The Clinic Technical Assistance Center
EFFICIENT PRACTICES. EFFECTIVE CARE.

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
Glossary	Key Terms; included terms have an asterisk* next to them throughout the document

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Module 4: Direct Cost

This module shows you how to use the two tabs of CTAC's Financial Benchmarking Tool: Direct Employee Cost & Contracted Direct Costs. These tabs are used to quantify **direct costs*** within your clinic, as defined by expenses relating to wages, fringe benefits and contracted staff associated with the provision of billable clinical services. Accurately capturing direct costs is an essential component of understanding the clinic's financial **bottom-line***. This is a key component to the creation of an effective financial model that allows decision makers to try out different scenarios of practice models that best suit the needs of your clinic, in order to provide the upmost quality of care to your clients. Click here to view the video or slides.

Direct Costs* are defined as including all costs directly associated with your employee staffing requirements for providing clinical services. This includes wages (adjusted to direct care full-time equivalents), **fringe expense*** and contracted fee for service direct care payments.

Fringe Expense as % of gross pay	28.00%
Work Week in hours	40.00

CFR Position Code	Position Title		FTEs	Supervisor Y/N	% Direct Care	Direct Care FTE	Direct Care Salary	Indirect Care FTE	Indirect Care Salary
315	Nurse Practitioner	Salary	1.00			1.00	$25,000	0.00	$0
	NP1	25,000	1.00	Y	100%	1.00	25,000	-	-
	NP2					-	-	-	-
	NP3					-	-	-	-
	NP4					-	-	-	-
	NP5					-	-	-	-
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Employee Direct Care Tab Inputs

On the Employee Direct Care Tab, you will enter several pieces of information including:

- The **fringe expense*** (as a % of gross pay). *The fringe expense % of gross pay = (total mandated + total non-mandated fringe benefit costs) / (personal services cost).*
- The **hours per work week*** (normal work week as reported in consolidated fiscal report CFR-4).
- Annualized salary for each of your clinicians. *The **FTEs*** equal the staff's paid hours divided by the agencies annual hours (work week 35/37.5/40 x 52 weeks).*
- The % of direct care for each clinician. *This can be determined by the time study mentioned earlier in the indirect costs section.* The allocation of clinical staff time to indirect care time is reserved for clinical staff that has a reduced caseload to accommodate regular, non-service related activity. As an example: a clinical supervisor carries half of a normal caseload to allow time for him/her to supervise four other clinical staff. In this case the % of Direct Care will be 50% corresponding to the half caseload that they carry.

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.