

# Hospital-Physician Alignment: Tailoring Patient Panel Size to Improve Profitability

By Michael Ehlen



**Background:** Establishing and monitoring patient panels is a powerful tool for increasing practice revenue and reducing unnecessary practice expenses. Provider-based primary care practices should carefully define the patient panel size for their employed physicians and their physician assistants, (PA) and/or nurse practitioners, (NP). Panel size can be defined as the number of individual patients seen by a provider, or the entire practice, over a determined time period. Most practices use 12 months of data for their panel size calculations. However, 18 months is more ideal to capture some established patients, who tend not to visit the practice within a year time frame.

If a physician's panel is too large, the excess demand will spill over to other providers. Patient satisfaction will suffer. Care quality and practice revenue will spiral downward. This puts the practice in a position where it cannot be successful. There is only so much time in one day. If a physician's panel is too small, the demand for services may not be enough to cover the practice's expenses and large losses can occur.

**Current Patient Panel Size Determination:** In order to perform meaningful financial analysis, each patient on the practice's active patient roster should be assigned to one provider. Because there are going to be some patients, who have been treated by more than one provider in the practice, a set of rules should be used to designate which patients are assigned to each provider. Some of the more common rules for patient panel designations are:

- Patients treated by only one provider are automatically assigned to that provider.
- Patients treated by multiple providers are assigned to the provider with the highest visit count for that patient.
- Patients treated by multiple providers, where there is a tie between two or more providers for the highest visit count are assigned to the provider the patient saw on their most recent visit.

Keep in mind that current patient panel size can be influenced by other factors such as weekly hours available for appointments, the physician's "bedside manner," and the age and gender of the patient panel population. As more physicians align with hospitals, consolidating information systems will allow for powerful enhancements to patient panel levels, i.e. making an adjustment to one provider's panel based on acuity to account for more return visits than the other providers in the same practice.

**Improve the Bottom Line with Appropriate Patient Panel Size:** Patient access can make or break a practice. If daily patient demand for appointments is greater than daily provider capacity, backlogs and bottlenecks will occur. Patients may have to wait days for their next appointment. If one of the practice's providers has a patient panel size, which is too big, leakage will occur as patients "lose their patience" and leave the practice. Staff will also be flooded with increased phone calls and cancellations. Many patients will experience poorer clinical outcomes, which increases return visit lengths, and puts more stress on the practice's capacity and productivity.

A simple, but effective method to evaluate each provider's panel size is to perform an "Effort versus Reward" calculation as follows:

1. Select a time frame to measure, at least 12 months, preferably 18 months.
2. Total all the net revenue received by the practice over the time frame selected. Total and divide each provider's patient panel net revenue by the total net revenue to compute the percentage rendered by that provider's panel.
3. Total all the visits or treatments performed by the practice over the time frame selected. Total and divide each provider's patient panel's number of visits by the total number of visits to compute the percentage of "effort" rendered by that provider's panel.
4. Compare the percentage of revenues for each provider panel to its corresponding percentage of effort. The higher the percentage of revenue compared to the percentage of effort, the better. An equal ratio indicates a provider is only getting out what they put in and margins are suffering. In those cases, where the revenue ratio is less than the effort ratio, further analysis is required as there are significant problems. Looking at panels this way helps identify scheduling issues quickly. The next step would be to look at specific provider workflow issues such as shorter patient revisit intervals or the number of days a provider is booked for patient visits.

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**Summary:** Besides the brief panel size analysis above, there are many other physician practice performance drivers, where panel size financial analysis can be applied by today's healthcare financial manager. Some of the more established uses are:

- Adjusting for physician productivity: If a physician, whose bed-side manner creates longer office visits, resulting in a patient panel size that is 90 percent of the practice's benchmark patient panel size, their compensation might be adjusted to reflect this.
- Predicting practice overhead: Patient panels can be used to budget or analysis demand for tests, procedures and even some hospital stays based on age, sex and payor considerations.

- Improving patient outcomes: Providers, who identify with their own patients, take ownership of them through their patient panels, are able to make the commitment to continuous quality care, which leads to reduced costs or increased revenue or both.

The ability to extract key performance measures from a practice's patient panel size by physician, based on their individual scope of practice, patient mix and office hours can only improve future Hospital/Physician relationships.

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