

Increase Revenue Significantly Through Small Increases in Productivity

A 10% increase in patient volume and revenue/patient can result in a 58% gain!

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The direct relationship between productivity and revenue is intuitive: an increase in productivity results in a corresponding revenue increase. Successful companies seeking profitability by increasing quality have primarily focused on productivity improvement. Likewise, of all the options available to doctors who face the challenges of declining service quality and lower reimbursement rates, productivity improvement should be the top-line item on strategic planning lists. For those practices seeking to increase productivity, there are two statistics on which to focus, and these are revenue-per-patient and revenue-per-hour. Let us take a look at both factors to see the importance of each in improving overall productivity.

Revenue-Per-Patient

Revenue-per-patient is derived by dividing a practice's collections by its patient volume. For example, if a practice collects \$400,000 a year from 3,850 patient visits, its revenue per patient is \$103.90 ($\$400,000 \div 3,850 = \103.90). While this amount is about average for podiatric practices, the range of revenue per patient actually varies widely—from less than \$50.00 to more than \$200.00. The breadth of this range shows us just how much more productive, per patient, one practice can be than another—two times, three times, or even more. A variety of factors influence this ratio, including: payer mix, service mix, accuracy of coding, number of services provided per visit, number of support staff or physician extenders available in the clinical area,

the doctor's training, and the practice's collection ratio. A doctor seeking to increase productivity, per patient, should focus on all of these factors.

Revenue-Per-Hour

While this revenue-per-patient number is a significant productivity factor, revenue-per-hour is equally important. This number takes patient volume into account in conjunction with revenue per patient. Revenue-per-hour is found by dividing the practice revenue by the total number of treatment hours worked.

Volume

Volume is a relevant variable in the determination of revenue-per-hour—with *throughput* being the most im-

Continued on page 138

TABLE I:

Impact on Profit of 10% Increases in Both Patient Volume and Revenue/Patient

	Patient Volume	Revenue/Patient	Total Revenue	Overhead	Profit
Before Increase	3,850	\$103.90	\$400,000	\$260,000	\$140,000
After a 10% Increase	4,235	\$114.29	\$484,018	\$262,310*	\$221,708

*Note: Overhead is increased by about \$2,310 due to the supply costs for the additional 385 patient visits

Increase Revenue (from page 137)

portant factor determining the level of efficiency. As throughput becomes more efficient, a practice can effectively take on more volume. Throughput is an efficiency term used in manufacturing which stands for the measure of the number of “widgets” (products or services) produced by a company, per hour. When seeking to increase throughput, the focus should be on removing any constraints that slow a widget’s production. This enables more to be produced, per hour. Factors affecting throughput in a medical practice and which need to be examined for the potential constraints they might impose on “widget” production include the practice’s 1) number of treatment rooms, 2) staff size and duties, 3) office hours, 4) appointment scheduling process, and 5) all unnecessary activities and interruptions which waste its doctors’ and staff’s time.

Increasing throughput of patients

ultimately produces the benefits of improving patient access to the practice and reducing patient wait time during office visits—two major patient satisfaction factors which some practice management experts refer to as “magnets for growth.” Improving throughput not only impacts revenue per hour (and thereby, overall productivity), but also opens an opportunity to grow referrals and attract new patients who can fill a daily schedule now more able to accommodate greater numbers of patients.

Let us look at the impact that a modest 10% increase in both patient volume and revenue per patient can have. Consider a sample practice with \$400,000 in revenue that has an overhead of \$260,000 (a 65% overhead). This results in a net profit of \$140,000. What if this practice were able to increase its productivity, per patient, and per hour—each by 10%? As indicated in the chart below, this would increase both patient volume and per patient revenue to—\$4,235

and \$114.29 respectively.

What is significant to note in this example is that the time and effort taken to increase each of these two productivity factors by a modest 10% results in a profit increase from \$140,000, to \$221,708—not an increase of 10%, but 58%! If you are looking to make changes in your practice in the future, this type of productivity improvement is a good place to start; it provides the opportunity for better quality care and increased patient satisfaction, while offering substantial leverage for increasing profit as an added “bonus.” **PM**



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