measure of a physician's quality of care outcomes	<ul style="list-style-type: none"> ▶ Medicare or NCQA/HEDIS Quality Metrics ▶ CME ▶ Design and peer review of clinical care pathways ▶ Engaging in system-approved programs for improving social determinants of health
Citizenship	Measure that drives patient brand loyalty and growth in a consumer-driven market	<ul style="list-style-type: none"> ▶ Technology – % of Virtual Health Appointments Completed ▶ Leadership – Department/Division Roles ▶ Research – # of Published Publications ▶ Community outreach and indigent care

DISADVANTAGES

- ▶ Possible discrimination based on payor source
- ▶ Unhealthy competition
- ▶ No correlation to patient experience or outcomes



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Setting Your Practice Prices

By Paul Vanchero, MBA | Aug 26, 2024 6:04:04 PM

PMI's presentation on "Setting Your Practice Fees" was broken into three parts for your convenience as each area relies on a specific set of data to help you properly set your practice fees for pediatric practices.

Check out the details below to find the most time-efficient way to properly set your practice fees/prices.




Setting Your Vaccine Prices
Video 6 resources for pediatric practices to set their vaccine/drug prices/fees.

Setting Your Lab Services Prices
Video 6 resources for pediatric practices to set their lab service prices/fees.

Setting Your Professional Services Prices
Video 6 resources for pediatric practices to set their professional services prices/fees.



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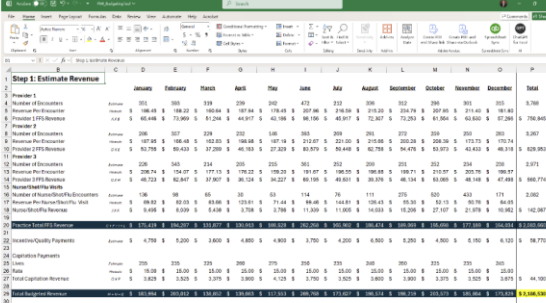
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PMI Videos Excel Downloads Finance

Pediatric Practice Budgeting

By Paul Vanchiere, MBA | Sep 5, 2024 9:13:05 AM





This presentation shared with pediatric practices an approach to preparing an annual budget.

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Excel Downloads Finance Launch & Learn

Managing Payor Rates

By Paul Vanchiere, MBA | Sep 26, 2024 10:55:03 PM | 119views Read



Payor Comparison

Spreadsheet to assist practices in comparing the total anticipated revenue based on CPT volume by payor.

[Click here to download](#)

Payor Proposal Review

Spreadsheet designed to assist pediatric practices in evaluating the financial implications of proposed fee schedule adjustments.

[Click here to download](#)

Spreadsheet designed to help pediatric practices keep a detailed and comprehensive comparison, by payor, of key terms in MCO contracts.

[Click here to download](#)

NJAAP Pediatric Practice Management Presentation

The Most Common Issues Pediatric Practices Should Address presented by Paul Vanchiere

Special & Day Care Coding With A Twist/Update presented by Richard Lunder

Where Is Your Practice Losing Money presented by Chip Hart

MCO Negotiation Presentation At PCC UC:

Getting Your Data Ducks In A Row presented by Chip Hart

Finally At The Table: Managing Contract Negotiations presented by Susanne Margala-Brennan (Formerly Madden)

Understanding Business Indicators, Navigating Possible Outcomes presented by Paul Vanchiere

Practice Manager's Perspective presented by Kimberly Brennan



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Reality Check #1



High volumes, low margins....

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Reality Check #2



Reality Check #3

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... We must first accept the fact that a pediatric practice is really a small business and must run on sound, generally accepted business principles to remain viable."

<http://practice.aap.org/content.aspx?aid=1808>

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Revenue Sources

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- Different types of revenue
 - Personally Performed Services
 - Office Visits (Well & Sick)
 - Hospital Services
 - Development Screens
 - Lab Services
 - Vaccines
 - Drugs & Admin's
 - Other Ancillaries
 - Radiology
 - Clinical Trials
 - Pharmacy
- Impacted By
 - Payor Contracts
 - Effective Patient Collections
 - Billing Department P&P's

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Key Components of Provider Costs

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- Fixed vs. Variable Expenses
- Largest Expenses
 - Labor & Benefits
 - Vaccines

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Factors Influencing Provider Margins

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- Volume of patients seen
 - Days Worked
 - Visits Per Day
- Payer mix (Medicaid, Private Insurance, Percent of Self-Pay)

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Margin Calculation Basics

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- Total Revenue Generated (-) Total Allocated Costs
- Two Ways To Do This
 - “Heavy” allocation (Cost Accounting)
 - Estimated Overhead Rate

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Cost Allocation

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- Allocation Of Revenue Generated
 - By Provider
- Allocation Of Expenses
 - Direct & Variable

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Cost Allocation Example

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	Allocation	Provider 1	Provider 2	Provider 3	Provider 4	Provider 5	Provider 6	Provider 7
Allocated Revenue For Margin Analysis	\$ 3,563,800	\$ 590,529	\$ 458,295	\$ 469,178	\$ 493,148	\$ 467,425	\$ 442,186	\$ 633,539
Expenses								
5000 Support Staff Compensation and Benefits								
5100 Salaries-Support Staff								
5110 Salaries-Administration	\$ 110,000 Hybrid	\$ 17,286	\$ 14,816	\$ 14,856	\$ 15,168	\$ 14,656	\$ 14,468	\$ 18,750
5130 Salaries-Billing	\$ 85,000 wRVU	\$ 14,572	\$ 10,755	\$ 10,816	\$ 11,299	\$ 10,508	\$ 10,217	\$ 16,834
5130 Salaries-Clinical Support	\$ 325,000 Hybrid	\$ 51,072	\$ 43,775	\$ 43,892	\$ 44,815	\$ 43,303	\$ 42,747	\$ 55,397
5140 Salaries- Patient Representatives	\$ 145,000 Hybrid	\$ 22,786	\$ 19,530	\$ 19,583	\$ 19,994	\$ 19,320	\$ 19,072	\$ 24,716
5190 Support Staff 401K	\$ 12,000 Hybrid	\$ 1,886	\$ 1,616	\$ 1,621	\$ 1,655	\$ 1,599	\$ 1,578	\$ 2,045
5195 Support Staff Per Diem	\$ - Hybrid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7000 Medical Supplies and Services	\$ 140,000 wRVU	\$ 24,000	\$ 17,714	\$ 17,815	\$ 18,609	\$ 17,307	\$ 16,828	\$ 27,727
7010 Pharmacy Supplies and Services								
7100 Medical Equipment								
7110 Medical Equipment - Repairs and Maintenance	\$ - wRVU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7200 Vaccines and Injectables	\$ 578,000 Vaccine	\$ 103,261	\$ 69,088	\$ 76,382	\$ 86,296	\$ 80,507	\$ 66,212	\$ 96,255
7300 Pharmacy Supplies and Services	\$ - wRVU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7400 Laboratory Expenses	\$ 25 wRVU	\$ 4	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 5
7420 Laboratory Supplies	\$ 500 wRVU	\$ 86	\$ 63	\$ 64	\$ 66	\$ 62	\$ 60	\$ 99
7430 Laboratory Services	\$ 375 wRVU	\$ 64	\$ 47	\$ 48	\$ 50	\$ 46	\$ 45	\$ 74
7440 Laboratory Equipment	\$ - wRVU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7500 Linens	\$ 1,800 wRVU	\$ 309	\$ 228	\$ 229	\$ 239	\$ 223	\$ 216	\$ 356
7800 Offsite Storage - Medical Records and Supplies	\$ - wRVU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Overhead Rate Relative To Revenue Generated

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- Easier to Manage
- Easier to Explain
- PDC

Don't Let Perfection Be The Enemy...

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The Nuts & Bolts

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Margin Review Last 12 Months

		<i>Physician</i>
A Total Payments	<i>Actual From PM System</i>	\$ 450,000
B Immunization/Drug Payments	<i>Actual From PM System</i>	\$ (125,000)
C Lab Payments	<i>Actual From PM System</i>	\$ (33,500)
D Personally Performed Payments	<i>Sum A:C</i>	\$ 291,500
E Assigned Overhead Rate	<i>Calculated</i>	60.00%
F Assigned Overhead (\$)	<i>D * E</i>	\$ (174,900)
G Remaining Margin For Comp & Margin	<i>D + F</i>	\$ 116,600
H Total Gross Wages Paid	<i>Actual from Payroll System</i>	\$ (82,500)
I Employ(ER) Taxes	<i>H * 8.65%</i>	\$ (7,136)
J Benefits	<i>TBD</i>	\$ -
K CME	<i>TBD</i>	\$ (800)
L Practice Margin (\$)	<i>Sum G:K</i>	\$ 26,164
M Practice Margin (%)	<i>L / D</i>	9.0%

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Margin Review Last 12 Months

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Margin Review Last 12 Months

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Overhead Rate

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Overhead Calculation Method #1

Total Revenue	\$ 6,200,000
Total Operating Expenses	\$ 4,500,000
Overhead Rate	72.58%

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Overhead Rate

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Overhead Calculation Method #1

Total Revenue	\$ 6,200,000
Total Operating Expenses	\$ 4,500,000
Overhead Rate	72.58%

Overhead Calculation Method #2

Total Revenue	\$ 6,200,000
Operating Expenses	\$ 4,500,000
Employed Physician Wages	\$ (300,000)
Extender Wages	\$ (130,000)
	\$ 4,070,000
Non-Provider Overhead Rate	65.65%

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Overhead Rate

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Overhead Calculation Method #1

Total Revenue	\$ 6,200,000
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	\$ 4,070,000
Non-Provider Overhead Rate	65.65%

Overhead Calculation Method #3

Total Revenue	\$ 6,200,000
Immunization Drug Revenue	\$ (1,500,000)
Lab Revenue	\$ (750,000)
Practice Operating Revenue	\$ 3,950,000
Operating Expenses	\$ 4,500,000
Vaccine Expenses	\$ (1,250,000)
Lab Expenses	\$ (450,000)
Employed Physician Wages	\$ (300,000)
Extender Wages	\$ (130,000)
Practice Operating Expense (\$)	\$ 2,370,000
Practice Operating Expense (%)	60.00%

Method #3 allows you to easily carry the calculated overhead rate down to the provider margin analysis.

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Overhead Rate

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Overhead Calculation Method #1

Total Revenue	\$ 6,200,000
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Overhead Rate

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Margin Review Last 12 Months

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G Remaining Margin For Comp & Margin	<i>D + F</i>	\$ 116,600

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Margin Review Last 12 Months

26

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J Benefits	<i>TBD</i>	\$ -
K CME	<i>TBD</i>	\$ (800)

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Margin Review Last 12 Months

27

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A	Total Payments	Actual From PM System \$ 450,000
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D	Personally Performed Payments	Sum A:C \$ 291,500
E	Assigned Overhead Rate	Calculated 60.00%
F	Assigned Overhead (\$)	D * E \$ (174,900)
G	Remaining Margin For Comp & Margin	D + F \$ 116,600
H	Total Gross Wages Paid	Actual from Payroll System \$ (82,500)
I	Employ(ER) Taxes	H * 8.65% \$ (7,136)
J	Benefits	TBD \$ -
K	CME	TBD \$ (800)
L	Practice Margin (\$)	Sum G:K \$ 26,164
M	Practice Margin (%)	L/D 9.0%

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What Is The Target?

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- Physicians
 - 5-10%
- Extenders
 - 10-15%

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Margin Review Last 12 Months		Bashful	Doc	Dopey	Grumpy	Happy	Sleepy	Sneezy	
		Physician	Physician	Physician	Extender	Extender	Extender	Physician	
A	Total Payments	<i>Actual From PM System</i>	\$ 450,000	\$ 680,000	\$ 975,000	\$ 850,000	\$ 875,000	\$ 730,000	\$ 675,000
B	Immunization/Drug Payments	<i>Actual From PM System</i>	\$ (125,000)	\$ (185,000)	\$ (280,000)	\$ (225,000)	\$ (240,000)	\$ (220,000)	\$ (215,000)
C	Lab Payments	<i>Actual From PM System</i>	\$ (33,500)	\$ (40,000)	\$ (79,000)	\$ (55,000)	\$ (65,000)	\$ (40,000)	\$ (37,500)
D	Personally Performed Payments	<i>Sum A-C</i>	\$ 291,500	\$ 455,000	\$ 616,000	\$ 570,000	\$ 570,000	\$ 470,000	\$ 422,500
E	Assigned Overhead Rate	<i>Calculated</i>	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
F	Assigned Overhead (\$)	<i>D * E</i>	\$ (174,900)	\$ (273,000)	\$ (369,600)	\$ (342,000)	\$ (342,000)	\$ (282,000)	\$ (253,500)
G	Remaining Margin For Comp & Margin	<i>D + F</i>	\$ 116,600	\$ 182,000	\$ 246,400	\$ 228,000	\$ 228,000	\$ 188,000	\$ 169,000
H	Total Gross Wages Paid	<i>Actual from Payroll System</i>	\$ (82,500)	\$ (125,000)	\$ (170,000)	\$ (105,250)	\$ (100,000)	\$ (96,500)	\$ (125,000)
I	Employ(ER) Taxes	<i>H * 8.65%</i>	\$ (7,136)	\$ (10,813)	\$ (14,705)	\$ (9,104)	\$ (8,650)	\$ (8,347)	\$ (10,813)
J	Benefits	<i>TBD</i>	\$ -	\$ (6,000)	\$ (6,000)	\$ -	\$ (6,000)	\$ (4,800)	\$ (2,400)
K	CME	<i>TBD</i>	\$ (800)	\$ (1,200)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,250)
L	Practice Margin (\$)	<i>Sum G-K</i>	\$ 26,164	\$ 38,988	\$ 54,195	\$ 112,146	\$ 111,850	\$ 76,853	\$ 29,538
M	Practice Margin (%)	<i>L / D</i>	9.0%	8.6%	8.8%	19.7%	19.6%	16.4%	7.0%

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Strategies to Improve Margins

- Cost Reduction Strategies
 - Vaccine Buying Group
 - Systemic Review Of Employees Needed
 - Vendor Review
 - (negotiating with vendors, reducing waste)
- Revenue Optimization
 - Coding Education (99213 vs. 99214)
 - Billing Department P&P Review
 - Bill Everything CPT Codes Allow
 - G2211, Development Screens, Phone Calls, Portal Message, etc.
- Transparency With Providers
 - They may not be owners, but should take ownership in the practice...

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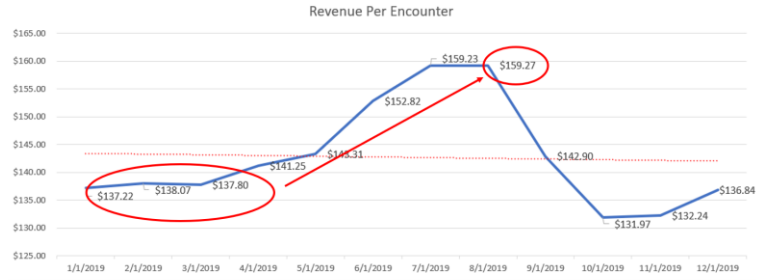


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Common Pitfalls in Margin Evaluation

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- Overlooking Hidden Costs
- Misallocating Shared Expenses
- Timing Of Expenses
 - Vaccines
- Seasonal Variations In Revenue
 - Need to complete analysis on rolling YTD basis



~15.60% increase in Revenue Per Encounter (Q1-Oct)

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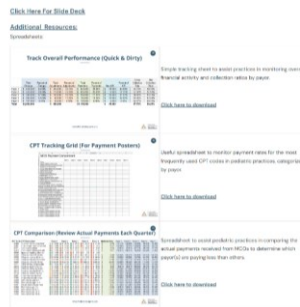
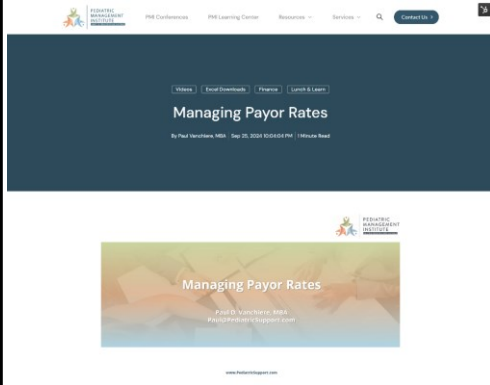


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Evaluating Contracted Rates with Payors

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- Understanding Your Payor Contracts
- Semi-Annual Review Of Payor Rates
- Do Not Be Afraid To Negotiate!



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Practical Steps for Implementing Margin Evaluation Practices

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- Transparency
- Establishing Regular Margin Review Processes
- Leverage The PMI Learning Center

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How Much Can You Afford To Pay?

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Number Of Vists You Are Comfortable Seeing Per Day
22 Visits Per Day
12 Visits Per Day 40 Visits Per Day

Number Of Days You Plan To Work Seeing Patients Per Year
190
45 365

Your Average Revenue Generated Per Visit
\$175
\$50 \$375

Practice Overhead Rate
Total Operating Cost / Total Revenue Generated
64%
40% 85%

Total Revenue You Are Expected To Generate Per Year
Average Number Of Visits Per Day (X) Number Of Days Worked (X)
Average Revenue Generated
\$731,500

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How Much Do You Want To Make?



Your Desired Annual Base Salary

\$175,000



Number Of Days You Plan To Work Seeing Patients Per Year

Working 4 days per week with 4 weeks off for vacation, CME, etc. is approximately 192 days

192



Your Average Revenue/Payments Generated Per Visit

\$165



Many people will determine the Revenue Per Encounter with and without vaccines. This calculator allows you to decide if you want to include/exclude the revenue from vaccine drugs in this calculation. If you entered a "Revenue Per Visit Amount" without vaccines drugs, be sure to exclude the vaccine expense from the overhead rate below.

Practice Overhead Rate

Total Operating Cost / Total Revenue Generated

64%



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Next Week- Employed Provider Bonus Models

Straight Salary

Fixed salary regardless of clinical productivity or other activities



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DISADVANTAGES

- ▶ No clinical productivity incentive
- ▶ Will overcompensate and undercompensate
- ▶ Minimizes adoption of new technology

Salary + Outcomes

Base salary plus bonus based on any combination of factors such as quality metrics and patient satisfaction



ADVANTAGES

- ▶ Provides a measure of financial security (important for recent graduates)
- ▶ Can be transparent
- ▶ Customizable to mission/goals

DISADVANTAGES

- ▶ No clinical productivity incentive
- ▶ Challenging to calibrate

Salary + Productivity

Base salary plus productivity incentive bonus



ADVANTAGES

- ▶ Levers to incentivize clinical work
- ▶ Can be transparent
- ▶ Level of financial security mitigates stress, burnout

Pure Productivity

Payment or allocation of distributable revenue (after costs) based on percentage of billings, collections, or wRVUs



POTENTIAL METRIC EXAMPLES

- ▶ wRVUs
- ▶ Historical Averages
- ▶ Medicare or NCQA/HEDIS Quality Metrics
- ▶ CME
- ▶ Design and peer review of clinical care pathways
- ▶ Engaging in system-approved programs for improving social determinants of health
- ▶ Technology – % of Virtual Health Appointments Completed
- ▶ Leadership – Department/Division Roles
- ▶ Research – # of Published Publications
- ▶ Community outreach and indigent care

DISADVANTAGES

- ▶ Possible discrimination based on payor source
- ▶ Unhealthy competition
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Topics Covered & Dates

<p>Set Your Practice Fees</p> <p>Wednesday, August 28, 2024</p>	<p>Practice Budgeting Tool</p> <p>Thursday, September 5, 2024</p>	<p>Managing Payor Rates</p> <p>Wednesday, September 25, 2024</p>
<p>Provider Margin Reviews</p> <p>Wednesday October 9, 2024</p>	<p>Employed Provider Bonus Models</p> <p>Wednesday, October 16, 2024</p>	<p>Split The Pot</p> <p>Wednesday, October 23, 2024</p>

