Every ambulatory surgery center (ASC) needs a financial compass to help chart its course. Is revenue per case up or down? What about expenses per case? How does the center’s performance compare with national benchmarks?

A financial dashboard helps leaders at Harmony Surgery Center in Fort Collins, Colorado, see trends at a glance. They track trends on a colorful chart that one physician terms the “Dow Jones index” (illustration, p 27). A monthly variance gives clinical coordinators a picture of how their department is doing compared with the budget.

Harmony’s chief financial officer, Darcy Thor, MBA, CMRP, says she strives for readable reports that are useful management tools. The center, with 4 ORs, 2 GI endoscopy rooms, a pain management room, and 6 overnight recovery suites, is a joint venture between physicians and the Poudre Valley Health System.

Dashboard indicators

The monthly one-page dashboard tracks key financial indicators (illustration, p 28). The dashboard is part of an Excel spreadsheet with tabs that allow leaders to drill down for more detail.

These are the dashboard’s key indicators.

Cases per day

Definition: Average number of cases per day for the month. Cases are defined as patients admitted to the ASC that day.

The average number of cases per day tracked by month is more useful than cases per month, Thor notes, because it accounts for the number of days the center was open.

For example, which is better?

• April = 939 cases
• May = 884 cases.

It may look like April was better. But in April, the center was open 22 days, while it was open 20 days in May. Cases per day tells a different story:

• April = 939 cases / 22 days = 43 cases per day
• May = 884 cases / 20 days = 44 cases per day.

Using this measure, May was a better month.

Thor also tracks the number of procedures per case. She knows, for example, that pain patients and endoscopy patients have an average of 3.1 procedures, defined as each billable CPT code.

“We know that if we see more procedures per patient, we will have a good month,” she says, because there will be more revenue per patient.

The center also looks at daily trends. For example, if only 5 cases are done
consistently on the third Monday of the month, the center considers closing for that day.

**Man hours per case**

Definition: Total hours worked divided by total cases.

This is a measure of staff efficiency; that is, how well staffing was matched to the workload compared with prior periods. The indicator is tracked overall as well as for the OR, GI endoscopy, pain management, pre- and postoperative care, sterile processing, and billing departments.

The indicator is influenced by the length of cases. If more long cases are performed in a month, total worked hours per case will be higher than in other months.

“I send this to the clinical directors to have them look at the variances,” Thor notes. If the indicator is high, they may know it was because Dr Smith had 4 8-hour cases in a month, higher than average.

A related indicator is cases per FTE, measured by the formula: Cases/(total hours worked/days open), a measure of staffing efficiency.

“We like to use both of these indicators because either one can be swayed by the length of cases,” she says.

**Accounts receivable**

Definition: Two amounts are tracked:

- AR gross ending balance
- AR net + bad debt.
### Ambulatory Surgery Center dashboard

<table>
<thead>
<tr>
<th>Days in Month</th>
<th>January Budget</th>
<th>January Actual</th>
<th>February Budget</th>
<th>February Actual</th>
<th>YTD Budget</th>
<th>YTD Actual</th>
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</thead>
<tbody>
<tr>
<td><strong>Utilization</strong></td>
<td></td>
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<tr>
<td>Cases/Day</td>
<td>8.9</td>
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<td>9.5</td>
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<td>OR Cases/Month</td>
<td>178</td>
<td>187</td>
<td>178</td>
<td>190</td>
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<tr>
<td>Man hours / Case</td>
<td>9.18</td>
<td>9.40</td>
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<tr>
<td>Cases per FTE</td>
<td>13.94</td>
<td>13.62</td>
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<tr>
<td><strong>Accounts Receivable</strong></td>
<td></td>
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<tr>
<td>A/R Gross Ending Balance</td>
<td>892,752</td>
<td>998,086</td>
<td></td>
<td></td>
<td>910,447</td>
<td>722,071</td>
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<tr>
<td>A/R Net + Bad Debt</td>
<td>516,728</td>
<td>733,861</td>
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<tr>
<td><strong>Revenue</strong></td>
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<td></td>
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<td></td>
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<tr>
<td>Gross</td>
<td>1,105,501</td>
<td>1,143,088</td>
<td>1,105,501</td>
<td>1,268,216</td>
<td>3,316,503</td>
<td>3,774,249</td>
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<td>Net</td>
<td>416,243</td>
<td>376,076</td>
<td>416,243</td>
<td>527,578</td>
<td>1,248,729</td>
<td>1,474,461</td>
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<tr>
<td>Gross Revenue/Case</td>
<td>6,211</td>
<td>6,113</td>
<td>6,211</td>
<td>6,675</td>
<td>6,211</td>
<td>6,530</td>
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<tr>
<td>Net Revenue/Case</td>
<td>2,338</td>
<td>2,011</td>
<td>2,338</td>
<td>2,777</td>
<td>2,338</td>
<td>2,551</td>
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<tr>
<td><strong>Expenses</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Total/Case</td>
<td>1,762</td>
<td>1,632</td>
<td>1,782</td>
<td>1,635</td>
<td>1,782</td>
<td>1,689</td>
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<tr>
<td>Personnel Costs</td>
<td>105,159</td>
<td>103,512</td>
<td>105,159</td>
<td>104,312</td>
<td>315,478</td>
<td>319,598</td>
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<td>Personnel/Case</td>
<td>591</td>
<td>554</td>
<td>591</td>
<td>549</td>
<td>591</td>
<td>553</td>
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<tr>
<td>Personnel % of Net Revenue</td>
<td>25%</td>
<td>28%</td>
<td>25%</td>
<td>20%</td>
<td>25%</td>
<td>22%</td>
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<tr>
<td>Benchmark</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
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<td></td>
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<tr>
<td>Medical Supplies ( disposables &amp; drugs)</td>
<td>79,169</td>
<td>75,126</td>
<td>79,169</td>
<td>70,615</td>
<td>237,508</td>
<td>248,565</td>
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<td>Med. Supplies/Case</td>
<td>445</td>
<td>402</td>
<td>445</td>
<td>372</td>
<td>445</td>
<td>430</td>
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<td>Benchmark</td>
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<tr>
<td>Implants</td>
<td>27,639</td>
<td>31,025</td>
<td>27,639</td>
<td>16,584</td>
<td>82,916</td>
<td>137,032</td>
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<tr>
<td><strong>Net Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net Income/Case</td>
<td>557</td>
<td>379</td>
<td>557</td>
<td>1,142</td>
<td>557</td>
<td>862</td>
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<tr>
<td>Profit Margin</td>
<td>23.8%</td>
<td>18.9%</td>
<td>23.8%</td>
<td>41.1%</td>
<td>23.8%</td>
<td>33.8%</td>
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<tr>
<td><strong>Miscellaneous</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash Collections - Interest &amp; Refunds</td>
<td>395,431</td>
<td>467,810</td>
<td>395,431</td>
<td>394,880</td>
<td>1,186,293</td>
<td>1,363,889</td>
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<tr>
<td>Bad Debt</td>
<td>14,170</td>
<td>4,513</td>
<td>14,170</td>
<td>10,552</td>
<td>42,509</td>
<td>16,270</td>
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<tr>
<td>ASC Assoc. Days in AR</td>
<td>60</td>
<td>23</td>
<td>60</td>
<td>25</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>Net Days in A/R - bad debt</td>
<td>40</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surgeries/Room/Day</td>
<td>3.0</td>
<td>3.1</td>
<td>3.0</td>
<td>3.2</td>
<td>2.8</td>
<td>3.1</td>
</tr>
</tbody>
</table>

*Note: The numbers in the chart are examples.*
Thor explains that AR gross is a hybrid number that includes the net amount that reflects discounts in the major managed care contracts plus the gross amounts of other AR such as self-pay and out-of-network amounts. AR net adds in the bad debt.

**Days in accounts receivable**

Definition: AR balance x 60 days divided by 2 months of billings.

Harmony prefers to use a net amount that reflects the contract discounts, which differs from the ASC Association benchmark.

**Revenue**

Definitions: Total gross and net revenue as well as gross revenue/case and net revenue/case.

This indicator helps administrators see at a glance what was billed (gross) for cases and what the center actually expects to collect (net).

**Expenses**

Definitions: Total expenses: All costs of running the business. Total expense/case: Total costs per case.

This set of indicators also includes benchmarks for medical supplies per case.

Implants are listed as a separate indicator.

“We individually track implants costing over $5,000 to be sure our reimbursement at least covers our costs,” Thor says. The most expensive implants typically are in orthopedics and spinal surgery, though prices also can be high in other specialties. Recently, a new type of mesh from a bovine source (TEI Biosciences) used in breast reconstruction was priced at $14,000 per sheet.

**Net income**

Definitions: Includes net income, net income/case, and profit margin.

**What are our case costs?**

Harmony captures case costs in detail, which helps not only in tracking financial performance but also in engaging staff and physicians in managing costs.

Computerized preference lists include line-item pricing so clinicians can see costs of supplies at a glance, raising cost awareness. A nurse might point out to a physician, for example, “Did you know that catheter costs $225?”

To capture case costs during a case, the circulating nurse highlights items used on the preference list. Other case costs are captured manually on a case history sheet, including preop and postop supplies, medications, and nursing time by segment of the case. A part-time position (32 hours a week) is dedicated to entering the cost data in Harmony’s AdvantX software. The software, owned by SourceMedical, has preference card and inventory modules as well as scheduling, billing, and other functions.

To keep price data in the preference cards up to date, the materials manager updates the prices in the inventory module when ordering supplies, and the updates flow through to the preference cards. Thor assigns per-case costs for capital items such as instruments and equipment based on expected life and depreciation. She also factors in overhead costs.
Engaging the staff

Harmony’s reports are tools managers and coordinators can use to keep their departments on track and engage the staff in meeting financial objectives.

The variance reports help clinical coordinators focus on areas that need investigation. Perhaps the OR’s supply spending was $76,318 for the month when expected spending would have been $56,924 based on the actual case volume. What accounted for the overage? A number of explanations are possible. Maybe the OR bought supply packs or another expensive supply that actually will be used over several months.

“We expect these numbers to fluctuate, but we need to know what’s going on,” Thor says.

A monthly newsletter builds cost awareness with a column that asks, for example: “Did you know the cost of Brand X catheter is $250?”

Building cost awareness

Fundamentally, says Thor, cost awareness stems from engaged employees who have patients and the center’s success at heart.

Building that awareness starts with the interview process.

“In the interview, we ask, ‘Who or what department is most important to making the organization successful?’” she says. “We like people who understand that everyone is essential—patients, physicians, and staff in all departments.

“The OR staff can be knocking themselves out, but if the preop staff isn’t, the center isn’t going to be successful.”

One of the center’s best investments is in employee recognition.

Recognition comes through the employee bonus program, which gives everyone an incentive to be cost-effective.

Also, rather than setting aside separate weeks to recognize nurses, technologists, and other staff, Harmony holds an annual Employee Appreciation Week, reinforcing the idea that all employees together are important.

The most essential message is a focus on patient care.

“We also communicate that this is a business, but our patients come first,” Thor says. “I want to be able to bring my mother or father here.”

Benchmarking with other ASCs

In addition to trending their own finances, ASCs want to know how their performance stacks up with their peers.

Some questions to ask when benchmarking:

Who are you being compared to?

Are the benchmarking results reported by type and size of ASC? Or they aggregated? In other words, does the benchmark include all types of ASCs, multispecialty as well as single specialty? If so, how well does that reflect your ASC’s experience? In a multispecialty ASC, for example, FTEs per case will be higher than in a facility that performs only GI cases.
How many participants are there?
How many facilities participate in the benchmarking service? The ASC Association Outcomes Monitoring Project has 650 participants. The Medical Group Management Association (MGMA) 2009 report based on 2008 data had 193 participants but reports data by type of ASC. Nationally, there are about 5,000 Medicare-participating ASCs.

What’s included in the numbers?
It’s important to know the definitions for indicators the benchmarking service is using. Are the definitions the same as yours? For example, how is FTEs per case defined? If your ASC includes business office personnel in that figure, but the benchmarking service includes only direct-care personnel, the numbers will not be comparable.

Benchmarking resources
ASC Association
Outcomes Monitoring Project.
ASC Association members can participate for free. ASCs must participate to get the results. The project has 650 participants and benchmarks 38 key indicators. Participants receive quarterly reports with individual summaries.
—http://ascassociation.org/outcomes/

Medical Group Management Association
Includes information on revenue, expenditures, patient volume, profitability, and more. Price $310 MGMA members; $440 nonmembers.
—www.mgma.com