



**Somerset CPAs Health Care Team**  
*We understand the business of medicine.*



*Key to your financial success:*

➤ **Performance-Driven Financial Reporting**



Are your employed physicians performing to benchmark?

Now you can know!

# Performance-Driven Financial Reporting

The most important management and financial tool to track your physician network performance!

## Features of the Financial Reports

- Track individual, group practice and network performance
- Key indicators for physician compensation
- Benchmarked indicators
  - Physician production
  - Revenue and expense ratios
  - Administrative costs
  - Other practice expenses
- Dashboard indicators
  - Ambulatory and hospital visits
  - wRVUs
- Practice operating margin/Hospital operating margin

## To manage your physician network effectively, you need to know how you are performing financially.

Hospitals and health systems are once again using the employment model as a primary care and specialty physician alignment strategy. This is being done to meet community need as well as protect vital service lines that are important to the integration of quality patient care.

Leadership needs powerful financial tools to be able to monitor physician practice performance on a timely basis. Not only do these tools need to reflect actual performance, but also take into account the overhead hospitals can place on a physician practice. Somerset provides financial tools that can assist you with the necessary support to have a successful employed physician network. Our reports provide full benchmark information on revenue and practice expenses. Through these reports, management is able to view the physician and practice performance as compared to a private practice model (practice operating margin). In addition, allocated hospital/health system overhead can be identified and isolated to demonstrate the impact to the practice operations (hospital operating margin).



The health care consultants of Somerset will assess your processes and data to help identify gaps in your current physician network reporting. We will then assist in the installation of this model using data from your current hospital or physician network financial systems. When fully in place, we know that both administrative and physician leadership will find the reports useful to be able to identify areas needing performance improvement. You will know exactly how well your physician network is performing—a key to *your financial success*.

# > Do you know if your physician practices are performing to benchmark?

<b>Monthly Financial Report</b>							
<i>Sample Practice</i>							
<i>For the Period Ending: 9/30/07</i>							
	<i>Current MTD</i>	<i>Monthly Average</i>	<i>Current YTD</i>	<i>Budget MTD</i>	<i>Budget YTD</i>	<i>Variance from Budget-Fav/(UnFav)</i>	
						<i>MTD</i>	<i>YTD</i>
<b>REVENUES</b>							
Gross Patient Revenue	1,940,630	1,719,728	5,159,185	1,867,901	5,746,728	72,729	(587,543)
Less Contr Allow / Adjustments/Bad Debt	(652,230)	(589,242)	(1,767,725)	(610,917)	(1,871,509)	(41,313)	103,784
Net Patient Revenue	1,288,400	1,130,487	3,391,460	1,256,984	3,875,219	31,416	(483,759)
Other Revenue	495	3,327	9,980	6	18	489	9,962
Total Net Revenue	1,288,895	1,133,813	3,401,440	1,256,990	3,875,237	31,905	(473,797)
<b>EXPENSE</b>							
Physician Compensation Benefits	595,813	575,122	1,725,365	613,967	1,876,974	18,154	151,609
Mid-Level Compensation Benefits	19,152	17,577	52,731	17,096	52,347	(2,056)	(384)
Staff Compensation Benefits	284,773	287,511	862,534	282,004	867,249	(2,769)	4,715
Total Employment Expense	899,738	880,210	2,640,630	913,067	2,796,570	13,329	155,940
Building Occupancy	93,240	85,268	255,805	77,570	232,121	(15,670)	(23,684)
Expendable Clinical Supplies	35,863	40,087	120,260	41,535	129,364	5,672	9,104
Purchased Services	2,534	3,499	10,498	1,794	10,182	(740)	(316)
CBO	0	0	0	0	0	0	0
Purchased Services - Other	251,844	188,283	564,850	186,844	568,483	(65,000)	3,633
Equipment	10,330	10,966	32,898	11,144	34,143	814	1,245
Dues/Education/Books	0	0	0	0	0	0	0
Telephone	6,867	6,990	20,971	6,022	18,991	(845)	(1,980)
Other Supplies	14,724	13,653	40,960	12,040	37,063	(2,684)	(3,897)
Insurance	15,299	15,299	45,897	13,185	39,556	(2,114)	(6,341)
Other Expense	66,784	32,013	96,038	47,402	159,829	(19,382)	63,791
Total Expense	1,397,223	1,276,269	3,828,807	1,310,603	4,026,302	(86,620)	197,495
Income (Loss) from Operations	<b>Profit/Loss</b> (108,328)	(142,456)	(427,367)	(53,613)	(151,065)	(54,715)	(276,303)
Excess Building Capacity	(613)	(613)	(1,840)	0	0	(613)	(1,840)
Provider Based Billing Benefit	90,602	80,218	240,655	69,078	203,600	21,524	37,055
Staff Compensation Adjustment	0	0	0	0	0	0	0
Corporate Admin Allocation	(9,503)	(31,584)	(94,752)	(41,522)	(127,769)	32,019	33,017
Management Fees	0	0	0	0	0	0	0
Goodwill/Non-Compete Amortization	(15,564)	(15,564)	(46,691)	(15,563)	(46,690)	(1)	(1)
Interest Income	0	0	0	0	0	0	0
Net Income (Loss)	<b>P/L HOH</b> (43,406)	(109,998)	(329,995)	(41,620)	(121,924)	(1,786)	(208,072)

Please request additional information regarding the interoperability of this product with the other financial tools offered by Somerset CPAs.

<b>Monthly Financial Reporting</b>				
<i>Network Summary: Sample Practice</i>				
<i>For the Period Ending: 09/30/07</i>				
	<i>Month to Date</i>	<i>Monthly Average</i>	<i>Year to Date</i>	<i>Benchmark</i>
<b>Financial:</b>				
Provider Cost Ratio	47.71%	52.27%	52.27%	42.61%
Staff Cost Ratio	22.09%	25.36%	25.36%	30.84%
Building Occupancy Cost Ratio	7.23%	7.52%	7.52%	7.26%
Clinical Supply Cost Ratio	2.78%	3.54%	3.54%	3.84%
Purchased Service Cost Ratio	0.20%	0.31%	0.31%	3.52%
Total Non-Provider Cost Ratio	60.69%	60.29%	60.29%	55.89%
Gross Revenue (FFS) per Provider FTE	\$75,000	\$67,374	\$202,123	\$182,866
Total Net Revenue per Provider FTE	\$49,812	\$44,420	\$133,259	\$117,351
Gross Patient Revenue per Total Visits	\$171	\$169	\$169	\$128
Total Net Revenue per Total Visits	\$114	\$111	\$111	\$96
<b>Workload:</b>				
New Patient Visits	271	234	701	3629
New Patient Ratio	2.39%	2.30%	2.30%	11.85%
Ambulatory Visits	9541	8603	25809	28009
Hospital and other Visits	1814	1567	4701	2603
Total Visits	11,355	10,170	30,510	30,612
Work RVU's	14,168	12,460	37,393	34,625
Physician FTE's	24.50	24.15	24.15	24.00
Mid-Level FTE's	2.75	2.75	2.75	2.75
Staff FTE's	95.93	93.99	93.99	94.5

## Hospital and Health Systems Consulting Services

- Financial modeling
- Revenue cycle enhancement
- Physician compensation
- Revenue improvement - medical practice coding tools
- Fee schedule analysis
- Physician network or practice assessment
- Physician network management: a "best practice" model of performance
- Physician practice strategies: organizational assessment for collaboration - start up - ownership
- Physician alignment strategies
- Coaching and facilitating of board/senior leadership/physician relations
- MSO development
- Practice management training and development
- Assistance in AAAHC and JCAHO accreditation
- Change management
- Interim management

### **Somerset CPAs**

3925 River Crossing Parkway  
Third Floor, Post Office Box 40368  
Indianapolis, Indiana 46240-0368  
Tel: 317.472.2200 - 800.469.7206  
Email: [info@somersetcpas.com](mailto:info@somersetcpas.com)  
<http://healthcare.somersetcpas.com>

