

YOUR CLINIC: Operational Strategies

Five steps for demonstrating your value and fiscal contributions

by Meg Flanagan

Demonstrating the fiscal impact of an occupational health program can be one of the most difficult challenges for the Program Director. After all, occupational health programs direct revenues to other cost centers, but carry the overhead to drive those down-stream dollars. Some of the more common remarks heard from Senior Administrators are, “We would have gotten those ER visits anyway!” or “Rehab grew 20%, why didn’t occupational health meet its budget?” or “What do you mean occupational health generated ancillary and physician referrals?”

If occupational health is to get the respect and rewards it so rightly deserves you should ask who is evaluating the program’s performance and how does the evaluator measure success? It is important to provide *relevant* data that emphasize the factors that administrators value. For example, a midwestern occupational health program had three levels of administration: Medical Director, Vice President, and CFO. The Medical Director valued client satisfaction. The Vice President valued growth in client base and revenues. The CFO wanted to see an increase in the workers’ compensation payer mix. All of these success factors are valid; however, the Medical Director and the Vice President reported to the CFO, thus determining what would be valued most highly. Armed with this information, the Program Director can provide relevant management reports to the key stakeholders.

Other programs have valued bottom line profitability, physician or ancillary referrals, client retention and growth, occupational health as a practice builder or decreasing an organization’s own workers’ compensation costs.

The following steps can be used to analyze—and potentially improve—a program’s fiscal impact on an organization.

Step 1: Develop annual projections. Calculate the total potential within the program’s defined market. To accomplish this, purchase an employer database that lists the actual number of employees per company. By sorting com-

Occupational health programs that control billing and collections using occupational/account-based software realize reimbursement rates in the 90+% range.

panies/employees by SIC and using the Department of Labor injury rates you can project the number of injuries in the market. Using your program’s practice patterns you can calculate the number of follow-up visits and ancillary utilization with their associated revenues. The chart below, using injury rate projections determined by SIC code and assuming 2.5 visits per injury at an average visit charge of \$160, is an example of this methodology. (Average visit charge is determined by dividing the number of injury visits into the total injury-related revenues.) Once the total market potential is defined you can determine your current market share. Next, make three-year projections based on an incremental increase in market share or a percent of revenue increase over the break-even point. By determining total market potential, your projections will establish what is attainable, based on realistic calculations.

Step 2: Monitor your key indicators. It is important to conduct a monthly audit of data to determine if the actual numbers are on track to meet the targeted goals; if not, you can make necessary mid-course corrections. Several key indicators to monitor:

- *Company utilization.* Monthly auditing of visits by company will help you to spot any attrition and allow timely intervention to save the account. If growth is demonstrated, boost customer service to retain that account and look for cross-selling opportunities.
- *Physician/practitioner practice patterns.* Productivity goals should be established for your practitioners. Do

SIC	# Employees	Projected Injuries	Projected Injury Visits	Avg. Revenues (\$160/visit)	SIC	# Employees	Projected Injuries	Projected Injury Visits	Avg. Revenues (\$160/visit)
Agriculture	3,229	255	638	\$102,080	Mining	92	5	11	\$1,760
Construction	1,852	163	407	\$65,120	Manufacturing	8,245	800	1,999	\$319,840
Transportation	1,949	143	358	\$57,280	Wholesale	6,346	412	1,031	\$164,960
Retail	17,666	1,148	2,871	\$459,360	Finance	2,358	45	112	\$17,920
Service	26,68	1,388	3,469	\$555,040	Public Admin.	7,810	406	1,015	\$162,400

the majority of your ancillary referrals come from a single practitioner? Does this mean under utilization by the other practitioners or over utilization by this one practitioner?

- *Sales activity tied to goals:* Is the sales staff meeting the program's revenue goals? Is more time being spent on

customer service for operational complaints than on selling? Are you cross-selling and up-selling other services to current clients? If your goal is to increase workers' compensation payer mix, then evaluate and/or provide sales incentives accordingly.

- *Ratios:* What is your ratio of work injury to non-injury visits? Typically 65-70% of the business should be higher paying injury visits.
- *Drug screens:* Drug and alcohol screens can represent as much as 80% of your non-injury business. Consider using medical assistant staff instead of nursing staff for specimen collections to make better use of personnel and keep expenses low.
- *Leaving money on the table:* Many programs bill through the hospital's billing department with historically low reimbursement rates and poor practices relative to workers' compensation rules. Often payments are not applied by line item, causing balances to grow. Many organizations must write off outstanding amounts at year end, since they cannot provide workers' comp payers or clients with an accurate accounting. This makes the occupational health program appear less profitable. Nationally, most hospital organizations using the hospital's billing department (and hospital/patient-based billing software) realize between 50-80% reimbursement rates. However, occupational health programs that control billing and collections using occupational/account-based software realize reimbursement rates in the 90+% range.

Step 3: Track referrals outside occupational health. Occupational health programs provide referrals to other departments and medical staff but have difficulty tracking these revenues. At issue is tracking the data while the revenues remain in each service line's cost center. This can be accomplished by applying a tracking code at patient registration using medical service, patient type, insurance plan

Health Maintenance Package	100 Employees	200 Employees
• HRA w/ Labs w/ Heart Score; summary to company, individual reports to employees (\$60 each)	\$6,000	\$12,000
• On-site walk through to look for high risk areas (\$150/hour)	\$300	\$300
• Four Educational "Lunch and Learns" (\$150 each)	\$600	\$600
• Flu Shots (\$10 each)	\$1,000	\$2,000
• Two hour meeting re: injury trends w/rehab specialist, safety manager, workers' comp rep (\$250/hour physician; \$125/hour therapist)	\$750	\$750
• First Responder Course	\$2,000	\$2,000
Total cost of service delivery	\$10,650	\$17,650
Retail price to the client	\$15,000	\$25,000

or a mix of several customized codes that allow for end of month sorting. Referrals to specialists can be tracked via case management software, but this process often requires some manual tracking efforts.

Step 4: Eliminate loss leaders. Certain services are promoted as loss leaders in an effort to attract new customers.

Change loss leaders into revenue-generating services by offering an annual Health Maintenance Program that charges its clients a set rate per employee per year. By repackaging wellness, education, and prevention services into an annual client package you can get paid for what used to be freebies. On the average, the annual cost is \$125-\$150 per employee. An example of an annual Health Maintenance Program is presented above.

Step 5: Don't wait to be asked. You have to demonstrate the program's contribution to the organization as a whole, not just the program's bottom line. By providing quarterly summary reports to administration you arm them with data that show the program's value in supporting other organizational initiatives, like physician referrals. If you are not on target for projections, trouble shoot and provide your game plan to administration. If you can demonstrate that improvements are in progress you may buy more time before budget cuts are considered.

If budget cuts are inevitable for your program, create options for scaling back rather than being forced to deal with ultimatums. For instance, if there is too much overhead, achieve cost savings by relocating the program site or sharing staff with other departments. Don't wait until they are ready to make cuts to act. Be proactive and control the program's destiny.

Finally, make sure the occupational health program is on the organization's radar screen. It is your responsibility to demonstrate how the program impacts other departments and service lines. By providing *relevant* data on a regular basis you can reposition occupational health from a clinical service to its rightful position as an employer/provider strategy that drives organizational referrals while building long-term client relationships.

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