GPCME

Successful financial management and benchmarking

Session overview

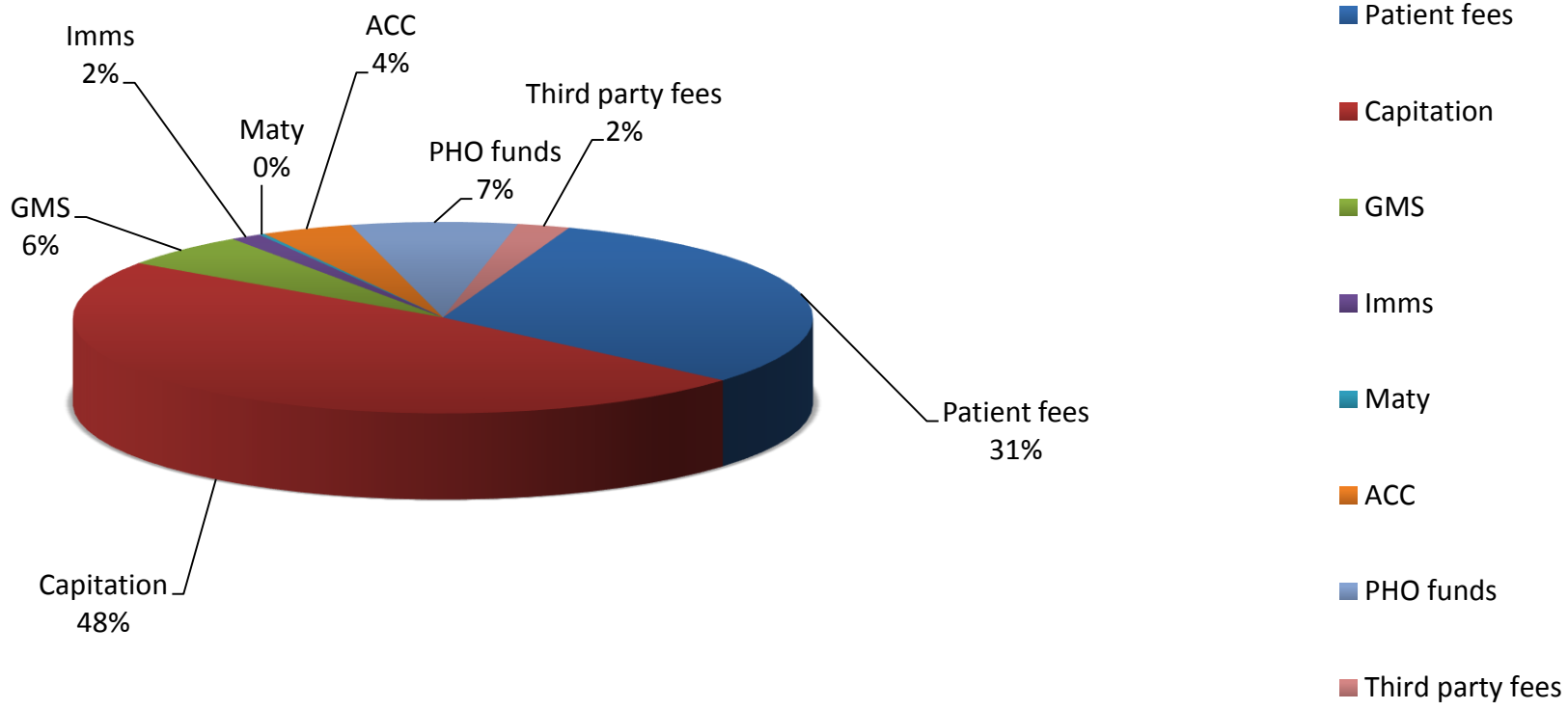
1. Maximising income
2. Managing expenses
3. Benchmarking

Eight financial fundamentals

1. Setting and managing budgets
2. Assessing expenditure
3. Building assets
4. Knowing the business net worth
5. Regular financial reporting
6. Managing cash flow
7. Investing profits wisely
8. Managing non-financial areas that impact on financial success

GP revenue – it's complicated!

Where do the $'s come from?



Fee setting

- What fee is needed to cover increased costs and maintain profitability?
- Is this reasonably in line with ‘market’ and sustainable?
- Does it fall within “reasonable fee increase”? – 1.4% for the 2015/16 year based on a 50/50 split (with 0.8% capitation increase).
- If not, are you prepared for fees review?

Fee setting - preparing for fees review

- What revenue is generated by who?
- Are all services being charged for?
- Are services being discounted?
- What are your patient base demographics and utilisation rates?
- What is your fee per GP consultation?
- What is your fee per nurse consultation?
- What are your consultation times?
- What is the average revenue by age band?

Invoicing

Establish an invoicing protocol:

1. Record all patients attending the practice on appointment book
2. Invoice generated for every service (including no charge)
3. Daily review of patients seen and not invoiced

Invoicing for consumables

- Does the fee you charge include a mark up?
  - All consumables have a cost to purchase, hold and administer
- Do all staff know and adhere to your invoicing policy?
- Some examples:
  - Vaccines: e.g. travel, flu
  - Materials: dressings, sutures
  - Medical devices: pipelles, catheters, syringes

Income streams

1. Patient co-payments (all services and consumables)
2. First contact care capitation (+ GMS on casual)
3. Immunisation
4. Maternity
5. ACC
6. PHO funded services
7. Third party payments

   e.g. immigration, insurance and employment medicals

Register maintenance

Run regular checks for:

- Missing gender, DOB, NHI numbers
- Duplicate patients and/or NHI numbers
- Updating expired CSCs and HUHC eligibility
- Companies incorrectly marked as patients
- Non NZ resident GMS status correctly marked *Not applic (N)* and enrolment status *declined*
- Patients registered to **inactive providers** reassigned if appropriate
- Transferred patients are appropriately recorded as transferred

NB: Actions from PHO **import report**

….plus a whole team effort

Everyone needs to:

- Understand PHO enrolment criteria
  - casual, registered and enrolled patients
  - eligibility to NZ-funded health services
- Be able to explain benefits of enrolment to patients
  - access to lower cost services, additional services and initiatives provided by the PHO
- Understand the requirements around keeping the patient register and PMS accurate and up to date

Subsidy claiming / recording payments

Set up protocols so a shared knowledge base is available for:

- Regular claiming of all subsidies
- Monitoring to ensure that all claim subsidies are paid
- Follow up of all unpaid claims

Patient co-payments

Consider:

1. Efficient front desk
2. Alternate payment methods
3. Automatic payments
4. Applying account fee for invoicing
5. Directing patients to WINZ and other agencies
6. Good credit control systems

Discounting can be dangerous

50% mark-up can only bear a 33% discount to get to the same level

e.g. $30 cost price plus 50% mark up is $45 sale price

- Discounting 33% reduces the sale price by $15 to get $30
- Discounting 50% reduces to $22.50 – well below cost price

And impact on profit increases with expenses

	Full fees	**20% discount**	
Fee revenue	$100	$100	
Fee discount		$20	**-20%**
less expenses	$50	$50	
Net profit	**$50**	**$30**	**-40%**

Getting best use from your PMS

- Powerful reporting tool
- Utilise training and support from
  - PMS vendor – especially to maximise use of their report writing system to develop your own reports
  - peer support from other managers in your area – share the depth of knowledge and practical application that long term users have

Useful PMS financial reports

These are the types of reports your PMS has to provide the standard information needed to operate the business side of your practice:

1. Invoice receipt record
2. Service analysis
3. Subsidy report
4. Financial summary
5. Income report
6. Daybook – missed invoicing, unapproved discounting, theft
7. Banking record
8. Debtors records

Workshop 1

How will we develop a financially successful practice?

What are you going to do when you go back to your practice?

Financial success strategies - revenue

1. Set and manage revenue budgets
2. Review fee charging/discounting policy
3. Review consumable charges
4. Review nurse profitability/charging
5. Review debtors management policy
6. Patient service survey
7. Engage staff in practice vision
8. Review opening hours
9. Find a point of difference/increased perceived value
10. Review physical environment – access, child friendly

. . . cont Financial success strategies

11. Enhance profile of practice in community
12. Utilise all room space – tenants etc
13. Business systems – efficient, productive?
14. Invest in staff training etc
15. Minimise waste/recycle
16. Do patient survey – e.g. are they prepared to pay more for longer consultations?
17. New services? Minor surgery, nurse clinics?
18. Consider amalgamation – economies of scale, additional health services?

Expenses

Managing consumables

1. Price vs quality
2. Stock volumes and control
3. Damaged goods immediately sent back for crediting?
4. Invoicing for all services and consumables

Expense categories

1. Administration and other
2. Occupancy
3. Medical supplies
4. Utilities
5. Wages
6. GP costs
7. Depreciation
8. Computer expenses
9. Repairs and maintenance

GP and staff costs

- GP and nurse costs – effective recruitment, retention and staff management
- GP expenses – compare with market rates
- Staff ratios – compare with national analysis

Remuneration – market information

MAS GP remuneration and staff ratio analysis reporting:

www.healthypractice.co.nz

ASMS/DHB MECA (GP specialists): **www.asms.org.nz**

RNZCGP 2014 GP Workforce survey: www.rnzcgp.org.nz

NZNO/NZMA MECA (Nurses): **www.nzma.org.nz**

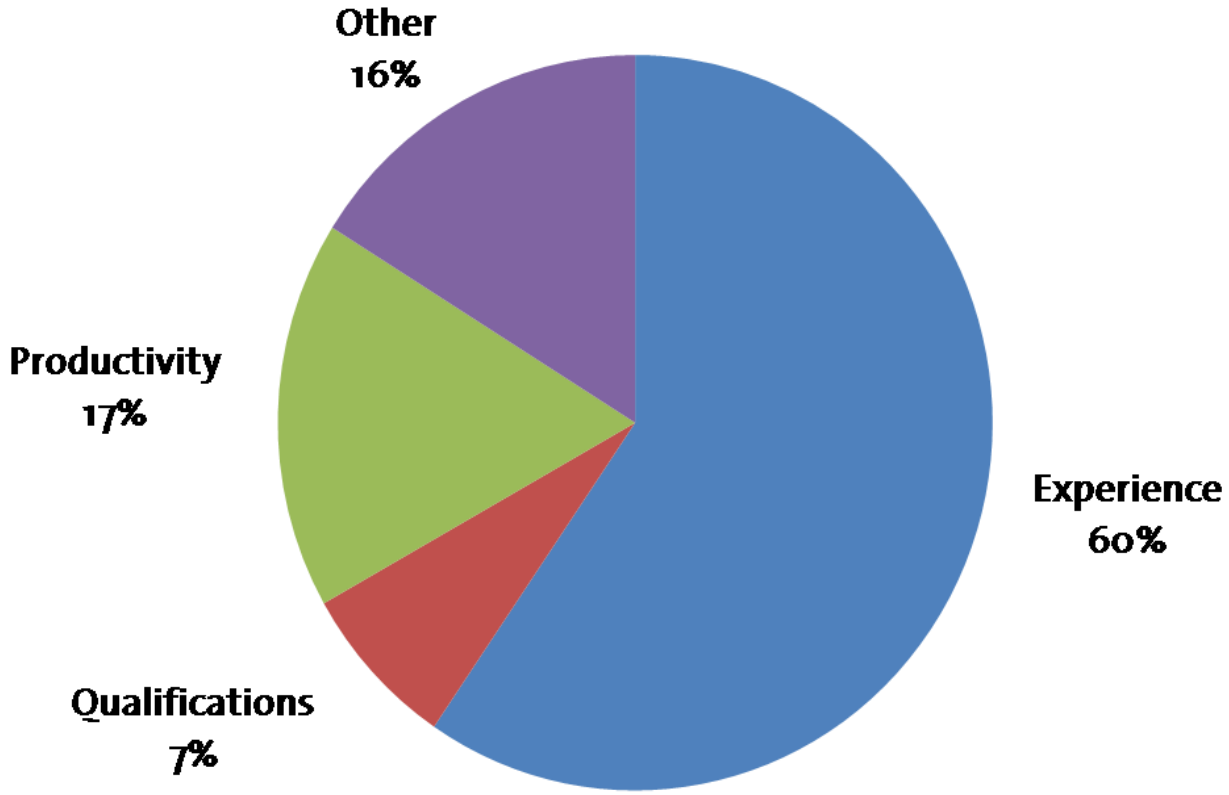
PMAANZ: (Practice managers): **www.pmaanz.org.nz**

GP remuneration

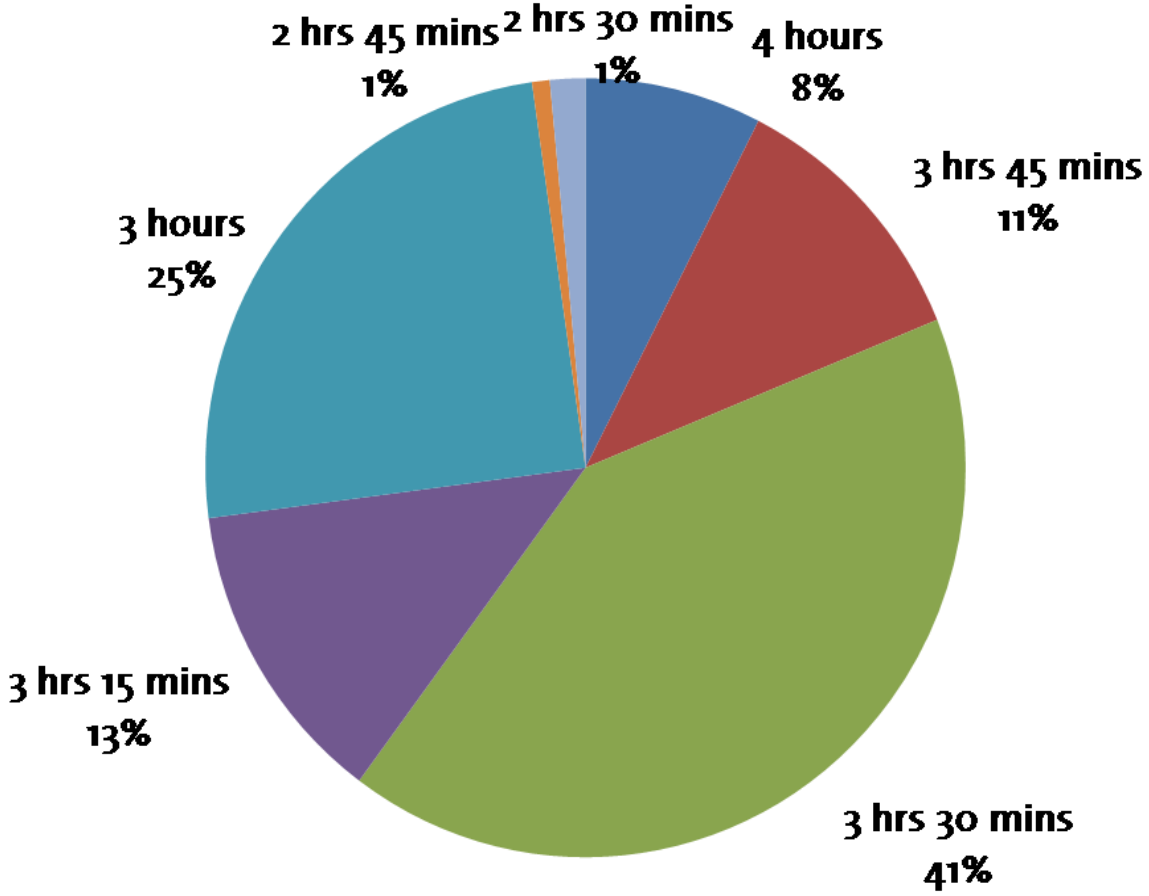
MAS HealthyPractice® GP locum/associate survey – Dec 2014

- Sent to 700 general practices
- 198 practices responded
- 77% engaged locums and associates as contractors
- 23% employees
- Contractor median hourly and sessional rates were 5.0% and 6.25% higher respectively than employee rates.

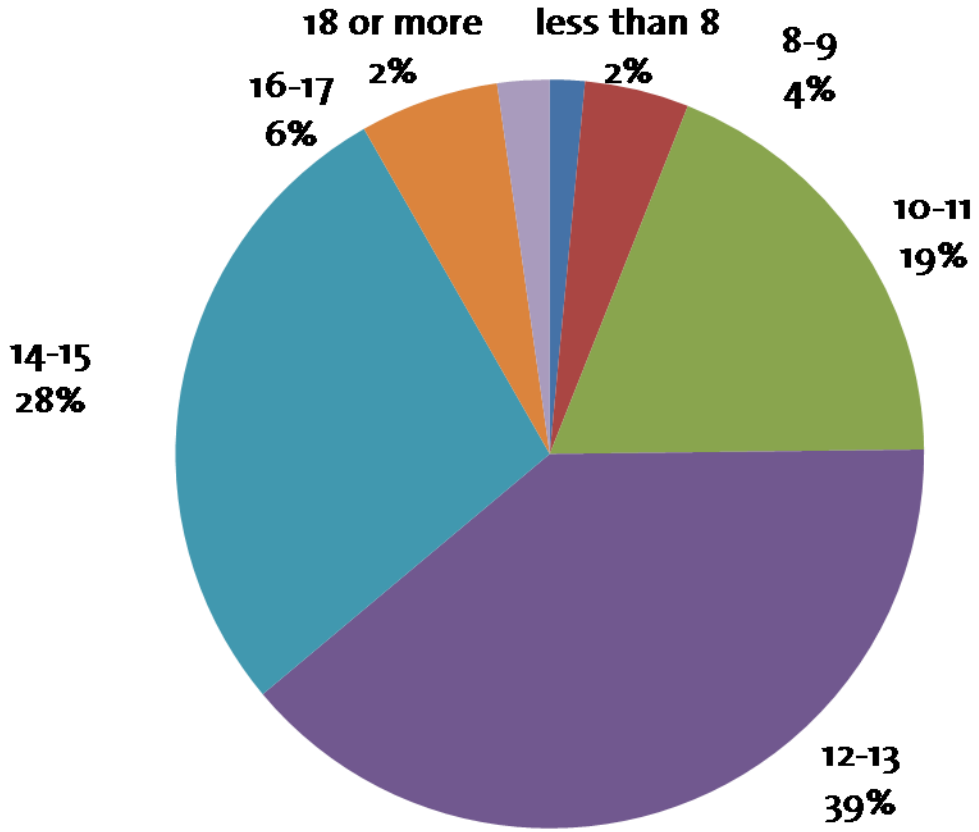
Main reason to pay higher remuneration



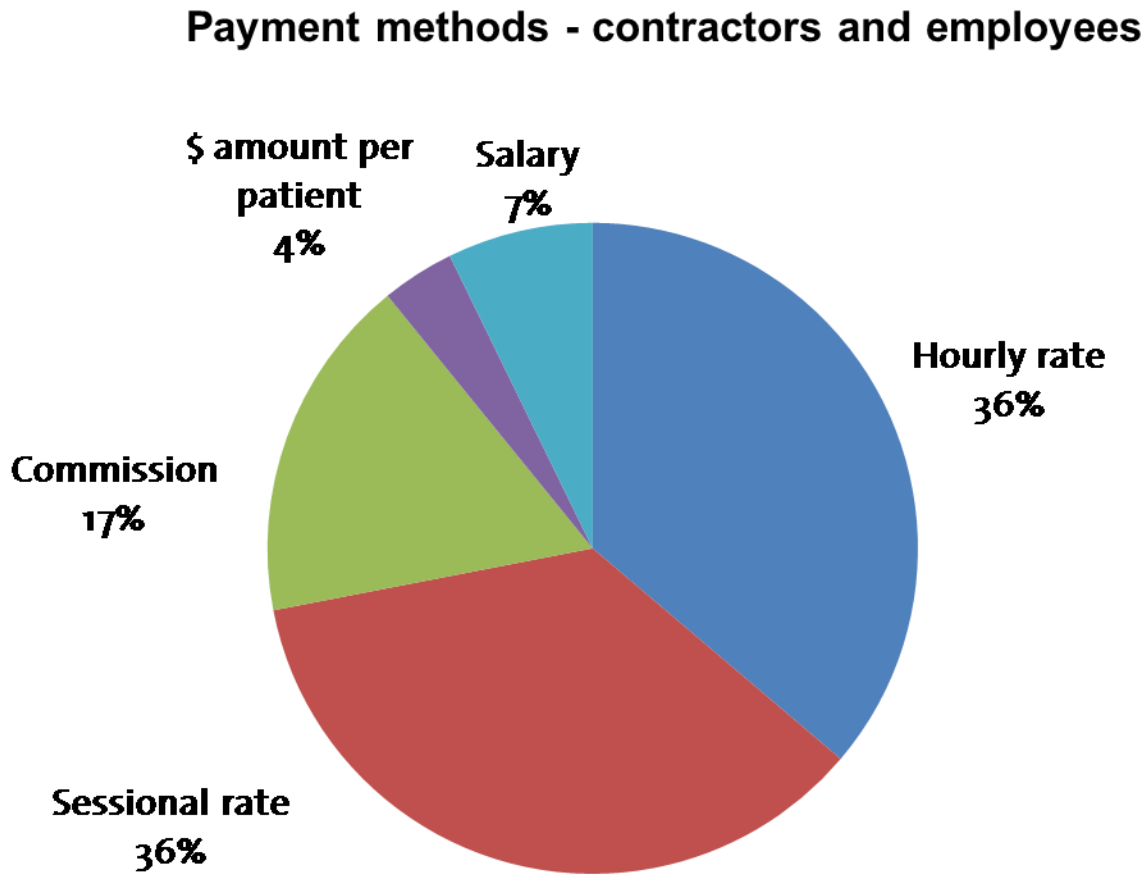
Expected patient contact time in 4 hour session



Expected patient numbers seen in 4-hour session



How are GPs paid?



GP remuneration – employee salary

MAS survey – December 2014

Median employee salary range $171,000-$180,000

ASMS/DHB MECA

Medical Officer (Snr non-specialist)

- 12-step salary scale range (40-hour week) as from 1 September 2014 is $113,250 to $163,750 (includes 30% non-clinical time)

Specialist

- 13-step salary scale range (40-hour week) as from 1 September 2014 is $151,250 to $212,000 (includes 30% non-clinical time)

DHB benefits include annual leave of 6 weeks, 2 weeks CME leave and costs (to $16,000), time and half for after hours rosters, 3 months sick leave, subsidised superannuation/KiwiSaver (6%), payment of professional fees/subs.

Benefits add **significan**t value to the salary package value

GP remuneration - commission

MAS survey – December 2014

- Only 17% pay commission and mostly contractors
- Median commission 55% (urban) 60% (rural). Most (95%) included capitation – notional or actual.
- Traditional fee for service model – still relevant?
- More complex with capitation and % of what revenue? e.g. non-consult scripts, GP/nurse, ACC etc.
- Income reflects productivity/activity (consult) level
- Doesn't encourage services to be provided by competent lower cost providers e.g. practice nurses.

GP Remuneration – hourly and sessional rates

MAS survey – December 2014

- Session median $375-$400 (employee) $401-$425 (contractor)
- Hourly median $96-$100 (employee) $101-$105 (contractor)

ASMS/DHB MECA

- Hourly rate range $54 -$102 ($75 -$142 value with benefits)

Contractor or employee – what's the difference?

Employee	Contractor
Access to ER Act rights	Must sue for breach of contract
Paid statutory holidays – 11 days	No leave entitlements
Annual leave – 4 weeks minimum	
Sick leave – 5 days cumulative to 20	
Bereavement leave – 3 days	
Security of employment. Fixed term protection.	Less security. No termination protection
PAYE. No deductions	Provisional tax. Business deductions

Important to consider true nature of relationship and formalise arrangements by way of written agreement or contract.

Analysis of nursing expenses

Associated costs:

- Wages
- Medical equipment and supplies
- Office equipment – e.g. computers
- Cost of space occupied

Divide by number of consultations undertaken, compare with revenue generated:

- Are the expenses justified vs income generated?

Workshop 2

What do you think are
the important things
to monitor and report on?

Monitoring and reporting . . .

1. New enrolments per week
2. Consultations per week
3. Exception reports (budget vs actual)
4. Monthly debtors analysis
5. Number of complaints per month
6. Patient satisfaction
7. Staff satisfaction
8. Average fee per consultation
9. Length of consultations
10. Fee income per week
11. Staff cost as a % of revenue
12. Dr/nurse/support staff ratio
13. Number of patients leaving the practice per week
14. DNAs
15. GMS clawbacks

Benchmarking

Benchmarking workshop

Example MC patients/staff		Example MC ratios	
Enrolled patients	**10,000**		
GP FTE's	6.0		Patients per FTE GP
Nurse FTE's	5.5		Patients per FTE nurse
Admin./support FTE's	6.5		Patients per FTE Admin.

Calculate the patient ratio's for the GP's, nursing and admin./support.

Benchmarking workshop

Example MC patients/staff		Example MC ratios	
Enrolled patients	**10,000**		
GP FTE's	6.0	1,667	Patients per FTE GP
Nurse FTE's	5.5	1,818	Patients per FTE nurse
Admin./support FTE's	6.5	1,538	Patients per FTE Admin.

Are these ratio's high, low or about right?

Benchmarking workshop

Staff/patient ratio	Example MC	MAS median (large practice)	Over/under staffing to MAS median
Enrolled patients	**10,000**		
Patients per GP FTE	1,667	1,643	- 1.4%
Nurse FTE's	1,818	1,973	8.5%
Admin./support FTE's	1,538	1,790	16.4%

Potentially overstaffed in nursing and admin./support?

Benchmarking - financials

Total Revenue	**$2,200,000**	**% of revenue**	**Good/Ok/Bad?**
GP expenses (Associates)	$475,000	21.6%	
Nursing & admin.	$600,000	**27.3%**	**??**
Occupancy	$100,000	??	??
Other expenses	$255,000	11.6%	
Total expenses	$1,430,000	65.0%	
Total expenses (excl. all GP remuneration)	$955,000	??	??
Net profit (before GP remuneration)	$770,000	35.0%	

Benchmarking - financials

Total Revenue	**$2,200,000**	**% of revenue**	**Good/Ok/Bad?**
GP expenses (Associates)	$475,000	21.6%	
Nursing & admin.	$600,000	**27.3%**	**Bad**
Occupancy	$100,000	**4.5%**	**??**
Other expenses	$255,000	11.6%	
Total expenses	$1,430,000	65.0%	
Total expenses (excl. all GP remuneration)	$955,000	??	
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Total expenses	**$1,430,000**	**65.0%**	NA
Total expenses (excl. all GP remuneration)	$955,000	43.4%	Ok/Bad
Net profit (before GP remuneration)	**$770,000**	**35.0%**	NA

Benchmarking – financials

Total Revenue	**$2,200,000**	**% of revenue**	**Good/Ok/Bad?**
Total expenses (excl. all GP remuneration)	$955,000	43.4%	Ok/Bad
Net profit (excl. all GP remuneration)	$1,245,000	56.6%	**??**
Net profit per FTE GP ($1,245k/6)	$207,500	NA	**??**

Benchmarking – financials

Total Revenue	**$2,200,000**	**% of revenue**	**Good/Ok/Bad?**
Total expenses (excl. all GP remuneration)	$955,000	43.4%	Ok/Bad
Net profit (excl. all GP remuneration)	$1,245,000	56.6%	Ok/Bad
Net profit per FTE GP ($1,245k/6)	$207,500	NA	Bad

Benchmarking – financials

Total Revenue	$2,200,000	% of revenue	Benchmark
Non GP wages – nursing & admin.	$600,000	27.3%	20% - 25%
Total expenses (excl. all GP remuneration)	$955,000	43.4%	35% - 40%
Net profit (excl. all GP remuneration)	$1,245,000	56.6%	60% - 65%
Revenue per FTE GP (6 FTE's)	$366,670	NA	$400 - $450,000+
Net profit per FTE GP (6 FTE's)	$207,500	NA	$250 - $300,000
Net profit after GP rem. at $200k FTE	$45,000	2.0%	10% - 15%

Summary

- Non GP staffing above benchmarks = higher than expected wages as a % of revenue
- Total revenue per FTE GP below benchmarks = lower than expected profitability after all expenses and market GP remuneration
- A 13.6% increase in total revenue to $2.5m would bring in line with all financial benchmarks

Benchmarking – financials

Total Revenue	$2,500,000	% of revenue	Benchmark
Non GP wages – nursing & admin.	$600,000	24.0%	20% - 25%
Total expenses (excl. all GP remuneration)	$955,000	38.2%	35% - 40%
Net profit (excl. all GP remuneration)	$1,545,000	61.8%	60% - 65%
Revenue per FTE GP (6 FTE's)	$417,670	NA	$400 - $450,000+
Net profit per FTE GP (6 FTE's)	$257,500	NA	$250 - $300,000
Net profit after GP rem. at $200k FTE	$345,000	13.8%	10% - 15%

Questions?

Resources and contacts

MAS business advice	healthypractice.co.nz
MAS lending, risk and investment	mas.co.nz

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