

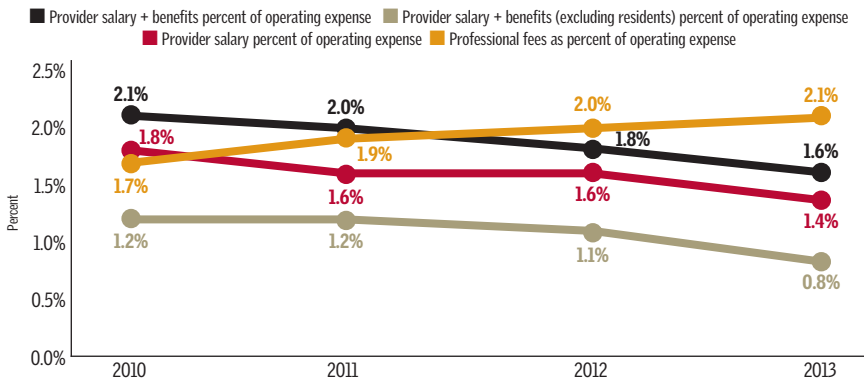
FACTFILE

Physician Enterprise Performance

As the healthcare industry continues to embrace the trend toward employed physicians, an external perspective and relevant benchmarks can be beneficial in assessing the comparative performance of your practices. While hospitals and health systems will continue to strategically acquire physician practices, individual hospital trends will not always document that growth because employed providers may be organizationally located in different companies, and the financials will not be shown as part of hospital operations. Still, the physician enterprise will represent a growing percentage of total operating expense for the integrated delivery system. Introducing greater efficiencies and improved productivity to the physician enterprise is critical to the financial health of the organization. **📊**

HOSPITAL PROVIDER EXPENSE AND OPERATING EXPENSE

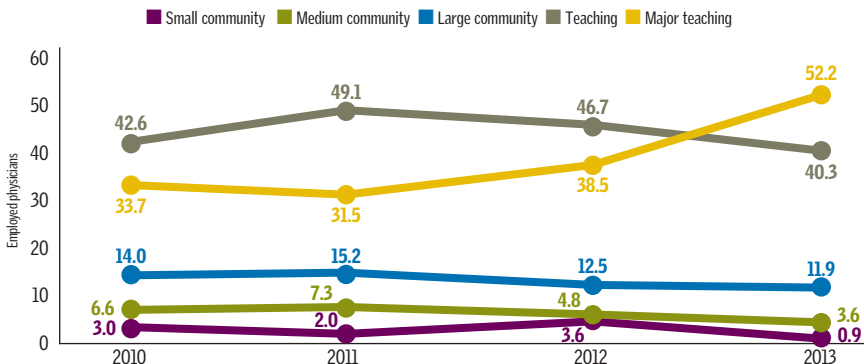
While professional fees as a percentage of operating expense have been climbing—from a median 1.7% in 2010 to 2.1% in 2013—overall combined provider salaries and benefits as a percentage of operating expense have been declining, from 2.1% to 1.6% over the same period. This is because most hospitals are community hospitals, which have a relatively small and declining employed clinical physician staff.



SOURCE: Truven Health Analytics ActionOI Database.

PROVIDER FTEs BY HOSPITAL TYPE

After removing resident physicians from their total physician count, teaching hospitals still have a higher number of employed physicians compared to community hospitals, and this is increasing. But these physicians still represent a small portion of their medical staff. Major teaching hospitals directly employ few nonresident physicians to provide patient services. Many of their physicians may be on the payroll of an affiliated organization such as the medical school or a university-affiliated physician group, rather than the hospital itself.



SOURCE: Truven Health Analytics ActionOI Database.

ABOUT THE DATA: The Truven Health ActionOI database maintains operational information for approximately 600 hospitals. It reports salary and worked/paid hours for provider-based physicians who provide patient care, excluding physicians who work in an administrative, teaching, or research capacity. In many hospitals and health systems, the physician enterprise is organized as part of a separate company or medical foundation. That data would not be part of the ActionOI database for individual hospital financial reporting and so would not be reflected in these trends. For more information, contact Truven Health at info@truvenhealth.com or 800-366-7526.

Expenditures for Physician Services

The share of expenditures that goes to physician and other professional services is about 27% of all healthcare expenditures in the United States, or nearly \$573 billion. By state, the dollar amounts range from a high of nearly \$76 billion in California to a low of \$956 million in North Dakota.

Location	Physician and other professional services
United States	\$572,668,000,000
1. California	\$75,702,000,000
2. Texas	\$42,291,000,000
3. Florida	\$40,989,000,000
4. New York	\$38,221,000,000
5. Pennsylvania	\$24,397,000,000
6. Illinois	\$23,442,000,000
7. New Jersey	\$20,249,000,000
8. Ohio	\$19,001,000,000
9. Georgia	\$16,030,000,000
10. Michigan	\$15,816,000,000
11. Massachusetts	\$15,391,000,000
12. North Carolina	\$15,000,000,000
13. Washington	\$14,266,000,000
14. Virginia	\$13,485,000,000
15. Wisconsin	\$11,748,000,000
16. Maryland	\$11,662,000,000
17. Tennessee	\$11,646,000,000
18. Indiana	\$10,848,000,000
19. Arizona	\$10,820,000,000
20. Minnesota	\$9,906,000,000
21. Colorado	\$9,352,000,000
22. Missouri	\$8,846,000,000
23. Alabama	\$8,066,000,000
24. Connecticut	\$7,933,000,000
25. Louisiana	\$7,847,000,000
26. Oregon	\$7,699,000,000
27. Kentucky	\$7,146,000,000
28. South Carolina	\$7,099,000,000
29. Oklahoma	\$6,151,000,000
30. Kansas	\$5,610,000,000
31. Nevada	\$5,010,000,000
32. Iowa	\$4,800,000,000
33. Arkansas	\$4,784,000,000
34. Mississippi	\$4,532,000,000
35. Utah	\$3,756,000,000
36. New Mexico	\$3,301,000,000
37. West Virginia	\$3,213,000,000
38. Nebraska	\$3,037,000,000
39. New Hampshire	\$2,791,000,000
40. Hawaii	\$2,725,000,000
41. Maine	\$2,434,000,000
42. Idaho	\$2,365,000,000
43. Alaska	\$2,020,000,000
44. Delaware	\$1,985,000,000
45. Rhode Island	\$1,978,000,000
46. Montana	\$1,647,000,000
47. South Dakota	\$1,348,000,000
48. District of Columbia	\$1,168,000,000
49. Vermont	\$1,117,000,000
50. Wyoming	\$1,043,000,000
51. North Dakota	\$956,000,000

NOTES: Physician and clinical services covers services provided in establishments operated by doctors of medicine and doctors of osteopathy, outpatient care centers, plus the portion of medical laboratory services that are billed independently by the laboratories. This category also includes services rendered by an MD or DO in hospitals, if the physician bills independently for those services. Clinical services provided in freestanding outpatient clinics operated by the U.S. Department of Veterans' Affairs, the U.S. Coast Guard Academy, the U.S. Department of Defense, and the U.S. Indian Health Service are also included.

SOURCES: Kaiser State Health Facts, *Distribution of Health Care Expenditures by Service by State of Residence (in millions)*, <http://kff.org/other/state-indicator/distribution-of-health-care-expenditures-by-service-by-state-of-residence-in-millions/>; Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, *National Health Expenditure Data: Health Expenditures by State of Residence*, December 2011.

Upcoming Topic:
 > 50 Top Cardio Hospitals

FACT FILE PARTNER:



STANDARDIZING PRODUCTIVITY AND COST

Hospitals and health systems have created varying models to support the physician enterprise, considering allocations for overhead expense and charges for services provided. It is critical that hours and expenses be normalized in order to compare performance between organizations. The Truven approach is to provide two views of the data: an "actual" view that ties directly to internal financial reports and a "normalized" view. The normalized view focuses on the revenue-producing and clinical service functions of the practice. Hours and expenses associated with support services are redirected to one of four support departments: financial, administrative, operational, or other.

Practice Labor Productivity (Normalized)

Indicator	<1,000 visits	1,000–1,999 visits	2,000–2,999 visits	3,000–3,999 visits	4,000 or more visits	All practices
Hours worked, support staff per Total WRVU	1.62	1.11	1.22	1.14	1.02	1.19
Hours worked, support staff per visit	2.04	1.05	1.65	1.56	1.28	1.56
Total Work RVUs per provider	741.30	1,101.44	1,190.10	1,081.04	1,311.18	1,076.27
Total Work RVUs per physician	874.69	1,424.74	1,428.09	1,403.98	1,603.12	1,380.81

NOTE: The table above provides a subset of the productivity indicators available in the Truven Health ActionOI Practice Insights program. When used for comparative analysis to support performance improvement projects, it is recommended that the comparative group be refined to center the units of service for the practice location near the midpoint of the distribution. It's also useful to look at several percentiles for the group, typically the 25th percentile, median, and 75th percentile.

Expense Ratios

Indicator	<1,000 visits	1,000–1,999 visits	2,000–2,999 visits	3,000–3,999 visits	4,000 or more visits	All practices
Total practice expense per Total RVU	\$61.98	\$47.30	\$52.89	\$46.33	\$49.21	\$47.81
Total practice expense, AWI adj. per Total RVU	\$63.09	\$48.40	\$50.86	\$47.22	\$45.00	\$49.79
Total labor expense per Total RVU	\$48.54	\$38.11	\$41.32	\$37.63	\$34.38	\$38.45
Total labor expense AWI adj. per Total RVU	\$47.51	\$38.78	\$43.04	\$38.18	\$37.16	\$39.34
Total supply expense per Total RVU	\$2.59	\$1.94	\$2.25	\$2.63	\$2.13	\$2.20
Total practice expense per visit	\$156.25	\$136.53	\$144.36	\$126.95	\$122.27	\$136.86
Total practice expense, AWI adj. per visit	\$163.87	\$130.67	\$141.15	\$128.51	\$119.39	\$137.79
Total labor expense per visit	\$120.26	\$102.61	\$120.13	\$104.93	\$92.04	\$104.38
Total labor expense, AWI adj. per visit	\$124.00	\$106.56	\$125.30	\$108.40	\$97.88	\$107.01
Total supply expense per visit	\$6.44	\$5.30	\$5.44	\$7.95	\$6.16	\$6.37

NOTE: AWI (area wage index) adjustment is applied to the labor portion of expenses to equalize comparisons between different geographic areas of the United States.

SOURCE: Truven Health Analytics ActionOI Practice Insights Program.

ABOUT THE DATA: The Truven Health ActionOI Practice Insights program provides information on utilization, staff configuration, workload, service intensity, productivity, expenses, and revenues of individual practices and the entire physician enterprise. The Practice Insights program was introduced in June 2013 and now includes 23 hospital/health system physician practice types by specialty. The current database includes more than 850 individual practice locations. For purposes of this analysis, 262 family practice locations were selected. Client-supplied data for the quarter ending March 30, 2014, was divided into five groups based on volume ranges, plus one "all family practice locations." After trimming each group at three interquartile ranges, the median values for each group are displayed in the tables on this page.

