



FINANCIAL BENCHMARKING TOOL GUIDE

The following guide has been written as a supplement to the training modules from the [Business Effectiveness Assessment Module \(BEAM\)](#) training series, which specifically explain how to understand and utilize the Clinic Technical Assistance Center’s Financial Benchmarking Tool. Throughout this guide, each major lesson from the specific modules is laid out in chronological order.

What is the Financial Benchmarking Tool?

The Financial Benchmarking Tool is an Excel-based financial modeling and planning tool designed to:

1. Identify and quantify the key variables that impact an Article 31 outpatient clinic’s financial performance.
2. Model different scenarios by modifying variables to better understand the relationships between those variables and the effect they have on a clinic’s financial performance.
3. Set benchmark standards for the variables with the confidence that meeting the benchmarks will result in the desired financial performance.

The Benchmarking Tool represents the synthesis of a financial budget and a diagnostic financial model. This allows you to plan for staffing and programming needs, while simultaneously testing the model under different scenarios to observe the impact it has on your bottom line.

The modules provided are as follows:

Module 1	The Tabs of the Financial Benchmarking Tool
Module 2	Orientation to Financial Benchmarking Tool
Module 3	Indirect Costs
Module 4	Direct Cost
Module 5	Conversion and Analysis of CPT Weights
Module 6	Effective Utilization of CPT Units
Module 7	Analyzing Overall Model for Effective Decision-Making Key Terms; included terms have an asterisk* next to them
Glossary	throughout the document

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Module 2: Orientation to Financial Benchmarking Tool

This module introduces an Excel-based Financial Benchmarking tool. The focus of the training is on how clinic management can use the 'Quick Analysis Tab' within the Excel tool to play with different scenarios without requiring specific data from their billing, finance, or HR departments. Please note that experimenting in this tab won't interfere with your work on the other tabs. Future trainings will support clinic leadership in developing the ability to understand and complete the entire Financial Benchmarking Tool; however, this training has narrowed in on how clinic management can use the Excel Financial Benchmarking Tool immediately for practical applications. Click [here](#) to view the video or slides.

Quick Analysis Tab

This tab allows you to simulate various scenarios by realistically changing some of the various parameters such as, **payer mix*** distribution, staffing requirements, etc. This allows you to see how different changes will affect your **bottom line*** (i.e. your total revenue and your total costs; which are automatically calculated by the model) without corrupting the integrity of the Benchmarking Model. The Quick Analysis Tab allows clinics to calculate, with a click of a mouse, what different scenarios or **service mixes*** work best for your own clinic structure. In addition, clinics are able to see which factors or types of services are either increasing or decreasing their bottom line.

These operational changes would include the altering of staffing requirements (which would be reflected on the employee direct care and fee for service tabs). This would also include the positions, the number of **FTEs*** associated with each position, and the percentage of time spent providing direct care (i.e. clinical work/billable hours).

	FTE
<i>Employed Direct Care (EDC)</i>	5.55
<i>Consultants/FFS</i>	2.50
<i>Psychiatrist</i>	1.00
<i>Indirect Care</i>	
Totals:	9.05

Average Annual cost per Direct care staff	
\$	50,285
\$	93,600
\$	256,360



Quick Analysis Terms

FTE*: Full-Time Equivalent

Average Annual Cost per Direct Care Staff*: Salary

Your total cost* is the sum of your direct costs and indirect costs.

Direct costs* pertain to your employee staffing requirements for providing clinical services, which include salaries (adjusted to direct care full time equivalents), **fringe expense,*** and contracted fee for service direct care payments.

Indirect costs* come from each clinical position's indirect care salary. This is automatically calculated for each position once their Full Time Equivalents (FTEs) and % of direct care is entered into the Employee Direct Care Tab and Fee for Service Tab.

The payer mix* represents the percentage of your patient-based billable service payment providers and the reimbursement rate from each. This yields a weighted average of the revenue per Current Procedural Terminology (CPT) Unit equal to 1.0. Please note: It is extremely important for clinical staff and finance staff to communicate in regards to revenue and payer mix. Clinic Directors should be able to understand these concepts and how they work in their own clinic.

The CPT Unit* is roughly the percentage of an hour that is allotted to a specific procedure (given that a psychiatrist does not need to be present). It is weighted to include enough time for the procedure and spare time to complete the paperwork associated with delivering a service.

When reviewing the benchmarking tool and your monthly/quarterly financial reports, you should ask yourself: *Does the projected revenue meet your expectations?* These expectations refer to what services (or how much) were billed and how much was successfully reimbursed, based on your anticipated payer mix. Review your payer mix and reflect on the distribution of your payers (percentages) to help you get an idea of what your average revenue per CPT unit is.

<i>Revenue Per billable</i>	Rev per CPT = 1	Payer Mix
Medicaid	\$ 138.97	30%
Medicaid Managed	\$ 138.97	29%
3rd Party	\$ 65.00	23%
Uncompensated	\$ 69.49	5%
Free Care	\$ -	3%
No Payment (denials, voids, etc)		3%
Medicare	\$ 62.00	7%
	\$ 104.76	100%



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The contents of the table above include several parameters that can be altered in order to see its effect on the clinic's **bottom line***. See below for explanations of the specific parameters.

% of billable hrs. to paid hrs.	58.0%
Hours per wk	40.00
Hourly Consultant/FFS rate	\$45.00
FFS/Consultant Unit per Hr	0.80
Psych units per hour	1.20
Available weeks per yr (Psy)	52.00
% of non-direct Psy time	15.00%
Other Revenue	12,000

Ratio of Billable Hours to Total Paid Hours*: The number of hours left for clinical service (after subtracting any paid time off (PTO), trainings, meetings, etc.) divided by the total number of paid hours in a fiscal period (work week in hours multiplied by the number of weeks in the fiscal period).

Hours per Week*: The number of hours in a standard work week.

Hourly Consultant/FFS rate*: The average hourly rate of the fee for service staff.

FFS/Consultant Unit per Hour*: The amount of **CPT*** units generated per hour of fee for service care.

Psych Units per Hour*: The number of psychiatric care CPT Units generated by your psychiatric staff within one hour.

Available Weeks per Year (Psychiatrists)*: The number of weeks in the fiscal period that your psychiatric staff is hired to work at your clinic.

% of Non-Direct Psychiatrist Time*: The percentage of your total psychiatric staff's hours that are spent on indirect care.

Other Revenue*: Includes other miscellaneous revenue that the clinic brings in.

Surplus/Loss*: Refers to operating margin (total revenue subtracted by total cost). See table below.

Viability Metrics		
	<i>Total</i>	<i>Per Unit</i>
<i>Costs</i>	\$1,366,930	\$105.33
<i>Revenues</i>	\$1,371,483	\$105.68
<i>Surplus/(Loss)</i>	\$4,553	\$0.35



APPENDIX I: Glossary of Key Terms

Available Weeks per Year (Psychiatrists): The number of weeks in the fiscal period that your psychiatric staff is hired to work at your clinic.

Average Annual Cost per Direct Care Staff: Salary

Bottom Line (Operating Margin): The total revenue for the clinic in a given fiscal period, minus its total costs.

Controllable indirect costs: Includes personal services, associated fringe benefits, staffing, equipment, and supplies, etc.

CPT (Current Procedural Terminology): Roughly the percentage of an hour that is allotted to a specific procedure (given that a psychiatrist does not need to be present). It is weighted to include enough time for the procedure and spare time to complete the paperwork associated with delivering a service.

Direct costs: Pertain to your employee staffing requirements for providing clinical services. Include salaries (adjusted to direct care full time equivalents), fringe expense, and contracted fee for service direct care payment.

Financial Model: Abstract representation of a clinic's operations displayed in Excel.

FFS/Consultant Unit per Hour: The amount of CPT units generated per hour of fee for service care.

Fringe Expense: The fringe expense % of gross pay = (total mandated + total non-mandated fringe benefit costs) / (personal services cost).

FTE: Full-Time Equivalent.

Hourly Consultant/FFS rate: The average hourly rate of the fee for service staff.

Hours per Week: The number of hours in a standard work week.

Indirect costs: Come from each clinical position's indirect care salary. This is automatically calculated for each position once their Full Time Equivalents (FTEs) and % of direct care is entered into the Employee Direct Care Tab and Fee for Service Tab.

Non-controllable indirect care costs: Include rent, electric costs, insurance, and fringe benefits.

Other Revenue: Includes other miscellaneous revenue that the clinic brings in.

Payer Mix: represents the percentage of your patient-based billable service payment providers and the reimbursement rate from each. This yields a weighted average of the revenue per Current Procedural Terminology (CPT) Unit equal to 1.0.



Psych Units per Hour: The number of psychiatric care CPT Units generated by your psychiatric staff within one hour.

Ratio of Billable Hours to Total Paid Hours: Ratio of the amount of time spent in providing billable services in a time period divided by the total number of paid hours in the same time period (including work and leave time).

Service Mix: The mix of different types of services that are provided. Looking at your service mix can allow you to understand the combined average CPT weights provided based upon your normal mix of services.

Surplus/Loss: Refers to the operating margin. This is the total costs subtracted from the total revenue. (After subtracting sick time, vacation time and other time) divided by the total number of paid hours in a fiscal period (work week in hours multiplied by the number of weeks in the fiscal period).

Total cost: Sum of your direct costs and indirect costs.

Total Indirect Care Cost: Total Indirect Personal Services + Fringe Benefits + FFS Indirect Care Cost + Sum of the Inputs (Other Operating Expenses, Equipment, and Rent) + Administrative Overhead.

% of Non-Direct Psychiatrist Time: The percentage of your total psychiatric staff's hours that are spent on indirect care.



APPENDIX II: Key Drivers of the Model

Key drivers of the model refer to the most sensitive variables within the model. These variables are the specific figures and values that you plugged in earlier to complete the Benchmarking Tool. Of all the variables that you have plugged in, the key drivers are a handful of inputs that illustrate the greatest impact on your bottom line.

The Key Drivers of the Financial Model include:

- **Fringe benefit*** expense
- Work week in hours
- Indirect care cost
- Productivity (ratio of billable hours to total hours)
- Distribution of time between indirect care and direct care responsibilities for supervisory staff
- Percentage of Medicaid/Medicaid Managed care

Common Diagnoses

Some of the most common diagnoses for operational inefficiencies include low productivity, high **indirect care costs***, and the distribution of costs between direct and indirect care.