



Benchmarking for Improvement

Gregory S. Feltenberger





About SmHart

- ❖ Founded in 2006
- ❖ Specializing in webcasts and online training; organizational and needs assessments; survey development, administration, and analysis; and financial (P&L) evaluations and business valuations.
- ❖ Mission:
 - ❖ To provide organizations with education, training, and organizational improvement solutions aimed at maximizing profitability, productivity, and performance.



Webcast Pointers

- ❖ Recorded session without “live” interaction
- ❖ Feel free to email me with questions, comments, or suggestions
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- ❖ Adjust volume using your computer or speaker volume setting
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- ❖ Send feedback to contact@SmHart.net

About our Speaker



Gregory S. Feltenberger
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Greg has over 13 years of operational experience as an active duty officer and medical administrator in the US Air Force. He has held the following positions: CIO, Practice Administrator, Director of Information Management, and Director of Performance Improvement. In addition, Greg completed a 10-month Fellowship in Survey Development, Analysis, and Performance Measurement at the Medical Group Management Association (MGMA).

He has extensive experience in information management, benchmarking, and quantitative and qualitative research and analysis to include sampling methodology, use of statistical software (SPSS), and bivariate and multivariate statistical techniques.

And finally, he recently authored a book titled *Benchmarking Success: An Essential Guide for Medical Practice Managers* to be published in January 2008 by the MGMA.



Benchmarking Intro

The objective of benchmarking is to improve performance through measurement.

“If you don’t measure it, you can’t manage it.”

&

“If you don’t value it, you won’t change it.”



Why Comparison is Important

- ❖ Organizational Improvement
 - ❖ Understand performance over time and compared to peers
 - ❖ Objectively identify improvement opportunities
 - ❖ Set goals for higher performance
- ❖ Decision-Making (evidence-based management)
 - ❖ Reduces uncertainty and builds confidence
 - ❖ Helps explain decisions and supports your management expertise
- ❖ Industry Advancement
 - ❖ Data is a resource for all organizations
 - ❖ Allows advocates to speak more authoritatively



Today's Business Environment

- ❖ People
 - ❖ Staff experience, training, and quality
 - ❖ Staff retention and turnover
- ❖ Environment
 - ❖ Costs are increasing greater than inflation
 - ❖ Advances in technology change delivery
 - ❖ Businesses are rated for quality and outcomes
- ❖ Process
 - ❖ Performance incentives
 - ❖ Investment in training, environment, and processes



What is Benchmarking?

- ❖ Comparison to a known standard
- ❖ The continuous process of measuring and comparing performance internally (over time) and externally (against other organizations and industries)
- ❖ Determining how the “best in class” achieve their performance levels and using the analysis to change what you do and how you do it (process benchmarking)



Benchmarking Enables You To...

- ❖ Evaluate – Objectively evaluate performance and understand organization's strengths and weaknesses
- ❖ Observe – Observe where you have been and predict where you are going
- ❖ Analyze – Analyze what others do--to learn from their experiences
- ❖ Determine – Determine how the "best in class" achieve their performance levels so you can implement their processes
- ❖ Change – Convince internal audiences of the need for change



Benchmarking Goals

- ❖ Increased Production
- ❖ Improved Performance
- ❖ Higher Profitability
 - ❖ Higher revenue after operating costs
 - ❖ Lower operational costs and overhead
- ❖ Rightsizing staffing levels
- ❖ Improved operations

Benchmarking Theory

Comparing your data to the benchmark





Benchmarking Theory

- ❖ **Step 1:** Determine what is critical to your organization's success
 - ❖ Supports the organization's mission and vision
- ❖ **Step 2:** Identify metrics that measure the objectives (key indicators)
 - ❖ A metric or measure of organizational performance
 - ❖ Quantitatively reflects the factors that drive business efficiency, profitability, capacity or quality
 - ❖ Standard unit of observation that facilitates comparison
- ❖ **Step 3:** Determine source of internal/external benchmarking data



Benchmarking Theory

Step 4: Measure your performance

Accounts Receivable	Example Organization
0 to 30 days	48.3%
31 to 60 days	12.5%
61 to 90 days	7.5%
91 to 120 days	6.9%
120+ days	24.8%
Total A/R per FTE Manager	\$89,390



Benchmarking Theory

Step 5: Compare your performance to the benchmark

Compute the difference of your data from the benchmark

$$= \text{Your data} - \text{Benchmark}$$

Compute the percent difference

$$= \frac{\text{Your data} - \text{Benchmark}}{\text{Benchmark}}$$

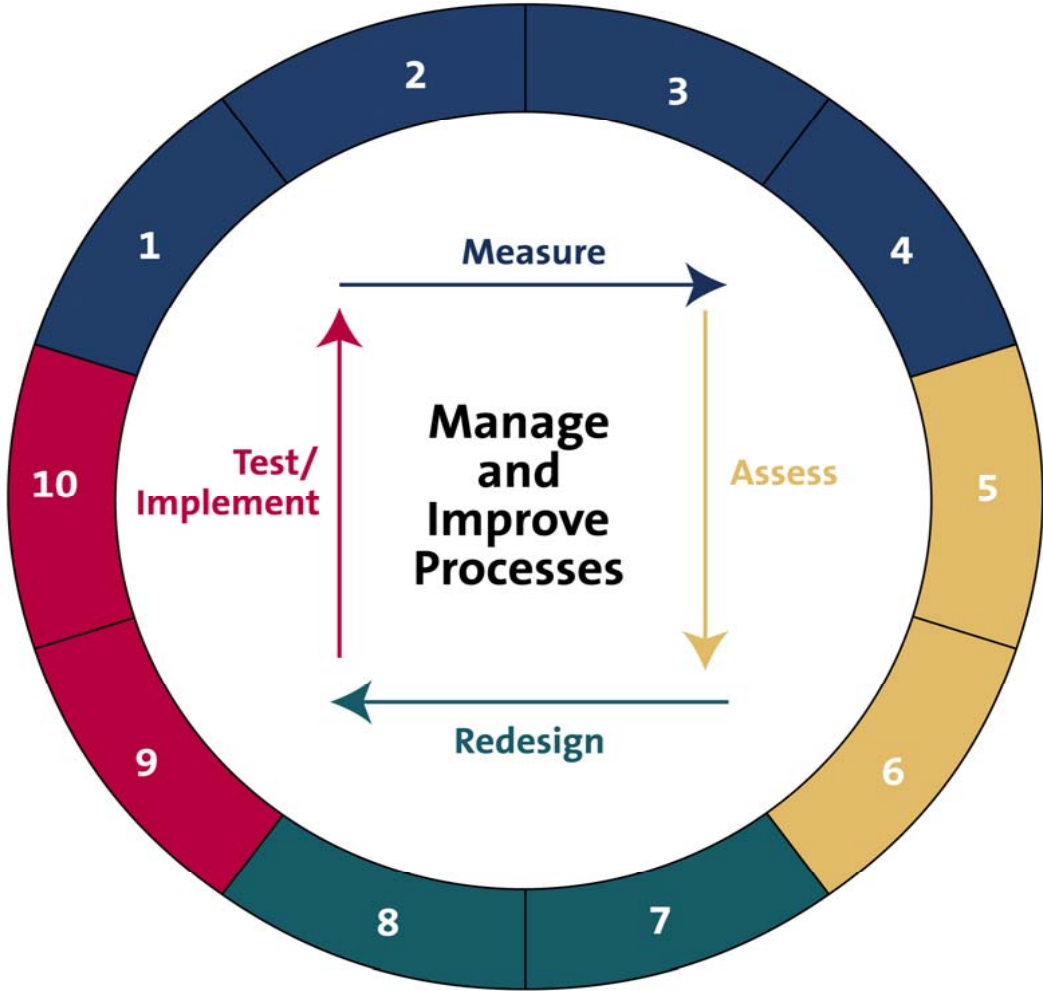
	Example Organization	Benchmark*	Variance	%
0 to 30 days	48.3%	53.8%	-5.5%	-11.4%
31 to 60 days	12.5%	13.4%	-0.9%	-7.2%
61 to 90 days	7.5%	7.9%	-0.4%	-5.3%
91 to 120 days	6.9%	5.0%	1.9%	27.5%
120+ days	24.8%	19.9%	4.9%	19.8%
Total A/R per Manager	\$89,390	\$71,552	\$17,838	20.0%



Benchmarking Theory

- ❖ **Step 6:** Determine if you need to take action
- ❖ **Step 7:** If you need to take action, identify who does the process best and how
- ❖ **Step 8:** Adapt the processes used by others in the context of your organization
- ❖ **Step 9:** Implement changes, reassess organizational objectives, evaluate benchmark standards, recalibrate measurements
- ❖ **Step 10:** Do it again — Benchmarking is an ongoing process, and tracking performance over time allows for continuous improvement

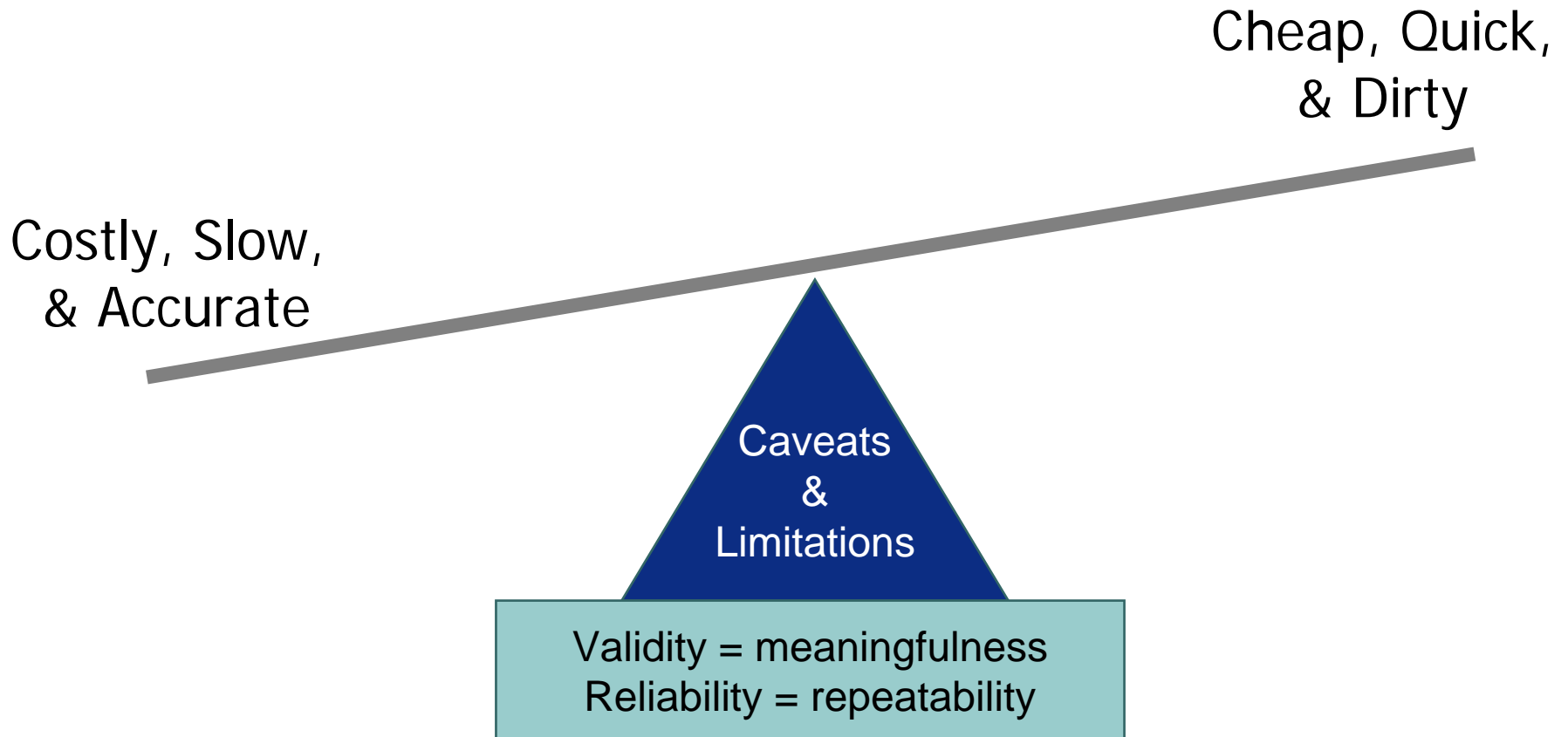
Benchmarking Theory





Benchmarking Dilemma

Benchmarks & Measures



Benchmarking Methods

- ❖ Benchmarking by...
 - ❖ Mean (Average) and Median
 - ❖ Percentile and Standard Deviation
 - ❖ Delta and % Change
- ❖ Statistical Significance
 - ❖ T-test and Mann-Whitney U-test
- ❖ Correlations
 - ❖ Pearson's Correlation Coefficient and Spearman's Rho

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Predicting Future Performance

- ❖ Percent Adjustment
 - ❖ The % change of the last 12 months from the previous 12 months
- ❖ 12-Month Moving Average
 - ❖ Average of previous 12 months
- ❖ Trendline
 - ❖ Best fitting straight-line (linear regression)
- ❖ Seasonalized Forecast
 - ❖ Linear regression with monthly (seasonal) adjustments



Standardizing Organizational Data for Comparison

- ❖ Organizations of different sizes can be compared using appropriate ratios
 - ❖ Examples:
 - ❖ Per unit of input
 - ❖ Per FTE Manager
 - ❖ Per FTE front office
 - ❖ Per square foot
 - ❖ Per unit of output
 - ❖ Per customer
 - ❖ Per product
 - ❖ Per service



Data for Comparison

- ❖ Total gross charges
- ❖ Total collections
- ❖ Customers served
- ❖ Weeks worked per year
- ❖ Hours worked per week
- ❖ Compensation per product/service
- ❖ Compensation to collections ratio



Sources of Benchmarking Standards

- ❖ Performance Measures
 - ❖ Internal information
 - ❖ External information (surveys & networking)
 - ❖ “Better Performing Organizations”
 - ❖ Modeled on organizations selected for attaining a particular goal or achieving an increased level of performance
 - ❖ “Best-of-Industry”
 - ❖ Organizations, inside or outside of industry, noted for exemplary performance



Benchmarking Data

- ❖ Trade magazines
- ❖ Professional organizations
- ❖ Licensing/certifying organizations
- ❖ Consulting firms



Performance and Practices of Successful Organizations

Four Performance Areas

- Profitability and Cost Management
- Productivity, Capacity and Staffing
- Accounts Receivable and Collections
- Patient Satisfaction

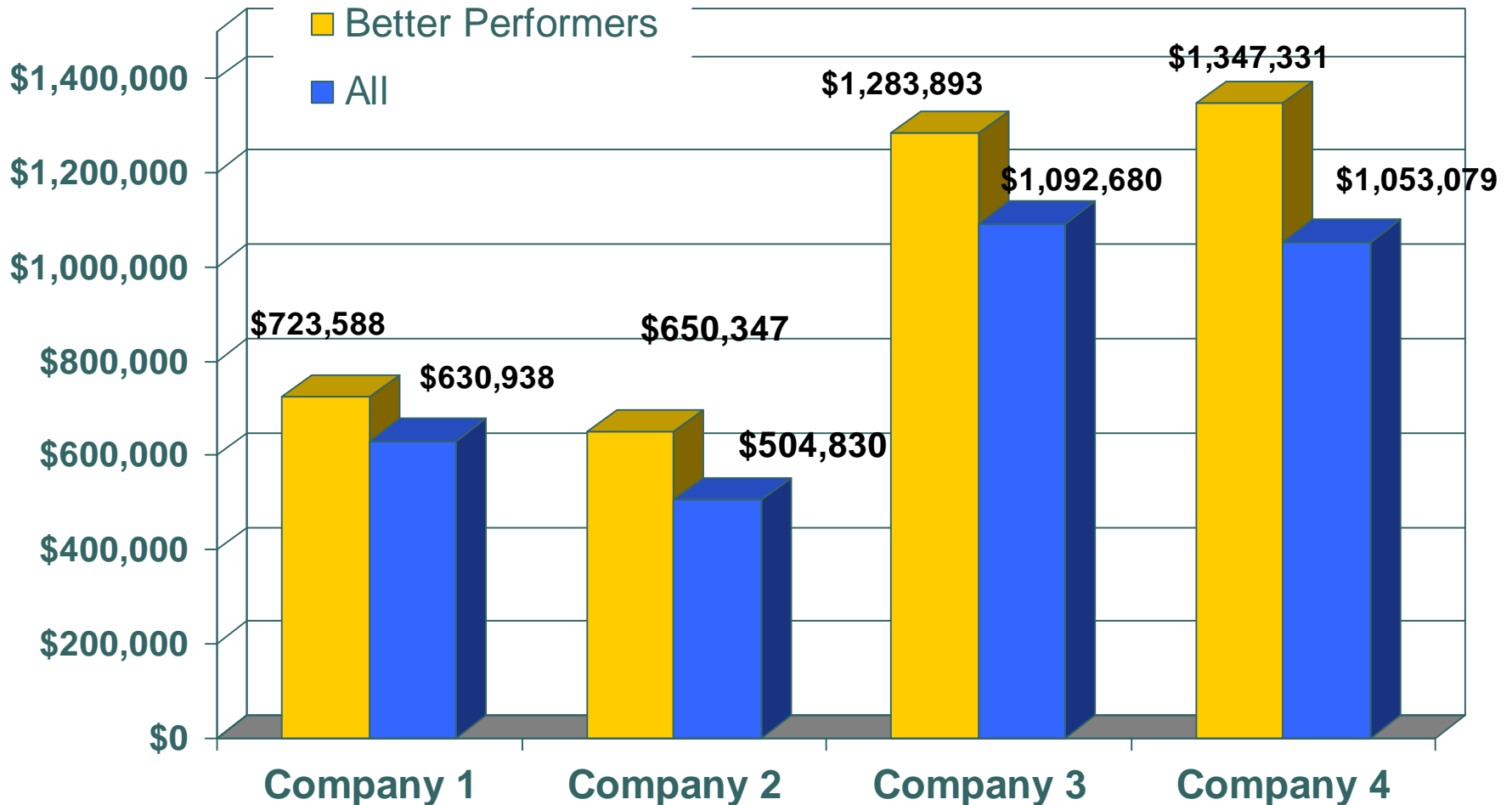


Profitability and Cost Management

Criteria for Selection

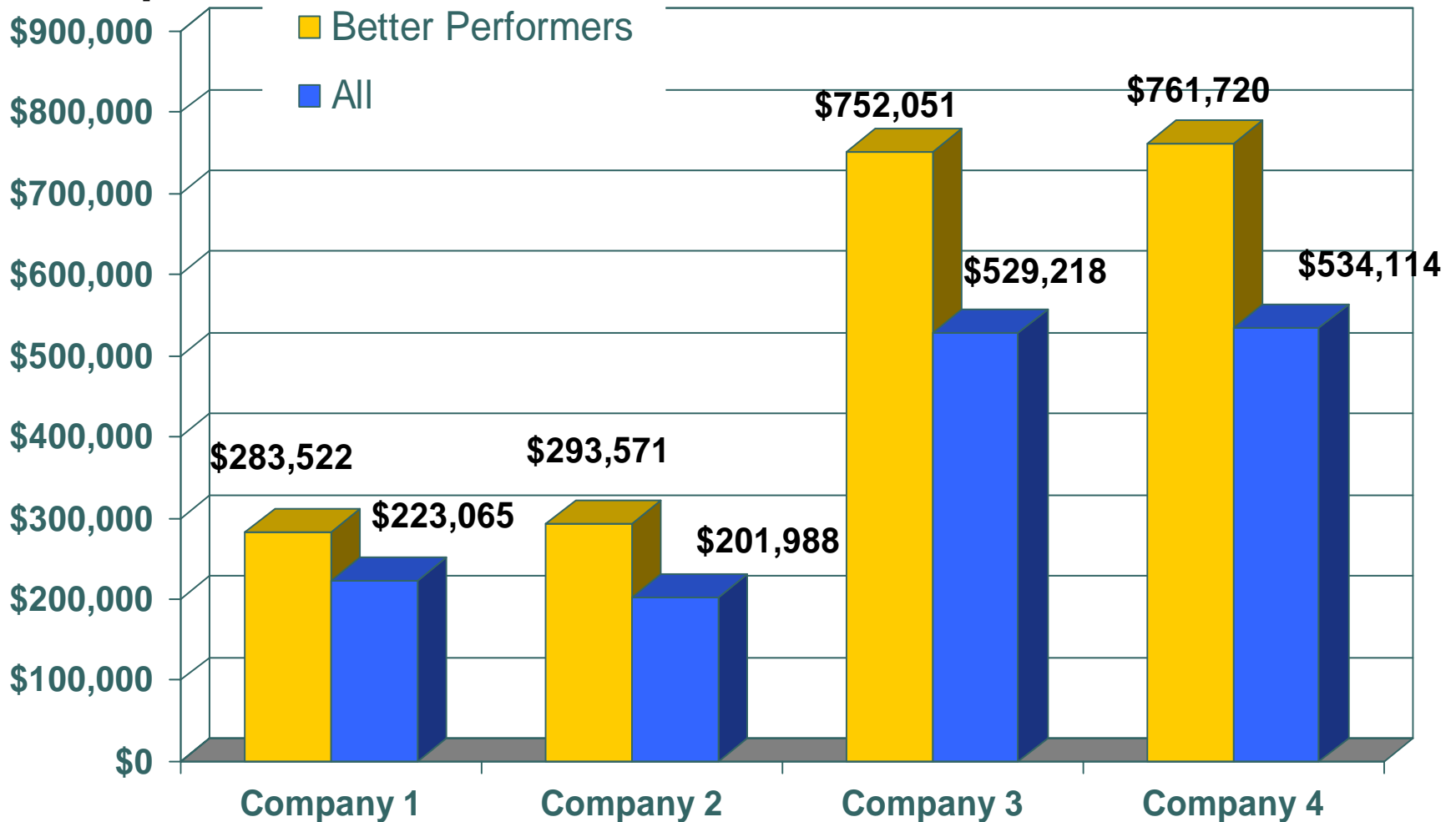
- Greater than the median for *Total Revenue per FTE Manager*
- Greater than the median for *Total Revenue after Operating Costs*

Total Revenue per FTE Manager



* Example data only; not based on reality or a particular industry

Total Revenue after Operating Costs



* Example data only; not based on reality or a particular industry



What Affects Profitability

- ❖ Culture
 - ❖ Foster and develop leaders
 - ❖ Create an entrepreneurial spirit to control costs and create new business opportunities
 - ❖ Establish financial performance as a cultural tenet
 - ❖ Reward staff for cost management
 - ❖ Set expectations to exceed industry standards
 - ❖ Staff focus attention on productivity



What Affects Profitability

- ❖ Management
 - ❖ Regularly compare financial performance to external benchmarks
 - ❖ Incorporate financial goals into strategic planning
 - ❖ Incorporate quality improvement standards from other business disciplines
 - ❖ Report financial performance to staff



What Affects Profitability

- ❖ Profitability
 - ❖ Employ adequate staffing to maximize quality customer service
 - ❖ Utilize less skilled staff to perform lower complexity services
 - ❖ Review billing/invoices to ensure optimal payment
 - ❖ Benchmark productivity of staff
 - ❖ Minimize low-reimbursement
 - ❖ Aggressively negotiate with payers/vendors to improve timing of reimbursement



What Affects Profitability

- ❖ Increasing Revenue
 - ❖ Evaluate opportunities to expand services
 - ❖ Monitor lesser products and services to evaluate profitability
 - ❖ Aggressively market
 - ❖ Involve organization in community and charity programs
 - ❖ Continually seek new customers



What Affects Profitability

- ❖ Cost Management
 - ❖ Use a formal profit and budget planning process to hold the organization responsible for adherence
 - ❖ Compare actual expenses to budget monthly
 - ❖ Competitively bid external services
 - ❖ Participate in group purchasing arrangements
 - ❖ Educate staff in cost management
 - ❖ Incorporate financial goals into staff members' performance appraisals

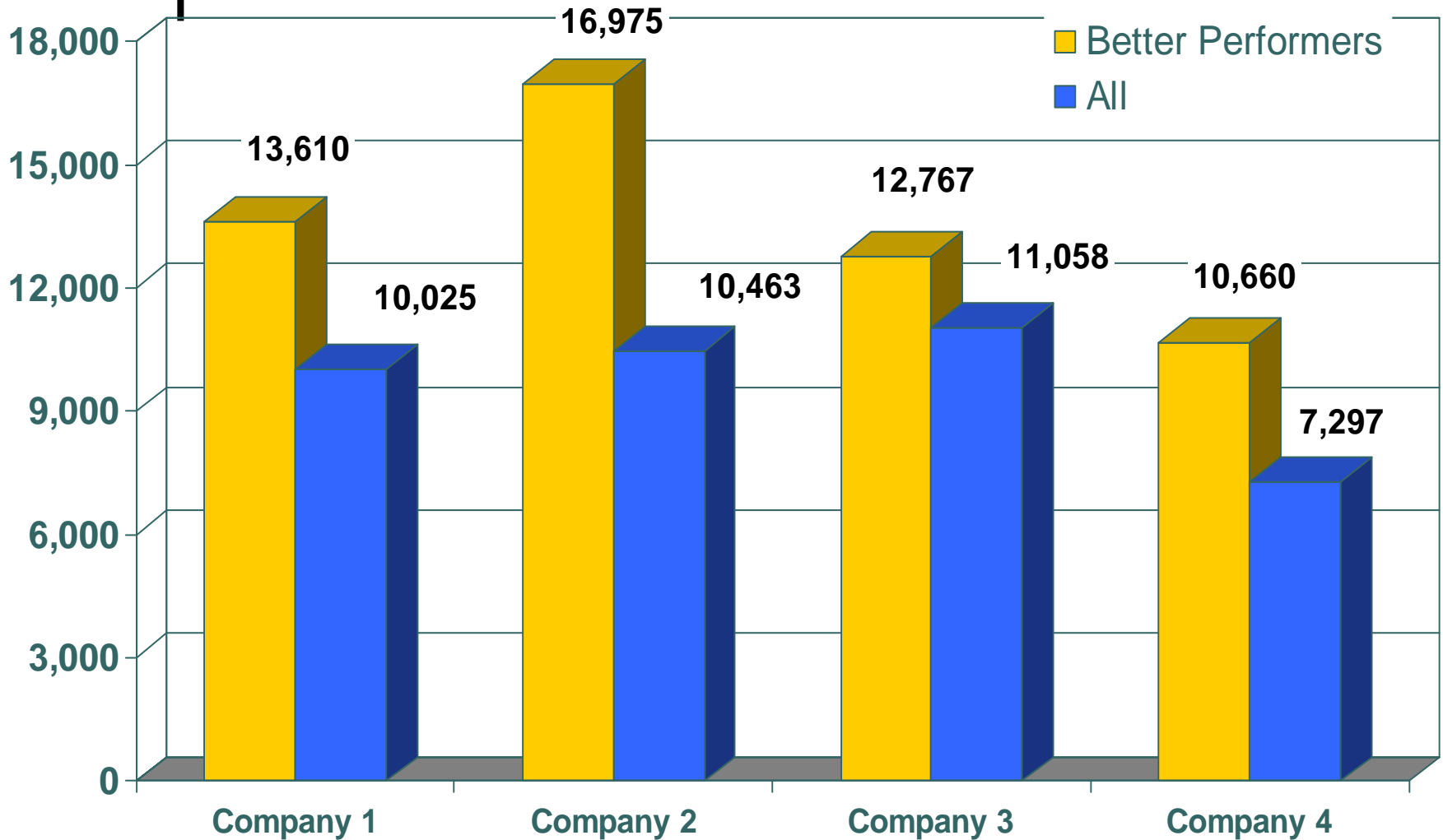


Productivity, Capacity, & Staffing

Criteria for Selection

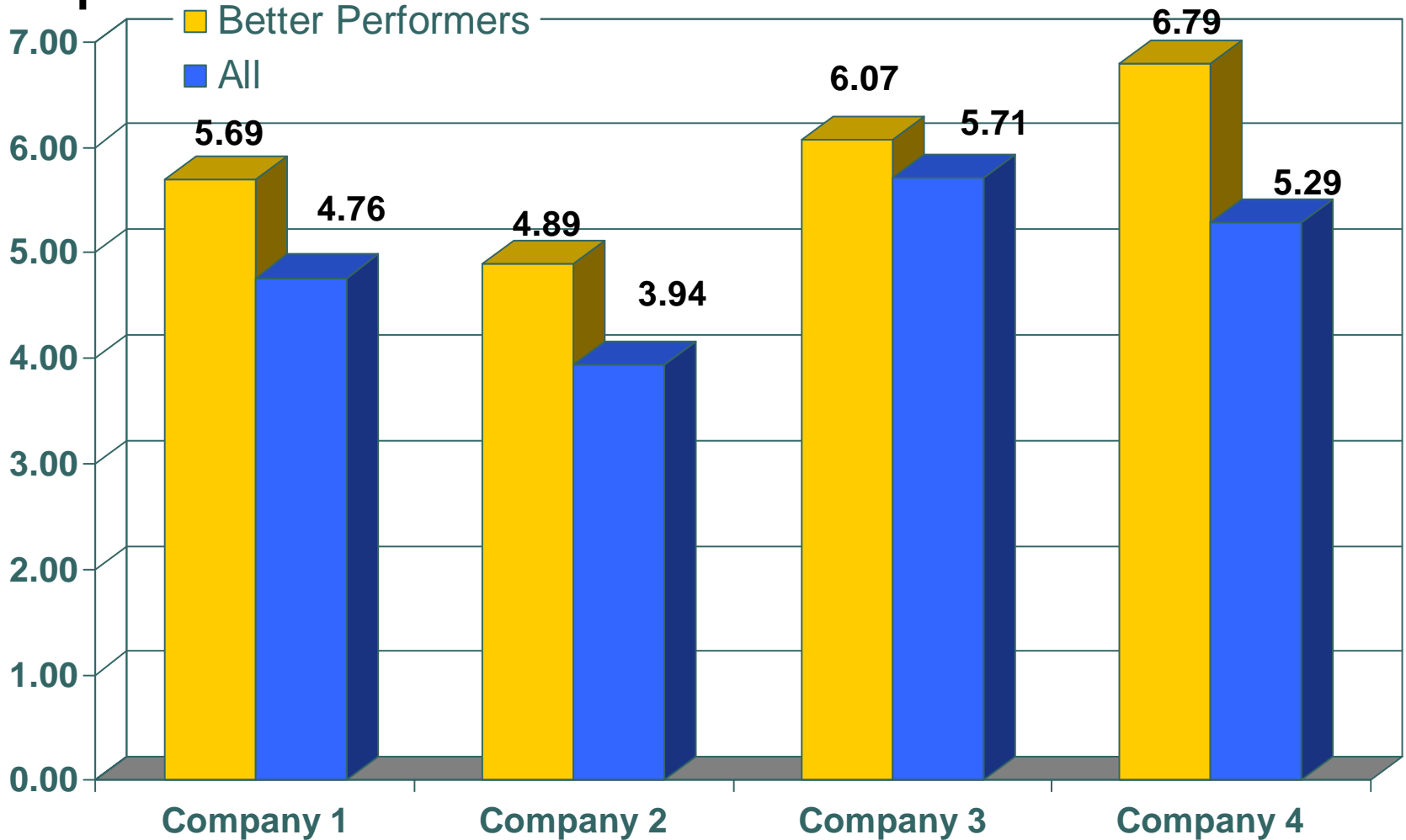
- Greater than the median for *Total Products/Services Sold per FTE Manager*
- Greater than the median for *Total FTE Support Staff per FTE Manager*

Total Products/Services Sold per FTE Manager



* Example data only; not based on reality or a particular industry

Total FTE Support Staff per FTE Manager



* Example data only; not based on reality or a particular industry



What Affects Productivity

- ❖ Practice Culture
 - ❖ Promote and foster a sense of teamwork
 - ❖ Unify employees around key organizational values as well as short and long term goals
 - ❖ Recognize and reward employees for outstanding performance
 - ❖ Staff focus on productivity



What Affects Productivity

- ❖ Management
 - ❖ Regularly provide feedback to staff on performance
 - ❖ Allow top producers to mentor and teach
 - ❖ Identify key indicators of success and benchmark progress



What Affects Productivity

- ❖ Staff Allocation
 - ❖ Employ an optimal number of staff per product/service
 - ❖ Match new staff with experienced staff
 - ❖ Expand role of experienced staff
 - ❖ Cross-train employees, especially front office and business office
 - ❖ Pay staff above market value and provide staff information linking productivity to organizational goals



What Affects Productivity

- ❖ Recruitment and Retention
 - ❖ Recruit staff for fit with organizational culture and work ethic
 - ❖ Encourage retention and discourage turnover by hiring right
 - ❖ Listen to employees and make employee satisfaction a priority



What Affects Productivity

- ❖ Performance Enhancement
 - ❖ Measure staff productivity
 - ❖ Benchmark performance to track progress
 - ❖ Automate all activities possible
 - ❖ Design physical layout to maximize customer flow
 - ❖ Optimize scheduling
 - ❖ Empower supervisors to be decision-makers
 - ❖ Hold staff accountable for their performance



What Affects Productivity

- ❖ Compensation Methodology
 - ❖ Compensate staff on a productivity basis that promotes greater productivity levels
 - ❖ Reward staff who perform at high levels with financial incentives

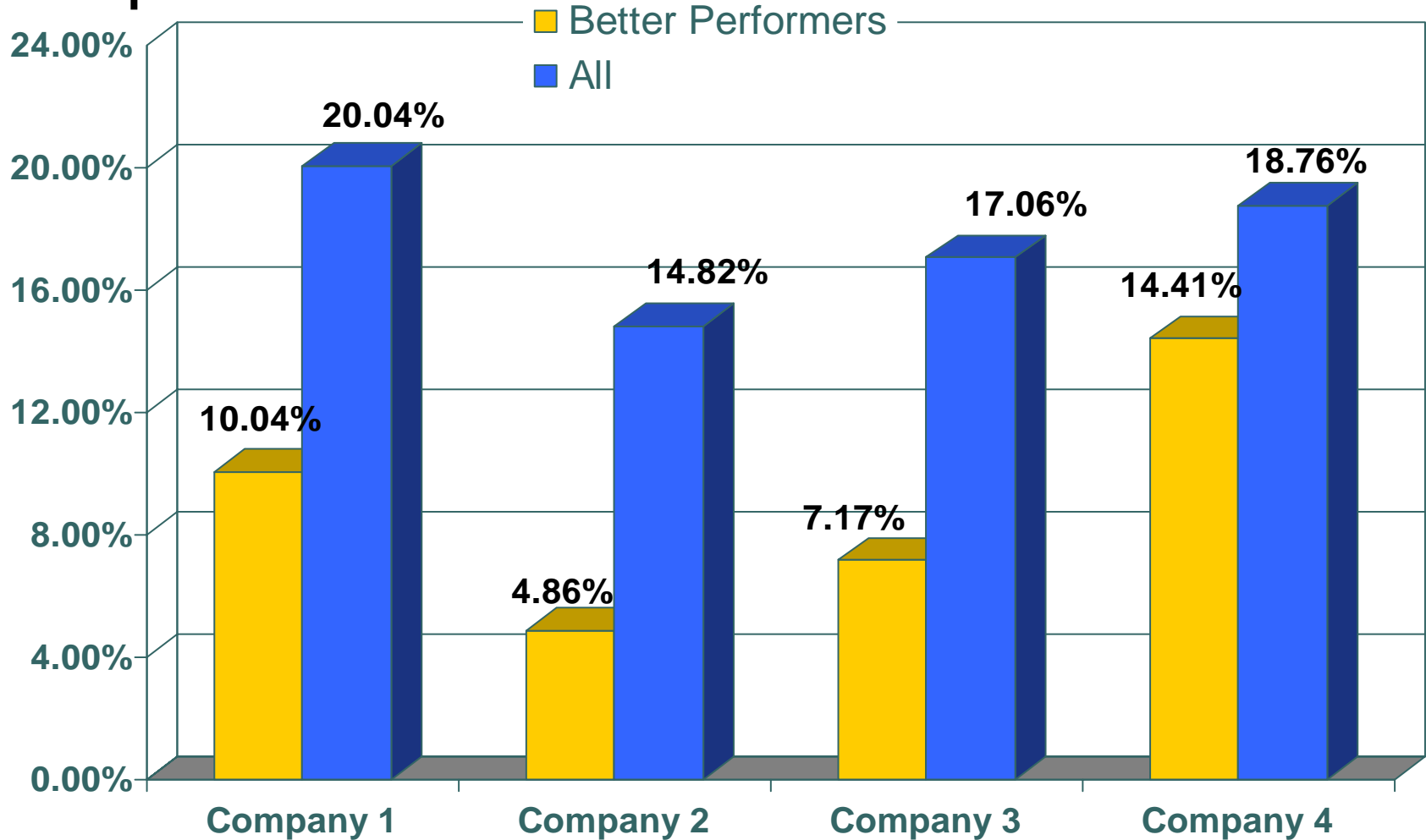


Accounts Receivable & Collections

Criteria for Selection

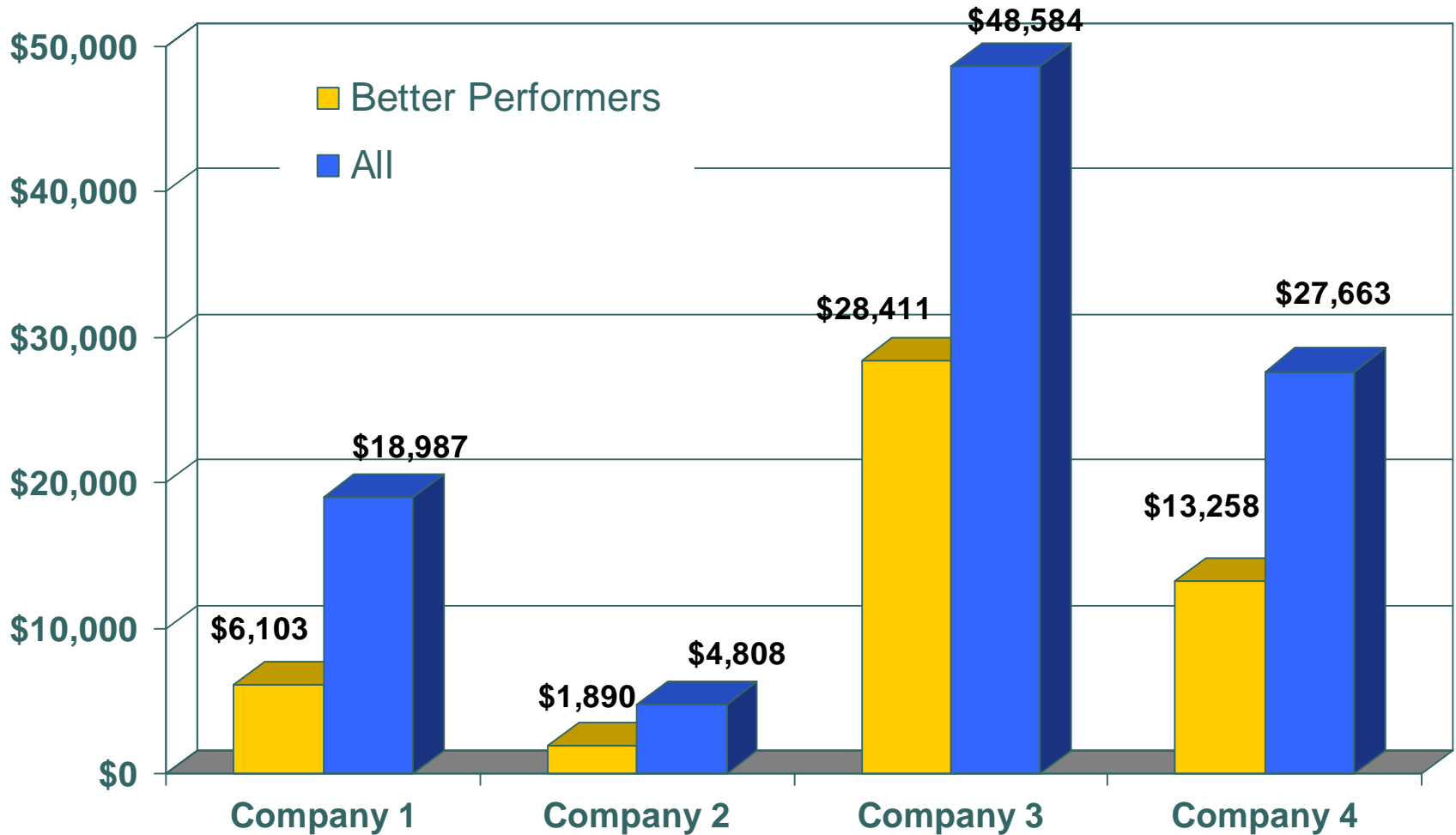
- Less than the median for *Percent of Total A/R over 120 Days*
- Less than the median for *Bad Debt*

Percent of Accounts Receivable over 120 Days



* Example data only; not based on reality or a particular industry

Bad Debt



* Example data only; not based on reality or a particular industry



What Affects Accounts Receivable

- ❖ Management and Culture
 - ❖ Involve staff in the collection cycle
 - ❖ Measure A/R on a regular basis and communicate status to staff
 - ❖ Tie staff salary bonuses to A/R performance
 - ❖ Provide thorough training to new staff and make continuing education a regular job requirement
 - ❖ Train staff regarding A/R and collection process to promote understanding, minimize denials, and reduce delays in the revenue cycle
 - ❖ Provide staff updates on regulatory changes



What Affects Accounts Receivable

- ❖ Staff Involvement
 - ❖ Reward experience
 - ❖ Set performance standards and expectations for billing staff
 - ❖ Cross-train front office staff in the A/R process
 - ❖ Define the elements of a clean invoice and build training programs to support clean invoice submission
 - ❖ Encourage staff to be credentialed/certified and seek outside education



What Affects Accounts Receivable

- ❖ Payer/Vendor Relations and Contracting
 - ❖ Manage relationships and monitor contracts
 - ❖ Meet with payers/vendors regularly to build rapport, understand policies, and resolve problems
 - ❖ Ensure contracts define: clean invoice, timely submission, timely payment, appeals process, and contract termination causes and methods
 - ❖ Thoroughly document all interactions



What Affects Accounts Receivable

- ❖ Customer Scheduling
 - ❖ Review account balances when scheduling
 - ❖ For large payment obligations, involve manager before providing services
 - ❖ Verify single organization, large volume appointments 24 hours in advance



What Affects Accounts Receivable

- ❖ The Visit/Appointment
 - ❖ Confirm payer/vendor payment status every visit
 - ❖ Follow-up on any missing or unverified information
 - ❖ Use checklists to assist in proper documentation



What Affects Accounts Receivable

- ❖ Billing and Collections
 - ❖ Post charges for all quick activities on date of service
 - ❖ Audit invoices to ensure payment matches contracted terms
 - ❖ Follow up on outstanding invoices early to reduce need for aggressive tactics later
 - ❖ Prioritize invoices for follow up by amount and age
 - ❖ Document all follow-up actions
 - ❖ Utilize electronic invoice submission whenever possible
 - ❖ Have adequate staff



Benchmarking Applications

- ❖ Customers
- ❖ Services/Products
- ❖ FTE Staff
- ❖ FTE Front Office Support Staff
- ❖ Weeks Worked per Year
- ❖ Service Hours Worked per Week
- ❖ And others...



Benchmarking Template

Per Manager/Clerk/Technician/Salesperson

		All						
	Your Organization	Mean	Std Dev	10 th %tile	25 th %tile	Median	75 th %tile	90 th %tile
Company 1								
Company 2								
Company 3								

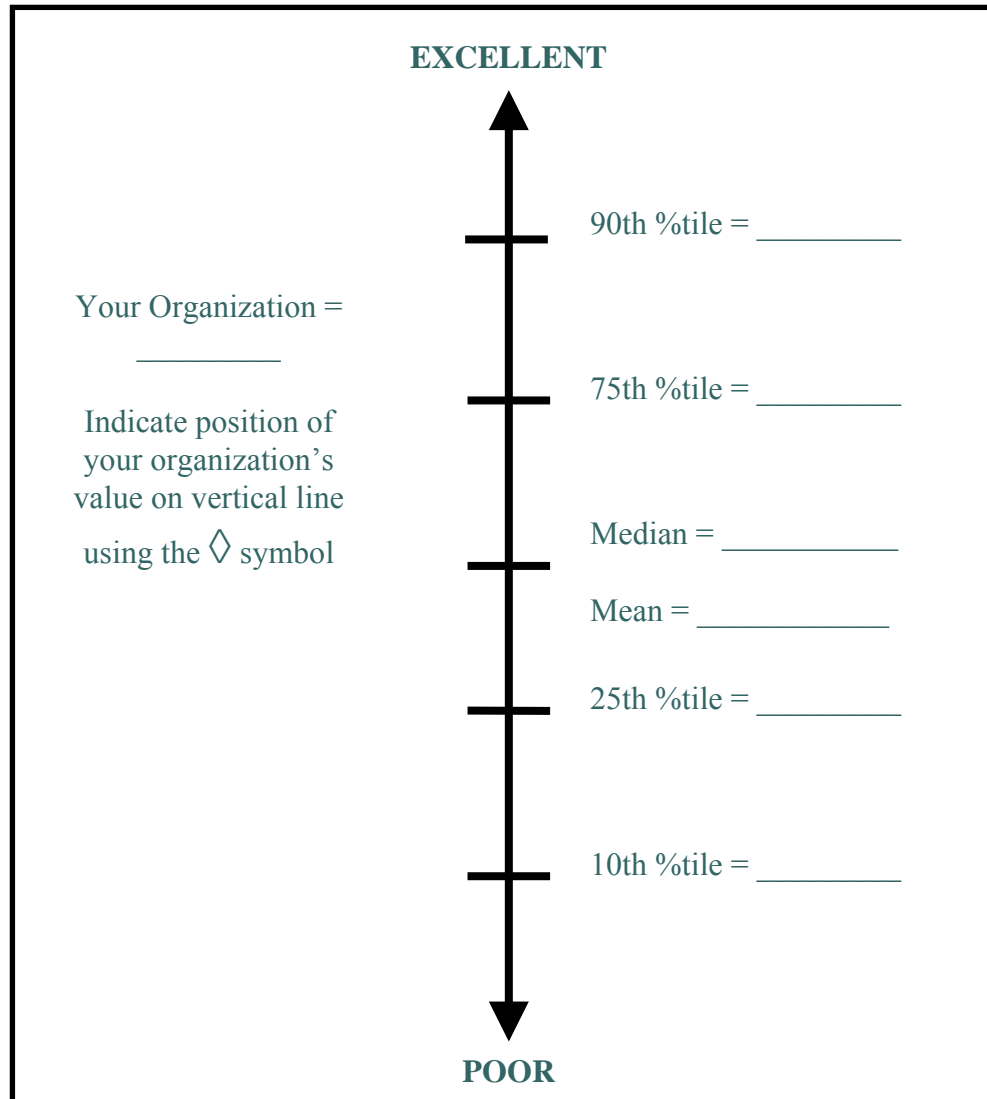
Internal: Within industry

External: Outside of industry

"Better Performing Practices": Modeled on organizations selected for attaining a particular goal or achieving an increased level of performance

"Best-of-Industry": Organizations, inside or outside of industry, noted for exemplary performance

Benchmarking Template





Customers

Benchmarks (Per FTE Manager)

	Your Practice	Mean	Std Dev	10 th %tile	25 th %tile	Median	75 th %tile	90 th %tile	BP
Company 1 (38)		5,936	2,639	3,780	4,420	5,535	6,362	10,527	
Company 2 (67)		7,576	4,853	3,940	4,913	6,253	8,368	13,729	
Company 3 (85)		4,758	1,772	2,912	3,499	4,382	5,769	7,216	

BP = Better Performers

* Example data only; not based on reality or a particular industry



Total Services/Products

Benchmarks
(Per FTE Manager)

	Your Practice	Mean	Std Dev	10 th %tile	25 th %tile	Median	75 th %tile	90 th %tile	BP
Company 1 (48)		11,521	5,799	5,082	6,464	10,401	14,683	20,420	
Company 2 (65)		13,643	6,925	4,956	7,956	13,385	17,205	21,160	
Company 3 (89)		9,252	4,428	5,128	6,367	8,216	10,289	15,309	

BP = Better Performers

* Example data only; not based on reality or a particular industry



Total FTE Staff

Benchmarks (Per FTE Manager)

	Your Practice	Mean	Std Dev	10 th %tile	25 th %tile	Median	75 th %tile	90 th %tile	BP
Company 1 (55)		4.96	1.9	3.02	3.79	4.83	5.54	8.02	
Company 1 (93)		4.05	1.8	2.14	3	4.06	5.03	5.8	
Company 3 (105)		5.94	1.68	4.08	4.81	5.63	6.84	8.12	

BP = Better Performers

* Example data only; not based on reality or a particular industry



Weeks Worked per Year

Benchmarks
(Per FTE Manager)

	Your Practice	Mean	Std Dev	25 th %tile	Median	75 th %tile	90 th %tile	BP
Company 1 (4,050)		46.99	2.02	46	47	48	49	
Company 2l (1,989)		47.09	2.31	46	48	48	49	
Company 3 (745)		46.7	2.51	46	47	48	50	

BP = Better Performers

* Example data only; not based on reality or a particular industry



Service Hours Worked per Week

Benchmarks
(Per FTE Manager)

	Your Practice	Mean	Std Dev	25 th %tile	Median	75 th %tile	90 th %tile	BP
Company 1 (4,004)		36.41	6.81	32	38	40	40	
Company 2 (2,072)		35.62	7.75	32	36	40	42	
Company 3 (755)		40.06	9.87	36	40	45	50	

BP = Better Performers

* Example data only; not based on reality or a particular industry



Observed Behavior in Better Performing Organizations

- ❖ Higher productivity
- ❖ More revenue
- ❖ Higher costs
- ❖ Rightsized staff
- ❖ Managed overhead
- ❖ Use of sophisticated management tools
- ❖ Adoption of processes that function well in their environment
- ❖ Well functioning owner/management team



Observed Behavior in Better Performing Organizations

- ❖ Salaried staff compensation methodology rewards productivity
- ❖ Good communications among owner, managers, and staff
- ❖ Clearly defined roles and responsibilities for owner, managers, and staff
- ❖ Delegate decision making to lowest level
- ❖ Empower managers/staff to be decision-makers who are accountable for productivity and cost efficiency in their area



Observed Behavior in Better Performing Organizations

- ❖ Identify problems with satisfaction surveys (owner, management/staff/employees, and customers)
- ❖ Recruit new staff for fit
- ❖ Owner and managers committed to release control and allow staff to make decisions and learn from mistakes
- ❖ Recognize that this is a “customer-oriented” business – focus on people, environment, and process
 - ❖ “Take care of your people and your people will take care of you; but if don’t take care of your people, your people will take care of you.”
- ❖ Owner has respect for management and staff



Observed Behavior in Better Performing Organizations

- ❖ Customer service focus from all staff
- ❖ Emphasis on quality, reputation, and satisfaction
- ❖ Monitor performance using automated budgeting and control systems, if available
- ❖ Know the costs of doing business



Final Thoughts

- ❖ Understand basic statistics
 - ❖ Means, medians, standard deviations, percentiles
 - ❖ Limitations of the data
- ❖ Compare apples to apples
 - ❖ Know the definitions (and units of observation) used in comparative sources and configure your data accordingly
- ❖ Many metrics are dynamic
 - ❖ Do not evaluate issues in isolation
- ❖ Engage owner/managers in the benchmarking process



Final Thoughts

The objective of benchmarking is to improve performance through measurement.

“If you don’t measure it, you can’t manage it.”

&

“If you don’t value it, you won’t change it.”



Questions?

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Other Sessions

- ❖ Customer Service – How to “Wow”
- ❖ Hiring the “Right” Staff for the “Right” Job
- ❖ Practical Use of Financial Statements
- ❖ Tools for Measuring Finances
- ❖ Cross Marketing
- ❖ The Cost of Turnover
- ❖ “Effective Organizational Communications”
- ❖ “The Dynamics of Organizational Development”
- ❖ “The Difference between Leadership and Management”
- ❖ “If You Don't Value It, You Won't Change It”
- ❖ Introduction to the “PEP” Effect
- ❖ And more...

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SmHart, Inc. The Way Business Should Run

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Today Upcoming Daily Weekly

◀ October 7-13, 2007 ▶

Sunday, October 7, 2007
No scheduled sessions

Monday, October 8, 2007

Starting Time	Topic
2:45 pm	The "PEP" Effect: An Introduction
8:00 pm	Organizational & Needs Assessment

Tuesday, October 9, 2007 (Today)

- New User Reference
- Attend a Session
 - Live Sessions
 - Recorded Sessions
 - Unlisted Session
- Host a Session
 - Schedule Training
 - Audio Only
 - Instant Session
 - Hands-On Lab
 - Test Library
 - My Training Recordings
- Set Up
 - Training Manager
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- Assistance

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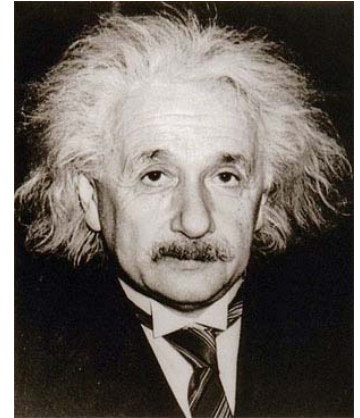
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Topic	Fee	Presenter	Date	Size	Duration	Format
The "PEP" Effect: An Introduction	Free	Mark Hart	October 8, 2007	10.84 MB	23 minutes	ARF

Since most organizations are on a constant quest to ensure success, longevity, and customer and staff satisfaction, SmHart has developed a framework. This model ensures all primary organizational factors are considered to maximize profitability, productivity, and performance by focusing on people, environment, and process (PEP).

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