Basic Financial Management for Laboratory Operations

C. Anne Pontius, MBA, CMPE, MT(ASCP)
Agenda – Objectives

• Recognize common laboratory financial terms and definitions
• Define concepts of Activity Based Management
• Utilize tools to create test costs analysis
Potential Characteristics of New Winners

- Information exchange for all stakeholders
- Test utilization management
- Convenient access for patients
- Impeccable knowledge of cost structure
- Value-based branding
- Understand and share the goals of accountable care

*Slide provided by Joe Miles, Sr. Consultant Outreach Development, ARUP Laboratories*
DEFINITIONS

• Assets – things of value owned
• Liabilities - debts
• Owners’ Equity (Retained Earnings) – excess of assets over liabilities
• Accounts Receivables – payments due to your facility
• Accounts Payables – money your facility owes other
• Cash flow – movement of money through the business
Basic Economics

- **Revenues** = total income from billable tests
  - Income from in-house tests
  - Income from the resale of tests
  - Contracted services
- **Expenses** = total costs to provide testing services
  - Reference and in-house testing
- **Profit (loss)** = revenues minus expenses
- **Test charges do not equate to test revenue**
  - Dependent on covered benefits and contractual obligations
Simply Math

Profits (Losses) = Revenues - Costs

1. Enhance Revenues
   • In office services
   • Reference tests
   • You have to bill or collect for it

2. Cut Costs
   • Personnel
   • Reagents
   • Equipment
   • Service contacts
   • Regulatory
   • Compliance efforts
LABORATORY REIMBURSEMENT

- Fee-for-service
  - the *more* work performed, the more money made
    - Medicare Part B
    - Commercial payers
    - Client bill
- Capitation – paid per member per month
  - the *less* work performed, the more money made
- Co-payments – collected at each visit (POL)
Fee-for-Service Profits

- Revenue (Test Volume)
- Total Costs w/variable costs
- Profits
- Fixed Costs

Test Volume increases

$\$\$

increases
Capitation Profits

- **Profits**
- **Fixed Costs**
- **Total Costs w/variable costs**
- **Revenue (PMPM)**

As test volume increases, profits increase. Revenue (PMPM) remains constant, while fixed costs and total costs (with variable costs) increase.
Cost Determinations

- **Direct costs**
  - Attribute to an individual test
    - reagents, controls, calibrators, …

- **Indirect costs**
  - *Not* attributed to an individual test but necessary for the service to be provided
    - regulatory fees, utilities, space, …

- **Fixed costs**
  - Constant and not subject to test volume

- **Variable costs**
  - Changes based on test volume

- **Semi-fixed costs**
  - increase and decrease in step-like fashion
Activity Based Management

- Principle:
  - Resources are consumed by activities and activities are caused by products and services*

- Combines
  - Activity based cost analyses, and
  - Continuous improvement of operations

Activity Based Cost Analysis

“Resources are consumed by activities and activities are caused by products and services.”

- **Products and Services** – laboratory tests
- **Activities** – testing due to a provider’s request
- **Resources** – equipment, consumables and labor
Importance of ABC

- Reduces costs distortions from misallocation
- Use where product diversity exits
  - Multiple laboratory tests with varying costs
    - Different instruments
    - Significant variances in pricing for tests on the same instrument
- Improves capture and traceability of costs
Activity Based Cost Analysis

- Identify activities
  - Pre-analytical, analytical, post-analytical
- Analyze activity processes
  - Step-by-step breakdown of a process to produce a service or product
  - Identify resources used in an activity
- Capture costs per resource
  - Contracts and invoices
- Assign costs to activities by aggregating resource costs
Process Value Analysis

- Flow chart the process
- Determine “value added” and “non-value added” steps
  - time each step (good to know as industry moves to a Relative Value Unit (RVU) system or quality based payment method)
- Value added – directly affects the product
  > i.e. – equipment, reagents, staff
- Non-value added – proficiency testing, quality control, quality assurance, compliance efforts
- Operationally focus on eliminating or minimizing non-value added steps
Cost Analyses

- Each individual test
  - Per reportable test
    > Low cost / test
  - Per billable test
    > High cost / test

- Total laboratory feasibility
  - Compare sending tests out to in-house testing
    > Individually and all
  - Compare sending patients elsewhere for specimen collection versus in-house draws
Summary

Activity Based Cost Analysis

Audit and Monitor

Map Activities

Assign Costs to Activities

Capture Costs for Resources
How to Use Feasibility Information

- Management – where to cut, where to increase
- Test / equipment implementation
- Negotiating contracts - know the difference costs for billable vs.. reportable tests
- Compliance – keep from “giving away services”
Pre-analytical Costs

- Business Operations
  - Marketing
- Accounts
  - Requisitions
  - Consumables
  - CPOE
  > Computer assisted order entry
Analytical Costs

• Business Operations
  • Staff
• Equipment
  • Maintenance
    > Parts
    > Service
  • Acquisition / Depreciation
• Reagents
• Consumables
Post-analytical Costs

- Business Operations
  - Administration
- Information system
  - EHR interfaces
- Test Reports
- Compliance
  - Billing
  - CLIA
Chart of Accounts

- Assign tracking numbers for revenue and costs
  - Who does that?
- Ensure laboratory items are defined into functional reportable elements
  - Identify areas to segregate
  - Pull reports
  - Benchmark
  - Negotiate
  - Cut costs
Gathering the Numbers

- **Volume of tests**
  - Billable and non-billable
    - Billing office, logbooks, equipment

- **Invoices**
  - Reagents
  - Quality control / calibrators
  - Consumables
  - Proficiency testing

- **Contracts**
  - Equipment
  - Maintenance

Accuracy is Everything
Assign Traceable Costs to Particular Activities

• “Overhead” costs
  • Assigned by administration
  • Proportionately allocate costs to activities
    > By number of procedures?
    > By time to perform a particular test?
    > By revenue generated?
  
• Be consistent
Go To Worksheets

- 1\textsuperscript{st} – determine test volumes
- 2\textsuperscript{nd} – indirect costs
- 3\textsuperscript{rd} – direct costs
- 4\textsuperscript{th} – revenue
- 5\textsuperscript{th} – feasibility
## Test Volume Worksheet

<table>
<thead>
<tr>
<th>CPT Code</th>
<th>Billable Tests</th>
<th>PT</th>
<th>QC</th>
<th>Calibrators</th>
<th>Repeats</th>
<th>Total Test Volume</th>
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<tr>
<td>↓+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>= +↓</td>
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<td>+</td>
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<td>+</td>
<td>= +↓</td>
</tr>
</tbody>
</table>

Total Billable Tests = Total Test Volumes =
## Clinical Diagnostic Laboratory

### Fee Schedule 2010

<table>
<thead>
<tr>
<th>Short Description</th>
<th>HCPC</th>
<th>Mod.</th>
<th>Medicare</th>
<th>Medicaid</th>
<th>Non Med.</th>
<th>Clinic</th>
<th>Clinic</th>
<th>Medicare</th>
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<td>Comprehens metabolic panel</td>
<td>80053</td>
<td>QW</td>
<td>2640</td>
<td>1320</td>
<td>3960</td>
<td>$31.50</td>
<td>$15.14</td>
<td>$8.35</td>
<td>$6.79</td>
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<tr>
<td>Prothrombin time</td>
<td>85610</td>
<td>QW</td>
<td>2640</td>
<td>1320</td>
<td>3960</td>
<td>$18.00</td>
<td>$5.62</td>
<td>$7.55</td>
<td>$(1.93)</td>
<td>-26%</td>
<td></td>
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</tbody>
</table>

### EXCEL® Spreadsheet for Laboratory Finances

<table>
<thead>
<tr>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
<th>P</th>
<th>Q</th>
<th>R</th>
<th>S</th>
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<tr>
<td>Automatic</td>
<td>L-I</td>
<td>L-N</td>
<td>O*E</td>
<td>J*D</td>
<td>M*E</td>
<td>Q+R</td>
<td>S-P</td>
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<tr>
<td>Average other payers</td>
<td>Other payer profit</td>
<td>Reference FulBrd charge</td>
<td>Reference profit</td>
<td>Reference Annual profit</td>
<td>Medicare Annual profit</td>
<td>Non Med. annual vol.</td>
<td>Total annual in-house profit vs. Refer. Profit</td>
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<tr>
<td>$14.45</td>
<td>$6.10</td>
<td>$6.40</td>
<td>$8.05</td>
<td>$10,632.24</td>
<td>$8,764.80</td>
<td>$8,058.24</td>
<td>$16,823.04</td>
<td>$6,190.80</td>
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<td>$8.27</td>
<td>$0.72</td>
<td>$4.90</td>
<td>$3.37</td>
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<td>$(5,596.80)</td>
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<td>$(9,094.80)</td>
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<td>$15,085.79</td>
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<table>
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<tr>
<th>V</th>
<th>W</th>
<th>X</th>
<th>Y</th>
<th>Z</th>
<th>AA</th>
<th>AB</th>
<th>AC</th>
<th>AD</th>
<th>Aetna</th>
<th>AF</th>
<th>AG</th>
<th>AH</th>
</tr>
</thead>
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<td>Calculation</td>
<td>Input</td>
<td>Input</td>
<td>Calculation</td>
<td>Input</td>
<td>Input</td>
<td>Calculation</td>
<td>Input</td>
<td>Input</td>
<td>Calculation</td>
<td></td>
</tr>
<tr>
<td>V*W</td>
<td>Y*Z</td>
<td>AB*AC</td>
<td>AE*AF</td>
<td>(X+AA+AD+AG)/4</td>
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<td></td>
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### PAYER MIX

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<tr>
<th>#1</th>
<th>% coll.</th>
<th>actual coll.</th>
<th>#2</th>
<th>% coll.</th>
<th>actual coll.</th>
<th>#3</th>
<th>% coll.</th>
<th>actual coll.</th>
<th>#4</th>
<th>% coll.</th>
<th>actual coll.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15.00</td>
<td>90%</td>
<td>$13.50</td>
<td>$18.00</td>
<td>95%</td>
<td>$17.10</td>
<td>$11.67</td>
<td>92%</td>
<td>$10.74</td>
<td>$17.35</td>
<td>95%</td>
<td>$16.48</td>
</tr>
<tr>
<td>$8.00</td>
<td>90%</td>
<td>$7.20</td>
<td>$12.00</td>
<td>95%</td>
<td>$11.40</td>
<td>$5.43</td>
<td>92%</td>
<td>$5.00</td>
<td>$10.00</td>
<td>95%</td>
<td>$9.50</td>
</tr>
</tbody>
</table>
Medicare Laboratory Fee Schedule

- Clinical Diagnostic Laboratory Fee Schedule
  - CY2013 in .zip file
  - Excel Spreadsheet - Cut and paste descriptors from last column in front of CPT™ codes

*CPT is a trade mark of the American Medical Association*
Financial Management

- Prepare and manage **budgets** to achieve strategic business objectives
- Develop accounting and financial **control systems**
- Prepare **financial statements** and conduct **financial analysis**
- Develop and manage material **procurement and payment** systems
- Develop **coding and reimbursement policies** and procedures
- Establish **fee schedules** for laboratory services
- Negotiate third-party **contracts**
- Develop **reconciliation systems** for third-party payer reimbursements
- Maintain compliance with **laws** and filing procedures
Prepare and Manage Budgets to Achieve Organizational Objectives

- Strategic Direction of the Organization
  - Mission & Vision
  - Short-term & long-term goals & strategies
- Market Trends
  - Society
  - Healthcare
  - Medicare & Big Payers
- Budgets
  - Revenue
  - Expense
  - Departments
  - Capital
  - Cash Flow
Prepare and Manage Budgets

• Preparing Budget
  • List last year’s P&L
  • Any changes in Revenue
    > Medicare - <4.6%
    > New procedures
    > PC for clinical laboratory discontinued
    > Blue Cross - +2.3%
    > Dr. Smith departing August

• Changes in Expenses
  > Increase in rent
  > Decrease in telephone costs
  > Loan on build-out paid off in July
  > Postage increase

• Capital Expenditures
  > New testing equipment – $27,000 out of cash flow
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Cross</td>
<td>$ 675,815</td>
<td>$ 691,359</td>
<td>$ 15,544</td>
<td>2.3%</td>
</tr>
<tr>
<td>Medicare</td>
<td>$ 28,300</td>
<td>$ 26,998</td>
<td>$ (1,302)</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Commercial</td>
<td>$ 599,782</td>
<td>$ 599,782</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Workers Comp</td>
<td>$ 245,806</td>
<td>$ 245,806</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Dr. Smith Departing</td>
<td>$ (375,000)</td>
<td>$ (375,000)</td>
<td>$ -</td>
<td>-33.3%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$ 1,549,703</td>
<td>$ 1,188,945</td>
<td>$ (360,758)</td>
<td>-23.3%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Salaries</td>
<td>$ 285,898</td>
<td>$ 350,898</td>
<td>$ 65,000</td>
<td>22.7%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$ 87,696</td>
<td>$ 94,775</td>
<td>$ 7,079</td>
<td>8.1%</td>
</tr>
<tr>
<td>Rent</td>
<td>$ 125,000</td>
<td>$ 136,000</td>
<td>$ 11,000</td>
<td>8.8%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$ 62,433</td>
<td>$ 62,433</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Clinical Supplies</td>
<td>$ 86,321</td>
<td>$ 86,321</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Malpractice</td>
<td>$ 43,541</td>
<td>$ 47,895</td>
<td>$ 4,354</td>
<td>10.0%</td>
</tr>
<tr>
<td>Telephone</td>
<td>$ 10,687</td>
<td>$ 8,154</td>
<td>$ (2,533)</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Postage</td>
<td>$ 45,776</td>
<td>$ 47,886</td>
<td>$ 2,110</td>
<td>4.6%</td>
</tr>
<tr>
<td>Loan</td>
<td>$ 37,881</td>
<td>$ 22,097</td>
<td>$ (15,784)</td>
<td>-41.7%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 785,233</td>
<td>$ 856,459</td>
<td>$ 71,226</td>
<td>9.1%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 764,470</td>
<td>$ 332,486</td>
<td>$ (431,984)</td>
<td>-56.5%</td>
</tr>
</tbody>
</table>
Financial Reports

- Balance Sheet
- Profit And Loss Statement (Income Statement)
- Cash Flow Analysis
Financial Safeguards

• Accounts payable
  • Invoices, packing slips and supporting documents should be matched up
  • Should accompany checks when presented for signature
  • Cancel supporting documents so they cannot be re-used
• Don’t ignore suspicions – employee does not take vacations, starts wearing expensive jewelry, trips to Las Vegas…
• Verify references before hiring someone
• Cross train employees and switch responsibilities from time to time
• Review month-end statements and compare with previous months for consistency
• Be very careful with the authority to use credit cards and review statements
Financial Control Policies

• What Should CPA Do?
  • Review Bank Reconciliation
  • Review Accounts Receivable System Reports As Compared To Accounting Records
  • Year-End Tax Planning
  • Review For Appropriate Transaction Recording
  • Accrual Of Year-End Entries
  • Depreciation And Amortization
  • Interest And Principal Verification
  • Retirement Plan Contribution
  • Annual Surprise Audit
  • Periodic Scheduled Audit
Benchmarking the Laboratory

• Compare processes and performance metrics to industry bests

• Baseline and monitor

• Set goals
Know Your Numbers (1-6)

1. Tests / day
2. Requisitions / day
3. Tests / requisition
4. Tests / testing analyst
5. Tests / piece of equipment
6. Throughput capacity / piece of equipment
Know Your Numbers (7-13)

7. Tests / provider
8. Providers / testing analyst
9. Patients / day
10. Time spent / patient
11. Cost / billable test
12. Cost / reportable test
13. Charge / test
Know Your Numbers (14-20)

14. Medicare reimbursement / test
15. Reimbursement rate / private payer
16. Denial rate / payer
17. Lack of documentation / provider
18. Practice write off / claim
19. CLIA ID number / expiration
20. Annual testing volume per CLIA category
Know Your Numbers (21-25)

21. Cost / piece of equipment
   - Reagents
   - Service contract
   - Monthly payments
   - Labor

22. Wages / employee

23. Benefit time / employee

24. Profit (loss) / test

25. Profit (loss) / laboratory
DASHBOARD REPORTS

OPERATING FINANCIAL DATA

PRODUCTIVITY

- Number of tests
- Charges
- Collections
- Number of Procedures
DASHBOARD REPORTS

OPERATING FINANCIAL DATA

REVENUE

- Gross Revenue
- Net Revenue
- Per department
- Per equipment
- Per test
- Physician
DASHBOARD REPORTS

OPERATING FINANCIAL DATA

EXPENSES

- Employee
- Building
- Equipment
- Reagent cost
- Marketing
DASHBOARD REPORTS

ACCOUNTS RECEIVABLE

• Total A/R
• Days in A/R
• A/R Aging
• Credit Balance Report
DASHBOARD REPORTS

CASH

- Cash vs. Net Income (not the same!)
- Bank Balances
### Productivity

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges</td>
<td>$570,332.11</td>
<td>$2,596,067.14</td>
<td>$650,877.56</td>
<td>$3,150,889.74</td>
<td>14.1%</td>
<td>21.4%</td>
<td>$620,381.92</td>
<td>$3,101,909.60</td>
<td></td>
<td></td>
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<tr>
<td>Number of tests</td>
<td>540,000</td>
<td>3,240,000,000</td>
<td>600,000</td>
<td>3,600,000,000</td>
<td>11.1%</td>
<td>11.1%</td>
<td>322</td>
<td>1,610</td>
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</table>

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Receipts</td>
<td>$410,221.22</td>
<td>$1,870,687.33</td>
<td>$460,779.56</td>
<td>$2,300,489.74</td>
<td>12.3%</td>
<td>23.0%</td>
<td>$440,046.83</td>
<td>$2,200,234.15</td>
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<td></td>
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<tr>
<td>Refunds</td>
<td>$1,755.66</td>
<td>$7,598.30</td>
<td>$1,301.09</td>
<td>$5,578.87</td>
<td>-25.9%</td>
<td>-26.6%</td>
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<tr>
<td>Other Income</td>
<td>$3,000.00</td>
<td>$15,000.00</td>
<td>$3,000.00</td>
<td>$15,000.00</td>
<td>0.0%</td>
<td>0.0%</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Revenue</td>
<td>$411,465.56</td>
<td>$1,878,089.03</td>
<td>$462,478.47</td>
<td>$2,309,910.79</td>
<td>12.4%</td>
<td>23.0%</td>
<td>$440,046.83</td>
<td>$2,200,234.15</td>
<td></td>
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</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Costs</td>
<td>$72,889.56</td>
<td>$366,149.00</td>
<td>$80,000.00</td>
<td>$400,000.00</td>
<td>9.8%</td>
<td>9.2%</td>
<td>$13,669.67</td>
<td>$68,348.35</td>
<td></td>
<td>17%</td>
</tr>
<tr>
<td>Leases</td>
<td>$3,855.00</td>
<td>$19,275.00</td>
<td>$5,000.00</td>
<td>$25,000.00</td>
<td>29.7%</td>
<td>29.7%</td>
<td>$3,748.25</td>
<td>$18,741.25</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>Reagents</td>
<td>$8,900.00</td>
<td>$45,000.00</td>
<td>$9,600.00</td>
<td>$52,000.00</td>
<td>7.9%</td>
<td>15.6%</td>
<td>$8,700.41</td>
<td>$43,502.05</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$85,644.56</td>
<td>$430,424.00</td>
<td>$94,600.00</td>
<td>$477,000.00</td>
<td>10.5%</td>
<td>10.8%</td>
<td>$26,118.33</td>
<td>$130,591.65</td>
<td></td>
<td>21%</td>
</tr>
</tbody>
</table>

### Net Revenue

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>$325,821.00</td>
<td>$1,447,665.03</td>
<td>$367,878.47</td>
<td>$1,832,910.79</td>
<td>12.9%</td>
<td>26.6%</td>
<td>$413,928.50</td>
<td>$2,069,642.50</td>
<td></td>
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</tr>
</tbody>
</table>

### Physician Costs

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Costs</td>
<td>$10,000.00</td>
<td>$50,000.00</td>
<td>$12,000.00</td>
<td>$60,000.00</td>
<td>20.0%</td>
<td>20.0%</td>
<td>$17,735.17</td>
<td>$88,675.85</td>
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</tr>
</tbody>
</table>

### Net Income

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
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<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$315,821.00</td>
<td>$1,397,665.03</td>
<td>$355,878.47</td>
<td>$1,772,910.79</td>
<td>-7.1%</td>
<td>-26.8%</td>
<td>$396,193.33</td>
<td>$1,980,966.65</td>
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</tbody>
</table>

### A/R

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
<th>% YTD</th>
<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total A/R</td>
<td>$89,667.32</td>
<td>$78,661.88</td>
<td>$74,402.00</td>
<td>$74,402.00</td>
<td>11.1%</td>
<td>11.1%</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days in A/R</td>
<td>47.57</td>
<td>36.32</td>
<td>35.62</td>
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<td></td>
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</table>

### Number of analysts

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
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<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of analysts</td>
<td>18</td>
<td>18</td>
<td>20</td>
<td>20</td>
<td>11.1%</td>
<td>11.1%</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

### Procedures

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
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<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures</td>
<td>50</td>
<td>50</td>
<td>72</td>
<td>72</td>
<td>44.0%</td>
<td>44.0%</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cash

<table>
<thead>
<tr>
<th></th>
<th>2011 May</th>
<th>2011 YTD</th>
<th>2012 May</th>
<th>2012 YTD</th>
<th>% Monthly</th>
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<th>Benchmark Monthly</th>
<th>Benchmark YTD</th>
<th>Laboratory Benchmark % of Revenue</th>
<th>Benchmark % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Account</td>
<td>$256.77</td>
<td>$15,063.22</td>
<td>$3,353.88</td>
<td>$35,115.22</td>
<td>UGT1A1</td>
<td>$5,678.16</td>
<td>$30,124.99</td>
<td>$15,950.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Dashboard Report
Benchmark For Tomorrow

• Find the ideal
  • MGMA
  • Network
  • Listserv
• Internally justify changes
• Monitor over time
• Celebrate the success
Get the Job Done

• When was the last time you did an evaluation?
• What tools do you need to do the evaluation?
• Do I have the access to data to do an evaluation?
• Do I have the knowledge to do the evaluation?
Achieving “Impeccable knowledge of cost structure.”

- Have a strategic plan that accounts for capital expenditures
- Have basic financial controls in place
- Have a budget
- Have a laboratory chart of accounts
- Have ALL your fees set higher than your reimbursement schedules
- Know all your fee schedules from the managed care companies
- Have a system to reconcile that you are being paid per your contracts
- Work your denials
- Know your major categories of costs – staff, facility & “other”
- Know your break even points for individual tests, departments, laboratory
- Use Dashboard reports
- Have a Compliance Plan
When the Pie Shrinks, The Table Manners Change!
Thank You!

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State Volunteer Mutual Insurance Company
PO Box 1065
Brentwood, TN  37027
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Cell: 615-686-7795
Anne.Pontius@svmic.com