



Key Drivers for ASC Performance

Key Indicators / Important Metrics / Total Joint Impact

MedHQ Presenters



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Agenda

- Define Key drivers/Key Performance Indicators (KPIs)
- Identify/Understand/Work on the right drivers for your center
- Important drivers used in **MedHQ** reporting
- Total Joint Replacement (TJR) Impact



Ask

What are Key Drivers or Key Performance Indicators (KPIs)?

- Oxford Dictionary – a measure used to evaluate the success of an organization in meeting objectives.
- In terms of ASC performance - They are quantifiable metrics used to measure and evaluate performance of ASC's Operations.

Identifying/Understanding/Working on the **Right Drivers** for your Center



- Drivers that increase the top and bottom line in an Income statement – **Increase profitability**
- Drivers that **increase operational efficiency** and **promote accountability** within the organization
- Drivers that are consistent and easily understood – **Clarity and Harmony**
- Drivers that result in **streamlining** the process

Drivers/KPIs Identified in MedHQ Reports

Income Statement

- Breakdown the cases by specialty
- Analyze net revenue per case
- Cost breakdown by case volume and cost % to revenue
- Contribution Margin
- Operating Costs Margin (EBITDA)

Key Metrics Trend

| | Month Ending 11/30/2023 | Month Ending 12/31/2023 | Month Ending 01/31/2024 | Month Ending 02/29/2024 | Month Ending 03/31/2024 | Month Ending 04/30/2024 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| GST - Gastroenterology | 24 | 18 | 13 | 11 | 8 | 16 |
| GEN - General Surgery | 28 | 33 | 23 | 28 | 25 | 29 |
| GYN - Gynecology | 37 | 26 | 18 | 23 | 22 | 20 |
| HND - Hand | 1 | 4 | 1 | 0 | 3 | 0 |
| NEU - Neurology | 1 | 5 | 2 | 2 | 2 | 3 |
| ORA - Oral Surgery / Dentistry | 63 | 74 | 94 | 84 | 106 | 107 |
| ors - Orthopedic Spine | 0 | 2 | 1 | 1 | 0 | 2 |
| ORT - Orthopedic Surgery | 54 | 48 | 33 | 34 | 29 | 32 |
| ENT - Otolaryngology | 31 | 36 | 10 | 33 | 26 | 24 |
| PNM - Pain Management | 219 | 180 | 165 | 175 | 191 | 185 |
| PLS - Plastic Surgery | 0 | 1 | 0 | 0 | 0 | 0 |
| POD - Podiatry | 6 | 6 | 0 | 0 | 1 | 3 |
| URO - Urology | 15 | 13 | 9 | 12 | 6 | 12 |
| VAS - Vascular | 18 | 13 | 5 | 11 | 6 | 1 |
| Total STAT - Case Volume | 497 | 459 | 374 | 414 | 425 | 434 |
| Net Revenue | 2,227,451 | 2,430,386 | 1,186,211 | 1,224,792 | 1,276,550 | 1,417,980 |
| Total Variable Expenses | 709,875 | 957,123 | 717,085 | 726,857 | 648,495 | 662,453 |
| Contribution Profit: | 1,517,576 | 1,473,263 | 469,126 | 497,935 | 628,055 | 755,527 |
| Total Fixed Expenses | 107,624 | 148,131 | 113,581 | 106,533 | 107,790 | 107,021 |
| Income from Operations: | 1,409,952 | 1,325,132 | 355,545 | 391,402 | 520,265 | 648,506 |
| Total Other Income (Expense) | (14,329) | (9,262) | (22,011) | (24,520) | (24,684) | (24,871) |
| Earnings Before Income Tax: | 1,395,623 | 1,315,870 | 333,534 | 366,882 | 495,581 | 623,635 |
| Net Income / (Loss) | \$ 1,395,623 | \$ 1,315,870 | \$ 333,534 | \$ 366,882 | \$ 495,581 | \$ 623,635 |
| Net Revenue Per Case | \$ 4,482 | \$ 5,295 | \$ 3,172 | \$ 2,958 | \$ 3,004 | \$ 3,267 |
| Supply Cost without Implant Per Case | \$ 614 | \$ 1,197 | \$ 815 | \$ 802 | \$ 629 | \$ 650 |
| Non Direct Supplies & Services Per Case | \$ 97 | \$ 114 | \$ 149 | \$ 119 | \$ 116 | \$ 121 |
| Labor Cost Per Case | \$ 700 | \$ 746 | \$ 905 | \$ 800 | \$ 756 | \$ 737 |
| Supply Cost without Implant % of Rev | 13.7 % | 22.6 % | 25.7 % | 27.1 % | 20.9 % | 19.9 % |
| Non Direct Supplies & Services % Rev | 2.2 % | 2.2 % | 4.7 % | 4.0 % | 3.9 % | 3.7 % |
| Labor Cost % of Rev | 15.6 % | 14.1 % | 28.5 % | 27.1 % | 25.2 % | 22.6 % |
| Total Current Assets | \$ 4,676,850 | \$ 4,325,725 | \$ 3,696,613 | \$ 4,152,328 | \$ 4,184,624 | \$ 3,777,292 |
| Total Current Liabilities | \$ 1,276,223 | \$ 1,394,466 | \$ 1,511,689 | \$ 1,591,587 | \$ 1,119,583 | \$ 1,228,343 |
| Current Ratio | 3.7 | 3.1 | 2.4 | 2.6 | 3.7 | 3.1 |
| Days in A/R | 31.1 | 37.0 | 50.8 | 49.0 | 44.2 | 34.6 |

Drivers/KPIs Identified in MedHQ Reports

Balance Sheet

- Current ratio (Current Assets ÷ Current Liabilities)
- Days in A/R

Other Drivers to consider

- Fixed Asset Utilization (Fixed Assets ÷ Total Revenue)
- Debt to Asset ratio (Total Debt ÷ Total Assets)
- Debt Coverage ratio (Annual Net Operating Income ÷ Total Debt Service)
- Paid and Worked Hours per case – Efficient use of Labor (Overtime, Hours spent on a case)

Industry Benchmarks



| Drivers/KPIs | Industry Benchmark |
|---|---------------------------------------|
| Profitability Ratios | |
| Net Profit Margin to Revenue | 25% |
| Return on Owner's Equity | 82% |
| Contribution Margin | Depends on Capacity and Specialty Mix |
| Medical supplies to Revenue | 20%-25% |
| Labor to Revenue | 25%-28% |
| Asset Management/Activity Ratios | |
| AR turnover/ Days in AR | 27 to 41 days |
| Annual Inventory Turnover | 7 times per year (ideal 11-12 times) |
| Fixed/Total Asset Utilization | 1 to 2 |
| Debt Management Ratios | |
| Debt to Total Assets | 38% |
| Debt Coverage Ratio | 1 |
| Times Interest Earned | 14% |
| Liquidity ratios | |
| A/R Aging | 0-30 days - 53.4 percent |
| | 31-60 days - 17.2 percent |
| | 61-90 days - 8.2 percent |
| | 91-120 days - 5.4 percent |
| | More than 120 days - 15.8 percent |

Key Metrics Twelve Month Trend



| | MIDWEST Multi-Specialty OPHTH/PAIN | MIDWEST Single-Specialty GI | WEST Multi-Specialty PAIN/ORAL/ORTHO | EAST Multi-Specialty OPHTH/ORTHO | MIDWEST Multi-Specialty ORTHO/PAIN | EAST Multi-Specialty ORTHO/ENT |
|---|--|-----------------------------------|--|--|--|--------------------------------------|
| | TRAILING 12 MONTHS 4/30/2024 | TRAILING 12 MONTHS 4/30/2024 | TRAILING 12 MONTHS 4/30/2024 | TRAILING 12 MONTHS 4/30/2024 | TRAILING 12 MONTHS 4/30/2024 | TRAILING 12 MONTHS 4/30/2024 |
| Total STAT - Case Volume | 4,505 | 4,351 | 5,054 | 3,722 | 4,083 | 1,883 |
| Net Revenue | \$9,709,984 | \$4,255,079 | \$18,390,847 | \$13,160,681 | \$17,395,092 | \$11,589,087 |
| Total Variable Expenses | \$9,295,606 | \$2,332,450 | \$9,122,921 | \$8,849,686 | \$12,097,408 | \$6,279,688 |
| Contribution Profit: | \$414,378 | \$1,922,629 | \$9,267,926 | \$4,310,995 | \$5,297,684 | \$5,309,399 |
| Total Fixed Expenses | \$736,294 | \$635,889 | \$1,209,529 | \$1,315,788 | \$1,279,020 | \$1,343,291 |
| Income from Operations: | (\$321,916) | \$1,286,740 | \$8,058,397 | \$2,995,207 | \$4,018,664 | \$3,966,108 |
| Net Income / (Loss) | (\$1,284,616) | \$1,054,516 | \$7,825,823 | \$2,419,021 | \$3,888,169 | \$3,550,914 |
| Net Revenue Per Case | \$ 2,155 | \$ 978 | \$ 3,639 | \$ 3,536 | \$ 4,260 | \$ 6,155 |
| Direct Supplies Cost % of Revenue | 29.0 % | 10.1 % | 23.2 % | 33.4 % | 38.4 % | 27.3 % |
| Non Direct Supplies & Services % of Revenue | 24.9 % | 8.5 % | 3.6 % | 3.2 % | 5.6 % | 7.8 % |
| Labor Cost % of Rev | 37.4 % | 30.4 % | 21.8 % | 24.8 % | 22.5 % | 14.7 % |
| Total Current Assets | \$ 1,302,832 | \$ 2,515,069 | \$ 3,777,292 | \$ 2,943,477 | \$ 4,105,675 | \$ 4,354,120 |
| Total Current Liabilities | \$ 4,171,035 | \$ 4,967,616 | \$ 1,228,418 | \$ 2,188,070 | \$ 2,862,136 | \$ 1,396,139 |
| Current Ratio | 0.3 | 0.5 | 3.1 | 1.3 | 1.4 | 3.1 |

Per Case MedHQ ASC Average Assumptions



| | Ortho | ENT | Pain Management | GI | Eyes | URO | Spine | Total Joint |
|---------------------------------------|---------|---------|-----------------|---------|---------|---------|---------|-------------|
| Net Revenue Per Case | \$4,000 | \$3,000 | \$1,350 | \$1,000 | \$1,450 | \$3,250 | \$9,000 | \$15,000 |
| Labor Cost Per Case | \$1,225 | \$613 | \$263 | \$350 | \$438 | \$875 | \$1,750 | \$2,188 |
| Direct Supplies Per Case | \$900 | \$800 | \$325 | \$120 | \$600 | \$850 | \$5,000 | \$5,000 |
| Other Variable Exp Per Case | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 |
| RCM Fee Per Case | \$160 | \$120 | \$54 | \$40 | \$58 | \$130 | \$360 | \$600 |
| Estimated Incremental Profit Per Case | \$1,515 | \$1,268 | \$509 | \$290 | \$155 | \$1,195 | \$1,690 | \$7,013 |

Per Case MedHQ ASC Average Assumptions



| | Total Joint | |
|---------------------------------------|-------------|------------|
| | Medicare | Commercial |
| Net Revenue Per Case | \$9,000 | \$17,000 |
| Labor Cost Per Case | \$2,188 | \$2,188 |
| Direct Supplies Per Case | \$5,000 | \$5,000 |
| Other Variable Exp Per Case | \$200 | \$200 |
| RCM Fee Per Case | \$360 | \$600 |
| Estimated Incremental Profit Per Case | \$1,253 | \$9,013 |

Key Drivers for ASC Performance

Questions?



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