Financial Benchmarking Update for Dermatology Practices

Successful practices use benchmarking to compare their performance to others, assess their own performance over time, and plan for the long-term.

BY ROBERT THORNE, CPA

SM Consulting and Allergan, Inc. have completed another year of administering their financial benchmarking survey and database program. Since 2000, Allergan and BSM have worked together to gather, collate, analyze, and publish financial benchmarks for the benefit of dermatology practices. The benchmarking program provides a useful set of metrics to enable practices the ability to compare their operating results to those of dermatology practices included in our database.

The gathering of 2012 data marks the thirteenth year that BSM and Allergan have administered the benchmarking survey and collected financial data from participating practices. Members of the Allergan Practice Consultant (APC) team work with each practice to gather and review specific data. The data is then sent to BSM where a team of experienced financial analysts compile the information and prepare and analyze a financial benchmarking report for each practice.

DATABASE PARAMETERS AND LIMITATIONS

This update includes the database results for 2009, 2010, and 2011 with current results through November 30, 2012. The number of participants with reportable results includes 132 practices for 2009, 122 practices for 2010, and 99 practices for 2011. The decrease in the number of participating practices is primarily due to their mix of revenue. Dermatology practices with more than 50 percent of their revenue generated from cosmetic services are now participating in our medical aesthetic database program. The database results included in this article focus on practices providing dermatology services.

Table 1 illustrates the geographic breakdown of participating practices while Table 2 provides a breakdown of practices by the number of physicians.

When comparing the changes year to year, it is important to understand that each metric cannot be treated as a stand-alone indicator. Although several key metrics are examined, the best of each category may not be from the same practice. This gives merit to the fact that one metric cannot be used to correlate the results of other metrics. There are several underlying factors that may need to be considered when comparing the trends of productivity and

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<th>TABLE 1: GEOGRAPHIC BREAKDOWN OF PARTICIPATING PRACTICES</th>
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Efficiency results, including: the lack of consistency of data reporting, calculation of full-time equivalent (FTE) physicians, the cash reporting method of accounting, and inconsistency with chart of account classification. Table 3 shows the mean and median results for each of the past three years for 13 key benchmarking metrics.

### 2011 Results
Here are several highlights gleaned from the 2011 data:

- Before examining specific productivity and efficiency results, BSM analysts decided to examine the average Total Collected Revenue figures to see if practices are still feeling the effects of the prolonged economic slump. It was found that the revenue stream from 2009 to 2010 showed a slight increase of 1%, but 2010 to 2011 shows a more optimistic change of 12.4%. Please keep in mind that over the next year the number of practices with reportable results for 2011 may increase,
and all metrics discussed within this article may adjust upward or downward.

- The productivity of each practice focuses on the providers working within the practice, and as with most dermatology practices, the primary providers are the physicians.
- From 2009 to 2010 the average Net Collected Revenue per FTE Physician increased by 1.6% and the change from 2010 to 2011 showed an increase of 4.7%.
- The non-physician provider revenue had an increase over the last two years with a 5.3% increase from 2009 to 2010 and a 5.9% increase from 2010 to 2011.
- The licensed aestheticians’ productivity was down 1.7% from 2009 to 2010; however, there was a significant increase of 11.5% from 2010 to 2011. We currently have an FTE count for aesthetician of 79 for 2011 versus 91 for 2010.
- It also appears that most of the practices have experienced an increase in their retail sales revenue which averages about 5.1% of the practices total revenue. Please see the sidebar for explanations of how the individual benchmarks are calculated in Table 3.

CONCLUSION

The BSM/Allergan benchmarking program provides valuable information for practices to compare and evaluate their operating results. We have found the more successful practices are diligent in gathering and measuring results and comparing data to similar practices. In addition, these practices incorporate benchmarking into their budget forecasts and business planning process.

It is important to note that results may change as we continue to add new practice information to the database; therefore, comparison of practice results will vary over time. The results shown are to be used in the context of this article and cannot be relied on as a comparison of a practice’s overall performance.

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