

**Utilization Solutions**  
in Healthcare  
Solving the practice puzzle.

## **Bottom Line Achievement – A Case Study Highlighting Medical Practice Sustainability and Profit Generation Using a Midlevel Provider**

Lisa P. Shock, MHS, PA-C, President/CEO, Utilization Solutions in Healthcare  
©2011 – Utilization Solutions in Healthcare – [www.pushpa.biz](http://www.pushpa.biz)

### **INTRODUCTION:**

Utilization Solutions in Healthcare, Inc. (USH) staffed and implemented a midlevel provider into a single physician surgical subspecialty practice in 2010. This resulted in increased patient access to care, improved efficiency, and, surprisingly, practice sustainability when the physician faced a personal crisis and was forced to limit his work hours over several month's time in 2011. The \$2.1 million in annual practice charges was sustained when the midlevel provider effectively absorbed the practice workflow. This led to an averted loss of tens of thousands of dollars for the organization and, now that the physician is back to full scheduling capacity, opens up several new opportunities for patient outreach and practice growth. Analysis of practice revenues also reveals a greater than \$50,000 profit generated by utilizing the midlevel within the same time frame.

### **Usability and Midlevel Integration ROI**

#### **Case Study: Single Physician Surgical Subspecialty Practice**

A single physician surgical subspecialty practice contacted USH for assistance. The physician wanted to integrate a midlevel provider (PA or NP) into his practice in an effort to increase patient access to care and improve efficiency. He realized the need for additional clinical assistance at his office in order to fully serve patients when he was in the hospital or operating room. He also needed to increase his outpatient availability to satisfy referral demands from his local community.

USH conducted a thorough assessment of practice clinical needs and operations, recruited high quality candidates, and assisted the surgeon with all aspects of midlevel

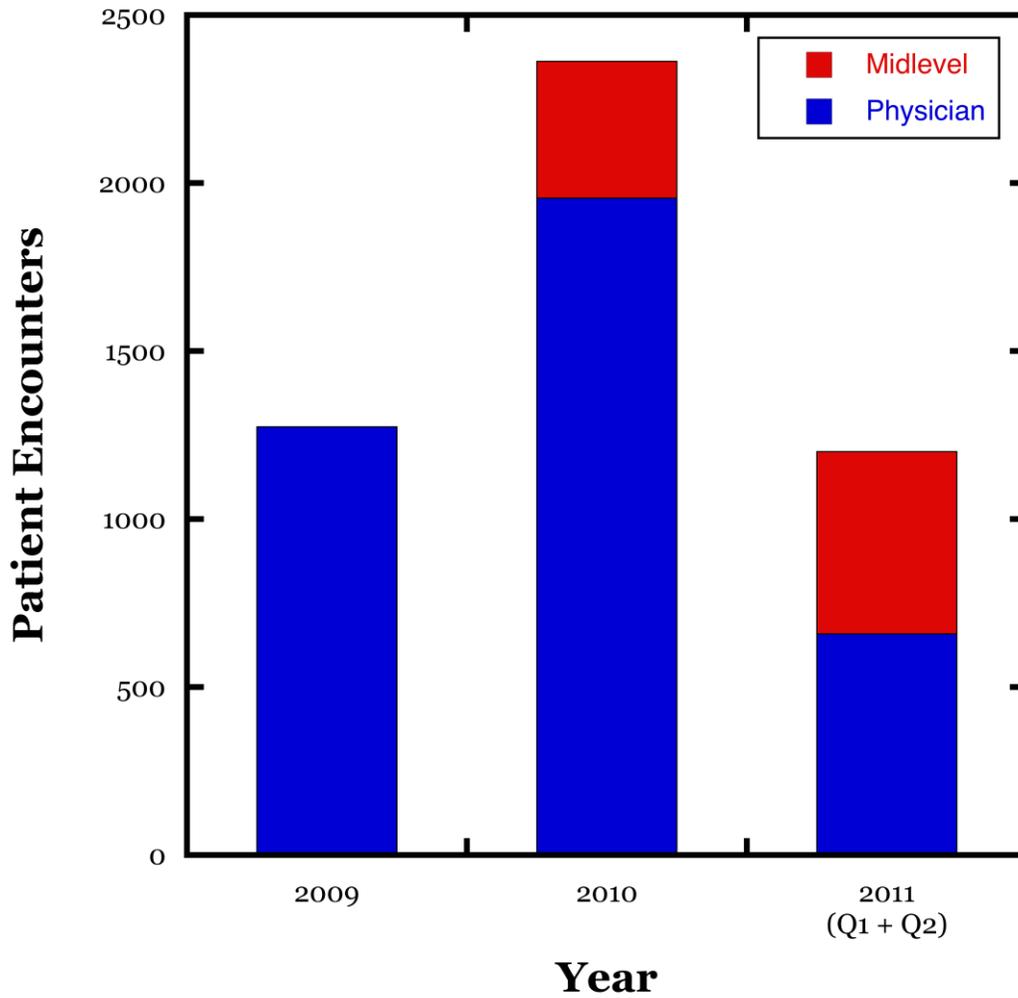
implementation, including insurance credentialing, contract negotiation and execution of supervisory and medical board documents.

A highly qualified Nurse Practitioner was hired in July 2010 and analysis of the first year of practice data shows a sustainable return on investment (ROI), with a greater than \$50,000 profit collected based on collected revenues for the NP only.

Patient access was effectively maintained through the midlevel despite the physician being absent from the clinical setting for a significant number of hours per week due to a personal issue, which forced him to work a truncated schedule for several months.

### **PATIENT VOLUME**

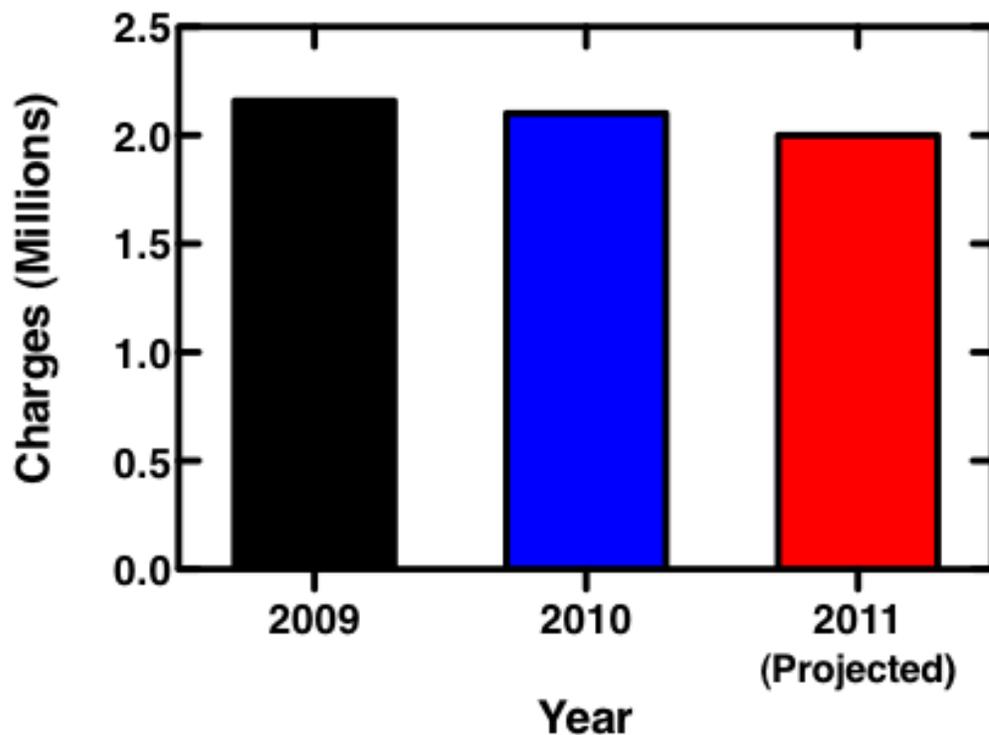
Figure 1 represents the patient volume captured by the physician, midlevel and physician+midlevel. It is apparent that as the physician workload decreased in 2011, the midlevel was able to increase her workload and effectively assume a significant percentage of the practice patient encounters.



**FIGURE 1 - Patient Encounters performed by physician, midlevel and both physician+midlevel. Note that 2011 data represents only Q1 and Q2 and is not representative of Q3 and Q4.**

### **PRACTICE CHARGES**

Practice charges showed a 2.6% decline from 2010 to 2011 but remained steady at over \$2 million annually. Practice projections through 4<sup>th</sup> Quarter 2011 anticipate sustainable charges at or over \$2 million. See Figure 2 below.



**FIGURE 2 - Demonstrated practice charges in millions. 2011 data is based on Q1 and Q2 data and projected for Q3 and Q4.**

### **NP ROI**

A cost/benefit analysis was conducted to assess the profitability of the midlevel provider from July 2010 – June 2011. Her charges equaled \$418,992 and her collections totaled \$165,218.

Total NP Overhead during the same time period was assessed using the following metrics:

-- Pay rate of \$82,000 annually.

#### **Additional Benefits**

a. 2 weeks PTO +1 week Paid CME = Relative value = \$4730.77

c. \$1000 CME budget

d. After completion of the probationary period of ninety (90) days, Provider will be eligible for Health Savings Plan benefits – estimated cost annually = \$5114.76

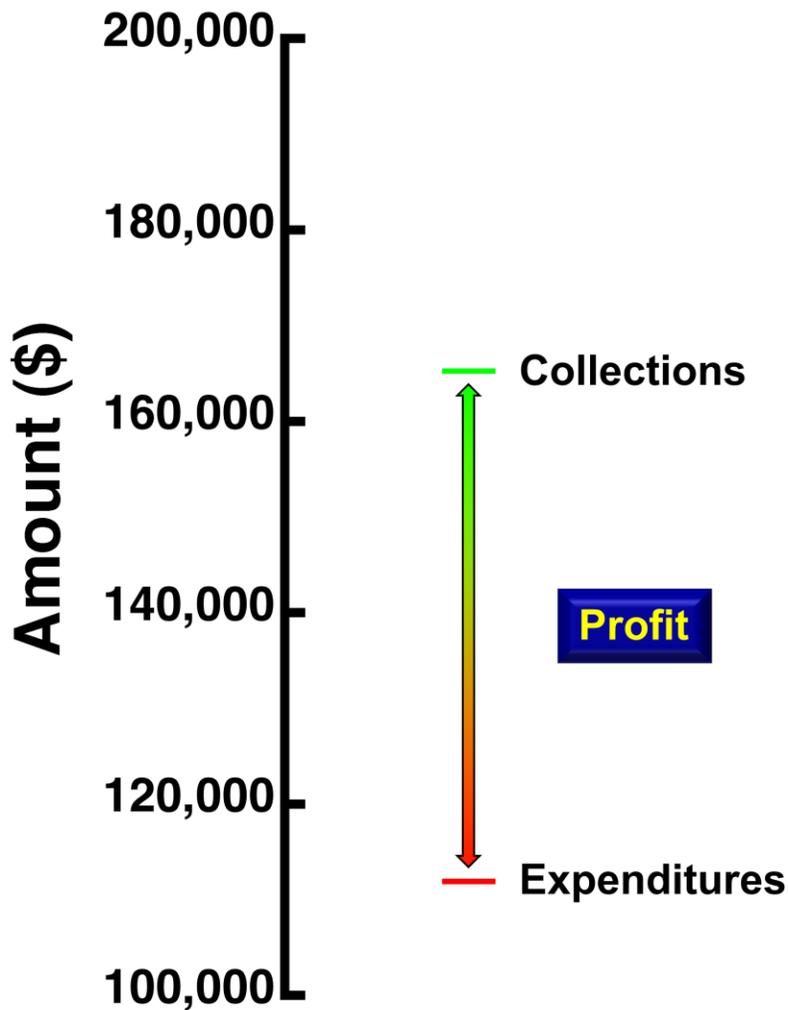
\*After completion of 1 year of service, Provider will be eligible for 401K matching funds – therefore nothing is assessed here.

Employer costs for all federal and state taxes and Workman's Comp= \$19,099.46

TOTAL ANNUAL EXPENDITURE = Midlevel = \$111,944.99

**ESTIMATED ANNUAL PROFIT from Midlevel = \$53,273.01**

See Figure 3 and Table 1 for additional information.



**FIGURE 3 - Demonstration of Midlevel ROI and Estimated Profit Using Data illustrated in Table 1.**

**TABLE 1 - Expense Analysis for Midlevel**

<b>Annual Direct Compensation</b>		
Salary	\$ 82,000.00	
Paid Time Off (includes vacation, holidays)	\$ 4,730.77	***
<b>Total Direct Compensation</b>	<b>\$ 86,730.77</b>	
<b>Annual Indirect Compensation</b>		
<b>Government Mandated Benefits</b>		
Social Security	\$ 11,856.00	10.4% based on IRS 2011
Unemployment Insurance Tax	\$ 6,840.00	6% after June 2011
Workers' Compensation Insurance	\$ 403.46	
<b>Health and Welfare Benefits</b>		
Health Insurance	\$ 5,114.76	
Dental Insurance	\$ -	
Vision Insurance	\$ -	
Employee Assistance Program	\$ -	if offered with HR
Section 125 Administration Fee	\$ 125.04	
<b>Retirement Benefits</b>		
401(k) Match	\$ -	assumes 4% total match
<b>Total Indirect Compensation</b>	<b>\$ 24,339.26</b>	
<b>TOTAL COMPENSATION</b>	<b>\$ 111,070.03</b>	
<i>**Based on 2080 hours worked per year</i>		
<i>***assuming 4 weeks off</i>		
<b>ADDITIONAL OVERHEAD COSTS</b>		
Nursing Assistant or MA ( assuming \$13 per hour FT	\$27,040	
Malpractice - Assumes clean claim history	\$3,500	assumes personal policy
Collection costs/practice management/support staff costs	variable dependent on patient volume	
CME and licensing budget	\$1,000	
May also budget for incentive bonus		
May also budget for call differential		
<a href="http://www.pushpa.biz">©2011 – Utilization Solution in Healthcare – www.pushpa.biz</a>		

IRS reference: [http://www.irs.gov/publications/p15/ar02.html#en\\_US\\_2011\\_publink1000202541](http://www.irs.gov/publications/p15/ar02.html#en_US_2011_publink1000202541)

## HIGHLIGHTS AND CONCLUSIONS:

An approximate \$53,000 profit was generated using the midlevel in year 1. The physician had a personal crisis, which necessitated him being away from the office through the majority of the midlevel's first year. She effectively assumed his patient base and maintained his practice financial stability. Had the midlevel not been present within the practice, both patient access to care as well as the financial viability of the practice would have been increasingly compromised.

Practice revenues remained nearly neutral from 2010-2011. 2011 posed a 5% loss, however given the inability of the physician to maintain his clinical load, his overall

financial picture would have been dramatically different had he not extended his capability and patient outreach with a midlevel provider.

This study captures the critical elements of physician work/life balance, delegated clinical autonomy for the midlevel, and significant profitability achieved by using a midlevel provider to extend patient care services.

Lisa P. Shock, MHS, PA-C, President/CEO, Utilization Solutions in Healthcare

©2011 – Utilization Solutions in Healthcare – [www.pushpa.biz](http://www.pushpa.biz)