



## **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:

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

*Acknowledgements: Special thanks to Kafui Nukator, Chloe Ettari, and Irene Chung for their critical work in enabling the publication of this guide.*



## Module 3: Indirect Costs

This module emphasizes the importance of clinic and financial leadership working together to identify the most effective practices that will help drive down **indirect costs\*** and increase clinic revenue. As explained below, indirect costs are broken down into two main categories: **non-controllable and controllable\***. A monthly generated clinic financial statement is crucial to the overall understanding of where a clinic stands in relation to **surplus or loss\***. Future considerations, such as going paperless and switching to electric records, are some suggestions offered for clinics looking to cut controllable indirect costs. Changes in the DSM-V are also noted as a cost consideration. Click [here](#) to view the video or slides.

**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. Indirect costs include both controllable and non-controllable costs and bear no direct relationship to the provision of services provided.

**Non-controllable indirect care costs\*** include rent, electric costs, insurance, and fringe benefits.

**Controllable indirect costs\*** include personal services, associated fringe benefits, staffing, equipment, and supplies, etc.

- 1) When entering in your controllable indirect costs, first review the staffing on the monthly report. All personnel on the expense report should be recognizable and have a clear understanding as to their function within the clinic.
- 2) When determining your indirect costs, first determine the distribution of time between direct care and indirect care. This can be accomplished with a time study which monitors how much time your clinicians are spending on clinical care versus administrative activities. Any allocations of staff should be verified. Create a workflow analysis of your staffing patterns.
- 3) When filling in your figures into the Indirect Care Costs Tab, it is imperative to have your finance department verify the validity of data used in the tool versus your monthly reports/statements. Refer to the table on the following page for a picture of what your tab should look like.



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Please note: Be sure that the figures you enter into the tool are consistent with your monthly expense reports. Watch out for and fix any errors or discrepancies found in the reports.

Non-Clinical Positions (List Titles)	Salary	FTE	Indirect Care Costs
Clinic Director	\$64,459	1.00	\$64,459
Admin Assistant	\$25,431	1.00	\$25,431
Training Instructor	\$38,412	0.20	\$7,682
Billing Staff	31,990	0.50	\$15,995
QA Specialist	42,500	0.50	\$21,250
Support Staff	18,720	3.00	\$56,160
		-	\$0
		-	\$0
			\$0
			\$0
End- Insert new rows before this line			
	<b>Total:</b>	<b>6.20</b>	<b>\$190,977</b>

The indirect care cost tab includes: the Salary and **FTE\*** inputs for all administrative/management staff; other operating expenses (as determined by your finance/operations department); the cost of equipment; the cost of rent; and administrative overhead percentage. See table below for details.

Indirect Care Costs Summary	
Total Indirect Personal Services	210,503
Fringe Benefits	58,941
FFS Indirect Care Cost	45,240
Other Operating Expenses	97,500
Equipment	5,200
Rent	50,125
Administrative overhead	129,979
<b>Total Indirect Care Cost</b>	<b>\$597,488</b>

**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.



## **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.