

Orthopaedic Practice Financial Trends



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**CALIFORNIA
ORTHOPAEDIC ASSOCIATION
ANNUAL MEETING**

May 21, 2011

Presented by:

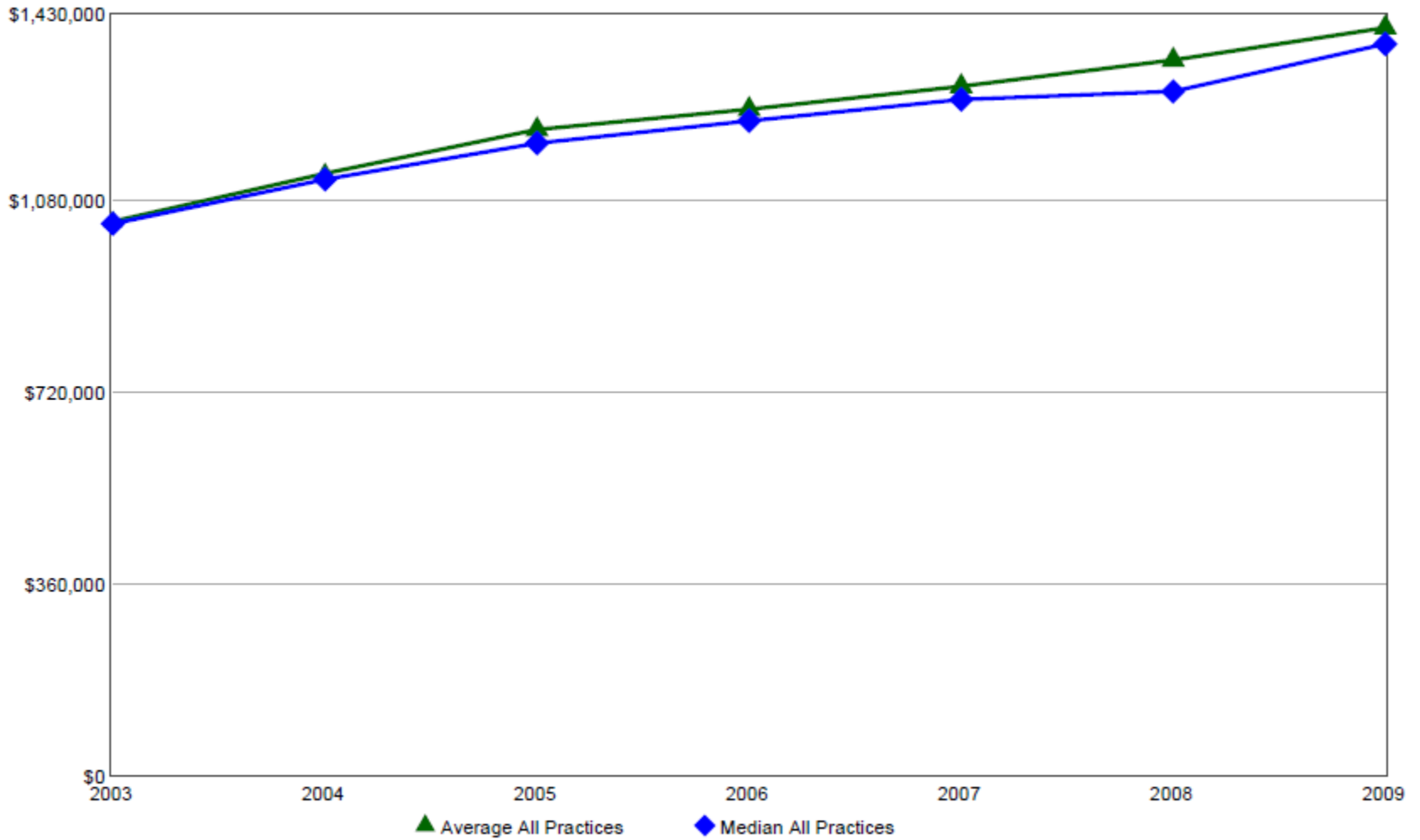
Michael J. McCaslin, CPA
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Somerset CPAs, P.C.
Indianapolis, IN



COA – Orthopaedic Financial Trends

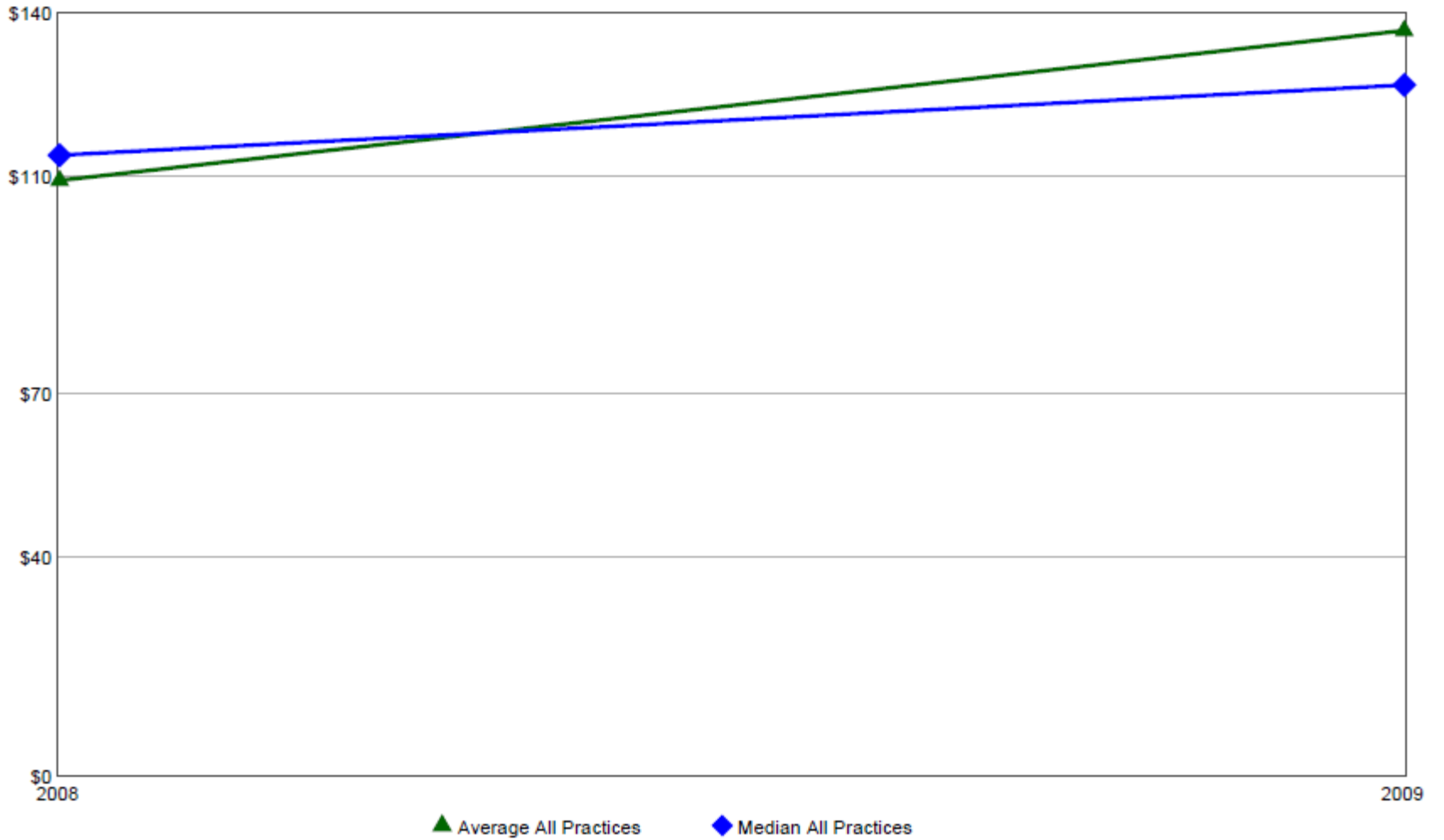
- Trends are from a data base of 60 Orthopaedic Practices representing 1,500 orthopaedic surgeons
- These are mostly large groups with the full complement of services

Total Revenue - per FTE Physician
 Book: 2 Section: 1 Measure: 0100



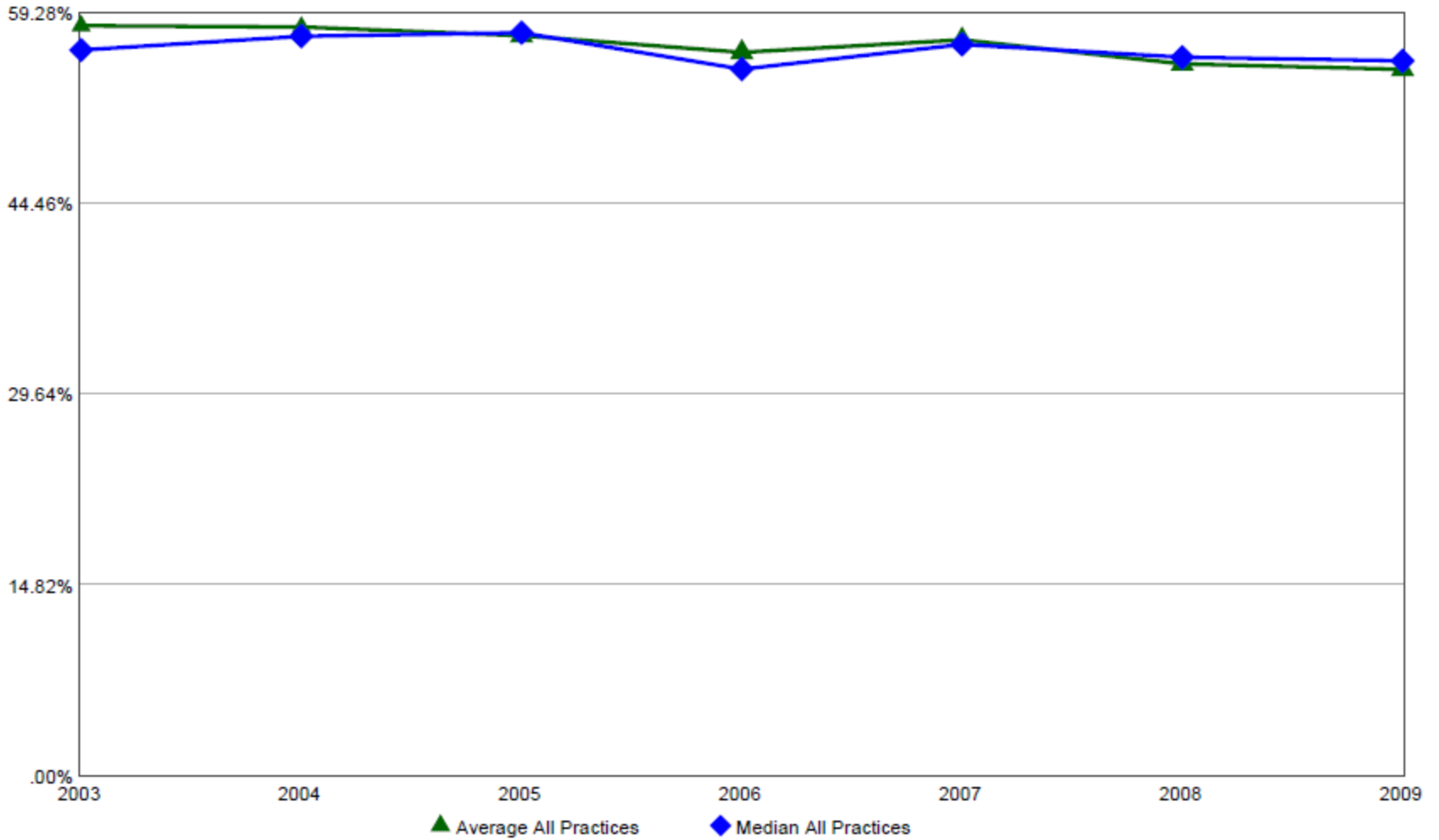
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$1,036,149	\$1,126,232	\$1,208,644	\$1,246,733	\$1,289,834	\$1,339,200	\$1,399,789
Median All Practices	\$1,031,762	\$1,115,090	\$1,183,024	\$1,224,905	\$1,265,045	\$1,280,260	\$1,369,369

Total Revenue - per wRVU
Book: 2 Section: 1 Measure: 0150



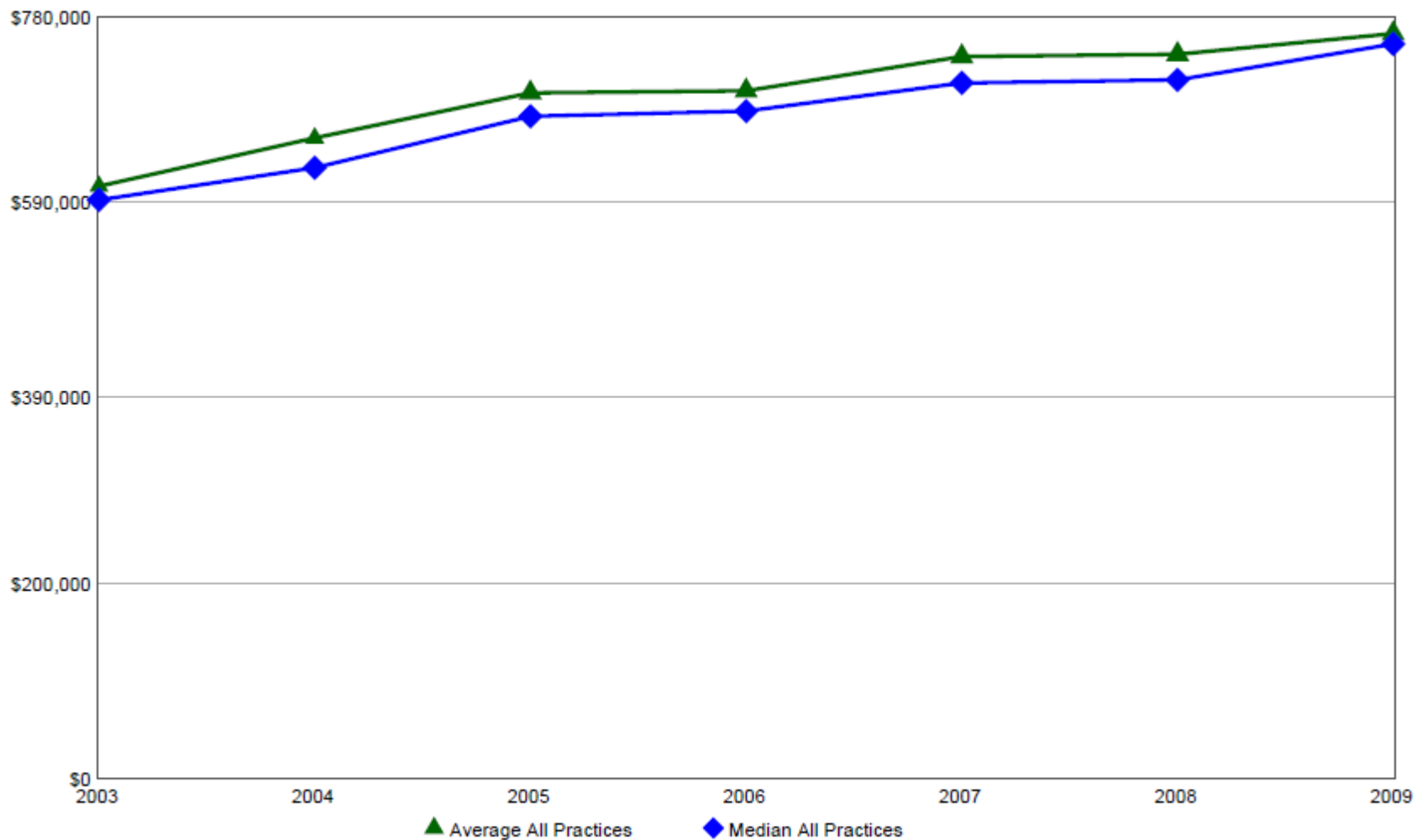
	2008	2009
Average All Practices	\$109	\$136
Median All Practices	\$113	\$126

Operating Expenses as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 0400



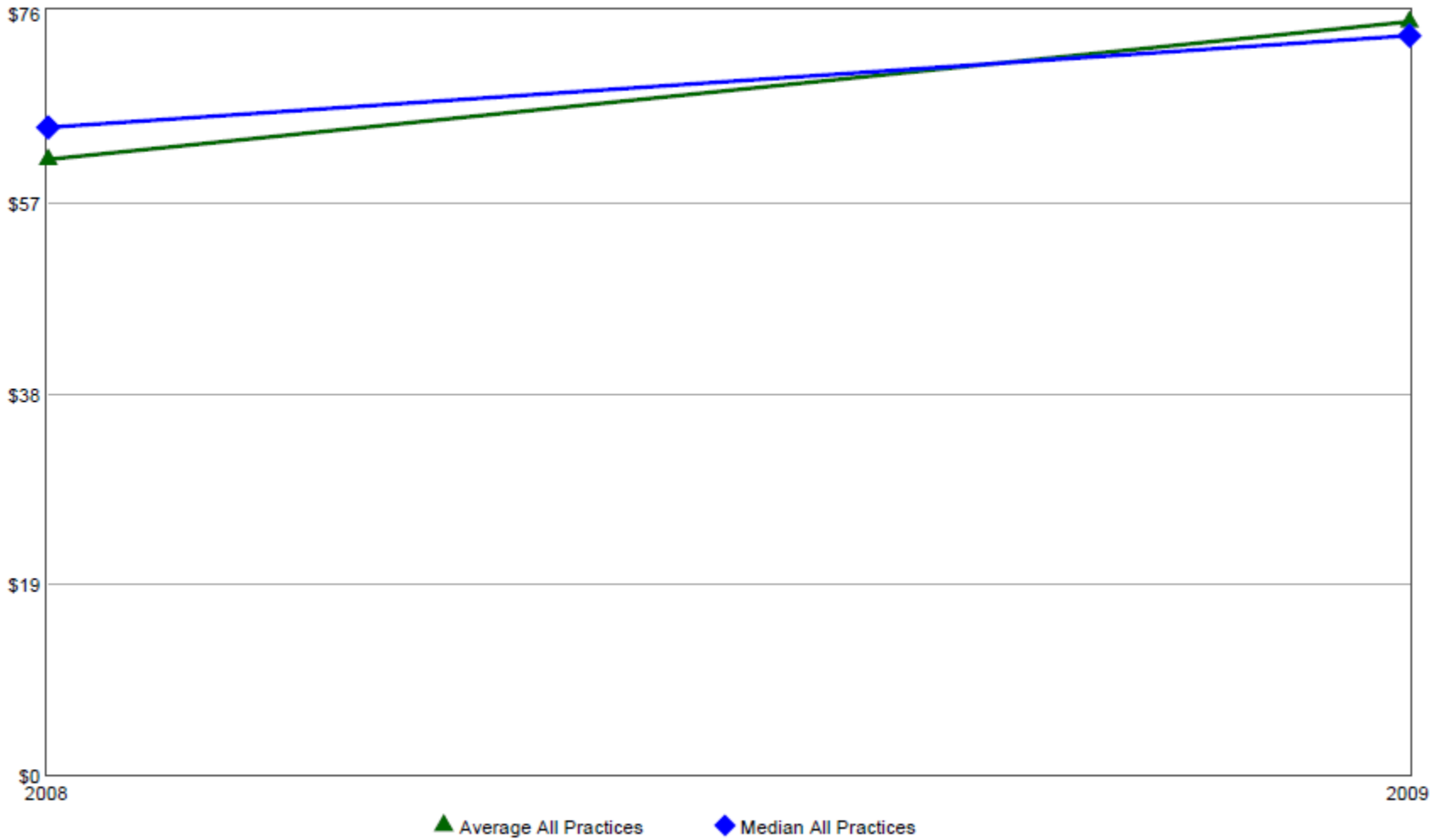
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	58.11%	58.01%	57.34%	56.04%	57.02%	55.15%	54.72%
Median All Practices	56.22%	57.29%	57.57%	54.74%	56.66%	55.66%	55.39%

Total Operating Expenses - per FTE Physician
 Book: 2 Section: 1 Measure: 0500



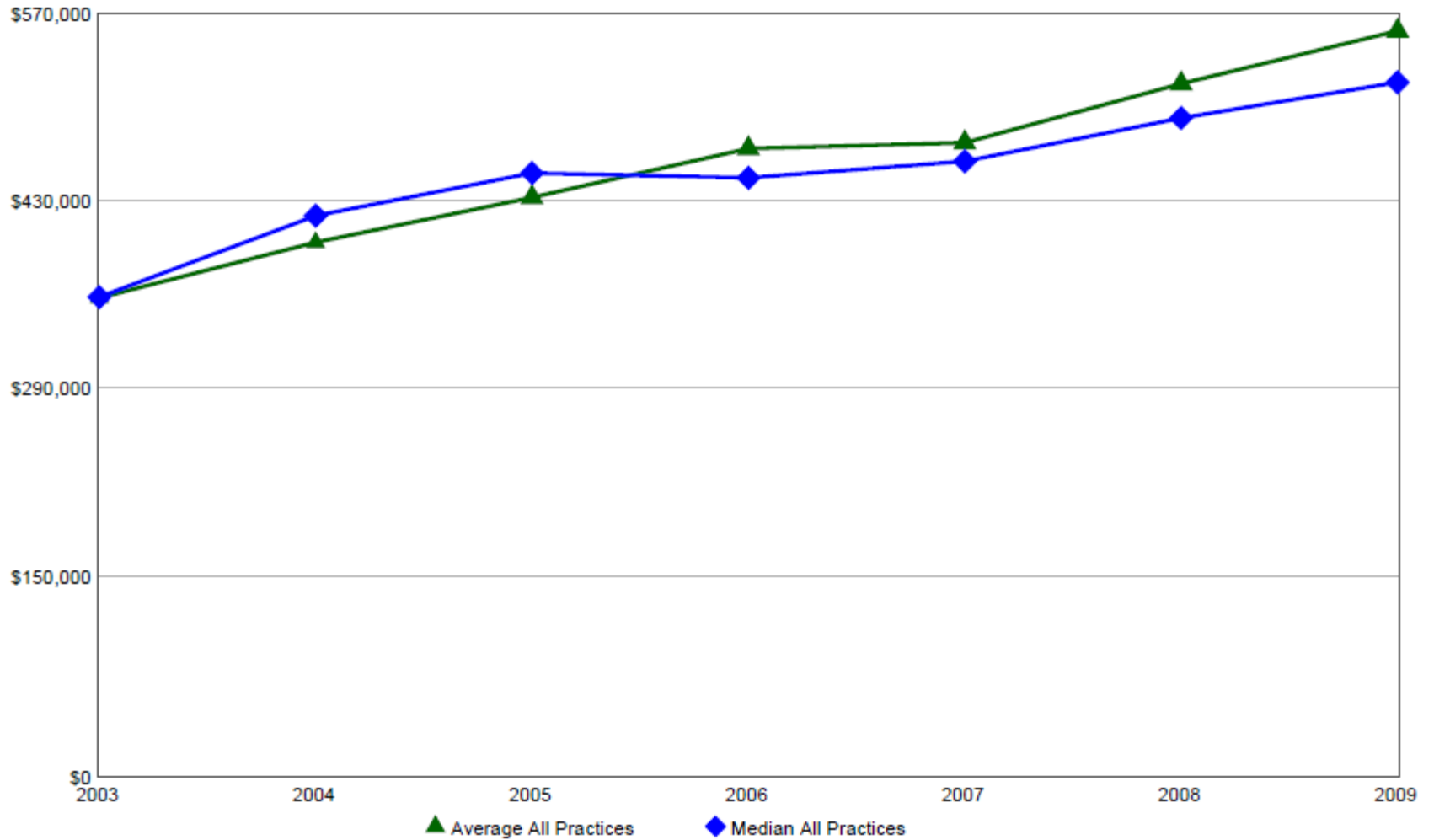
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$604,506	\$653,974	\$700,155	\$702,300	\$737,398	\$739,722	\$760,928
Median All Practices	\$590,419	\$623,454	\$676,145	\$681,530	\$710,330	\$713,495	\$750,283

Total Operating Expenses - per wRVU
Book: 2 Section: 1 Measure: 0550



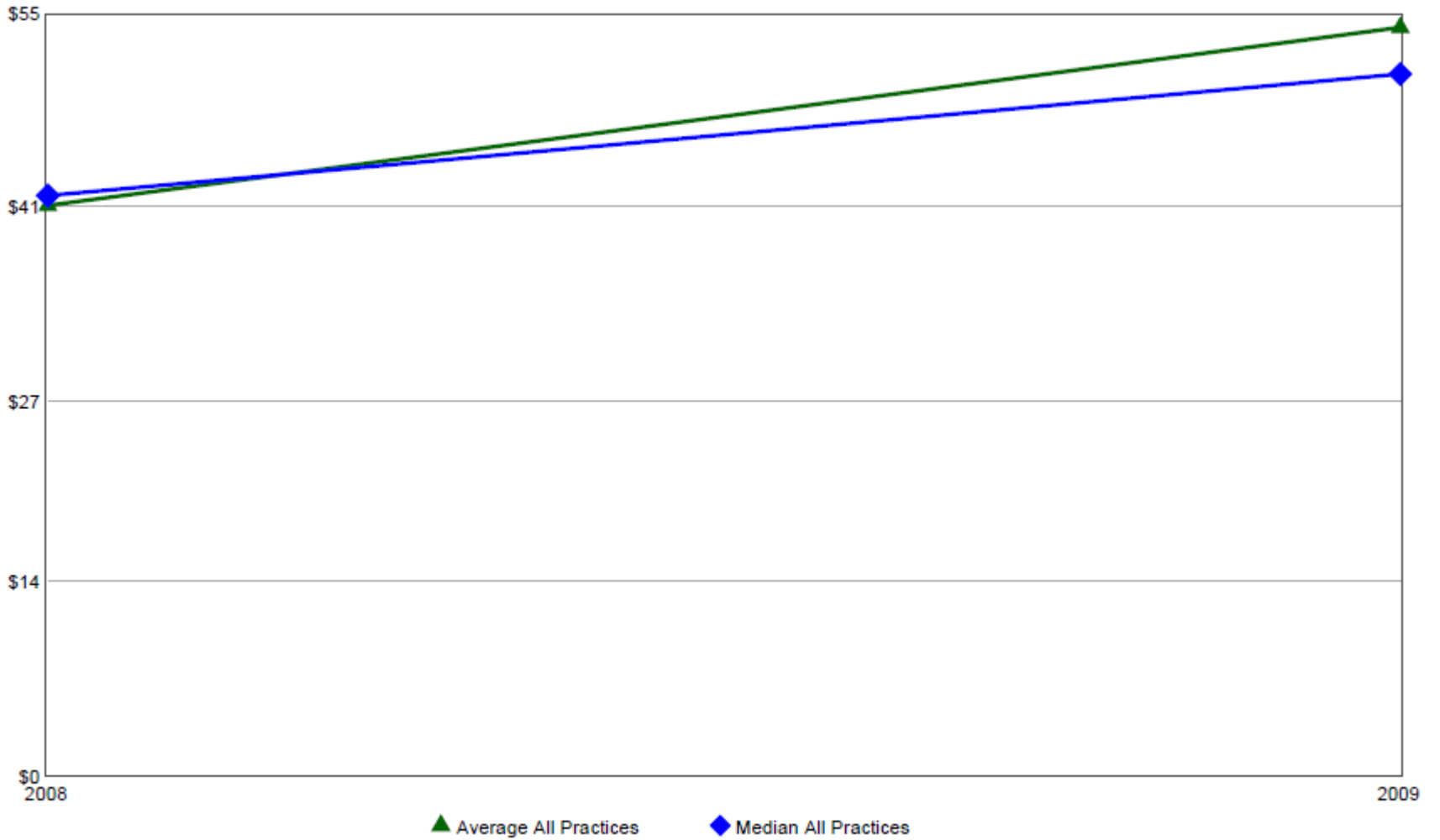
	2008	2009
Average All Practices	\$61	\$75
Median All Practices	\$64	\$74

Physician Compensation - per FTE Physician
 Book: 2 Section: 1 Measure: 0600



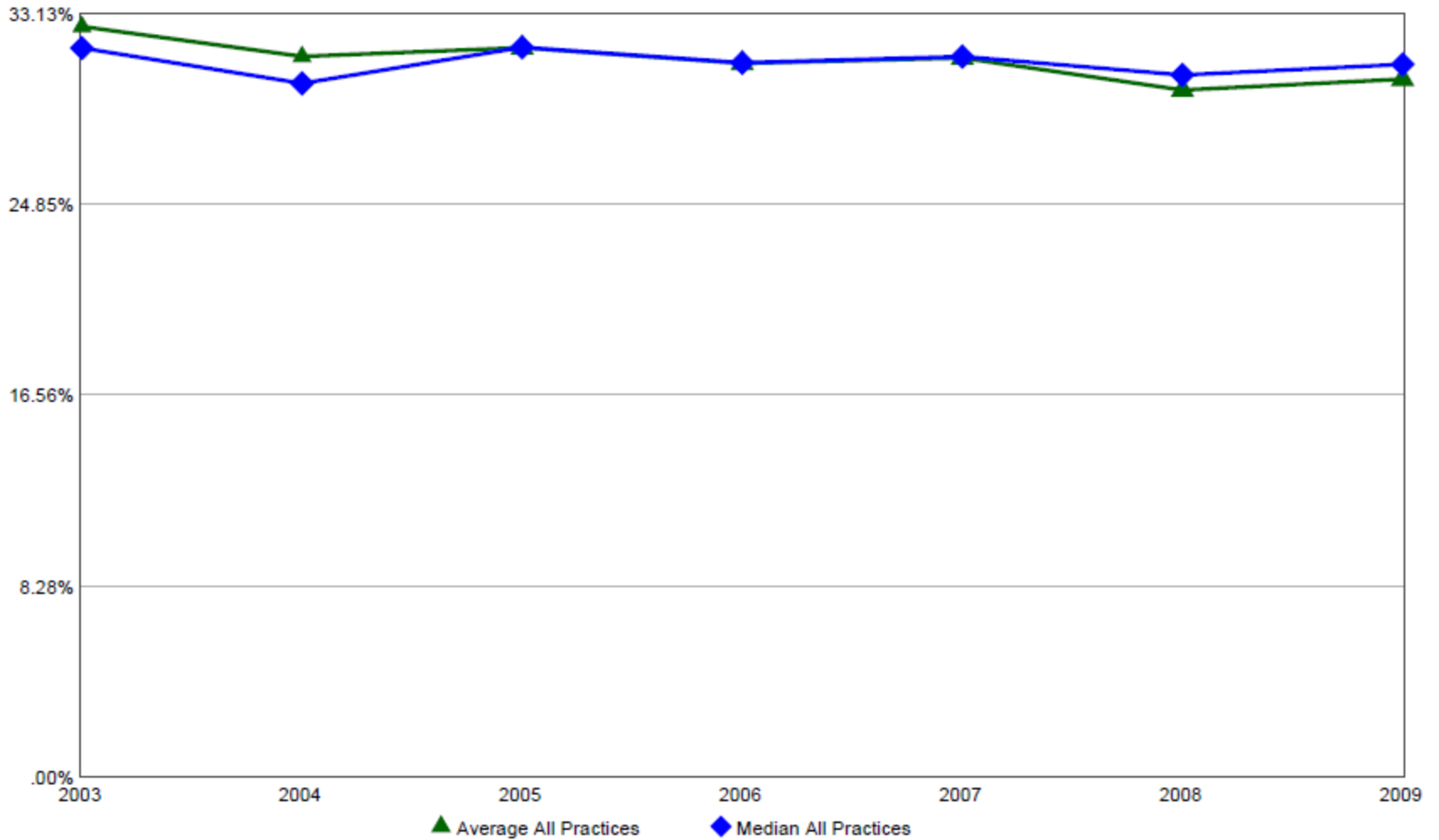
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$356,079	\$397,562	\$431,082	\$467,638	\$471,995	\$516,131	\$555,572
Median All Practices	\$356,672	\$417,417	\$449,342	\$445,788	\$458,124	\$490,419	\$517,157

Physician Compensation - per wRVU
Book: 2 Section: 1 Measure: 0650



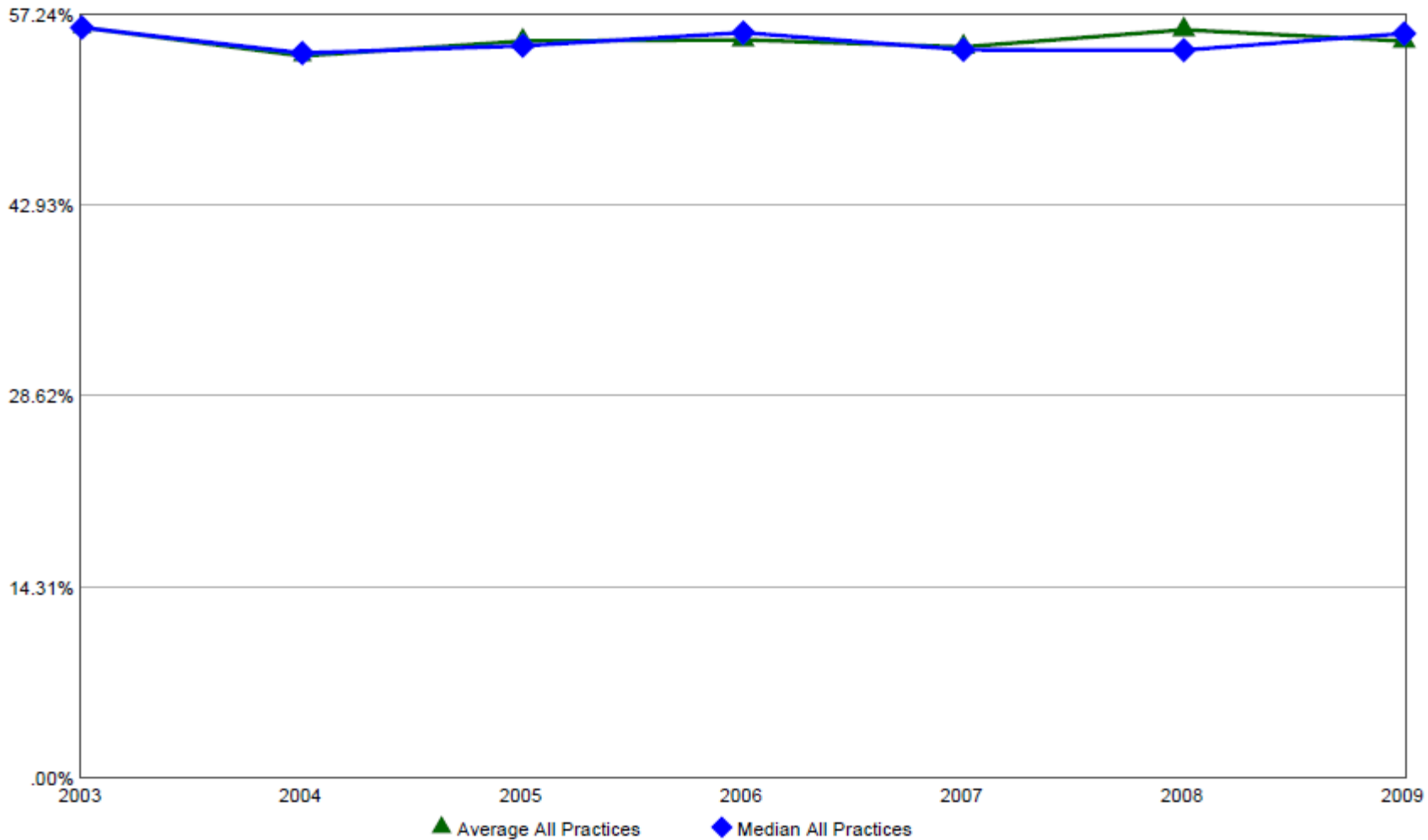
	2008	2009
Average All Practices	\$41	\$54
Median All Practices	\$42	\$50

Staff Expenses as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 0800



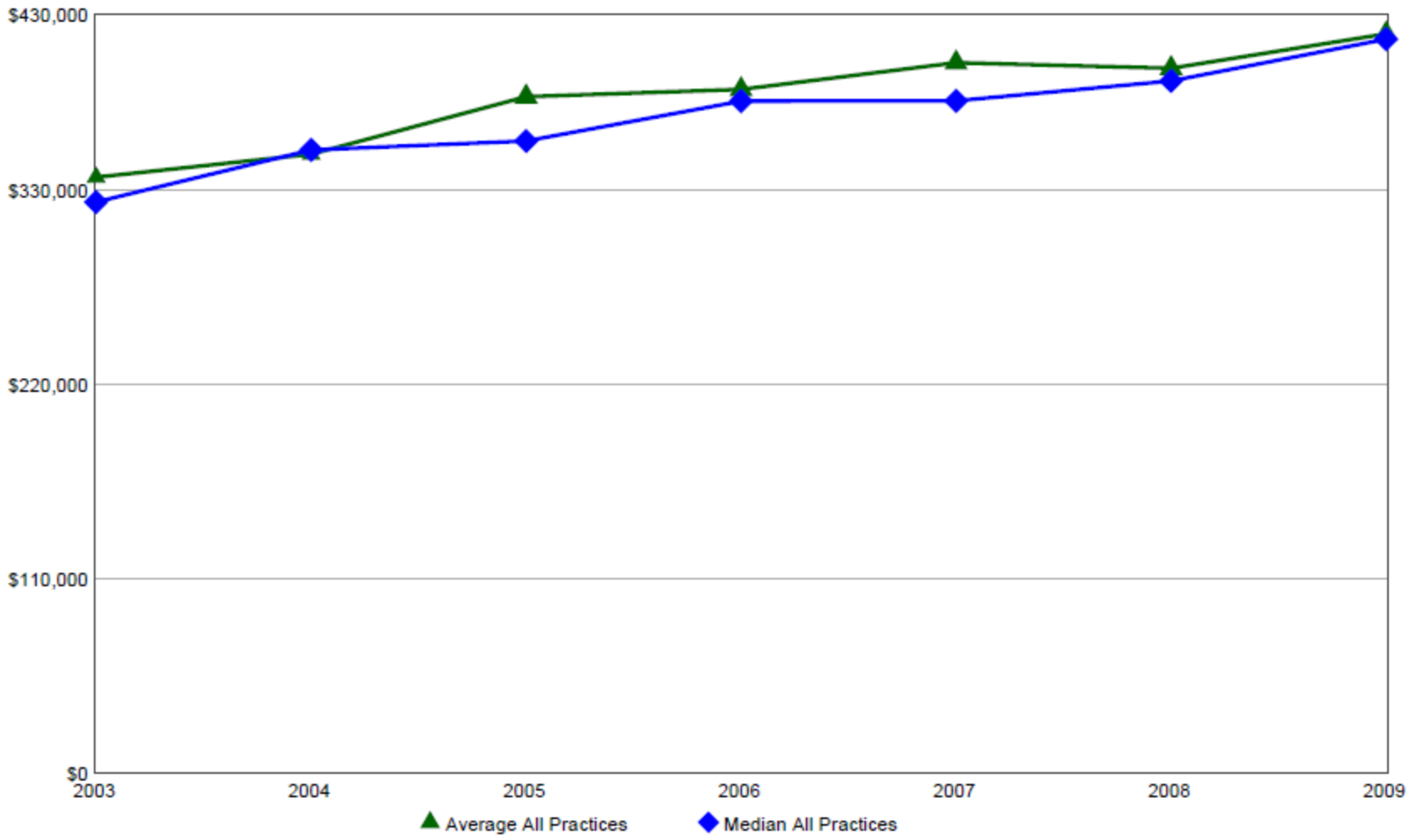
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	32.48%	31.18%	31.56%	30.88%	31.11%	29.72%	30.19%
Median All Practices	31.55%	30.01%	31.58%	30.90%	31.17%	30.37%	30.83%

Staff Expenses as a percent of Operating Expenses
 Book: 2 Section: 1 Measure: 0900



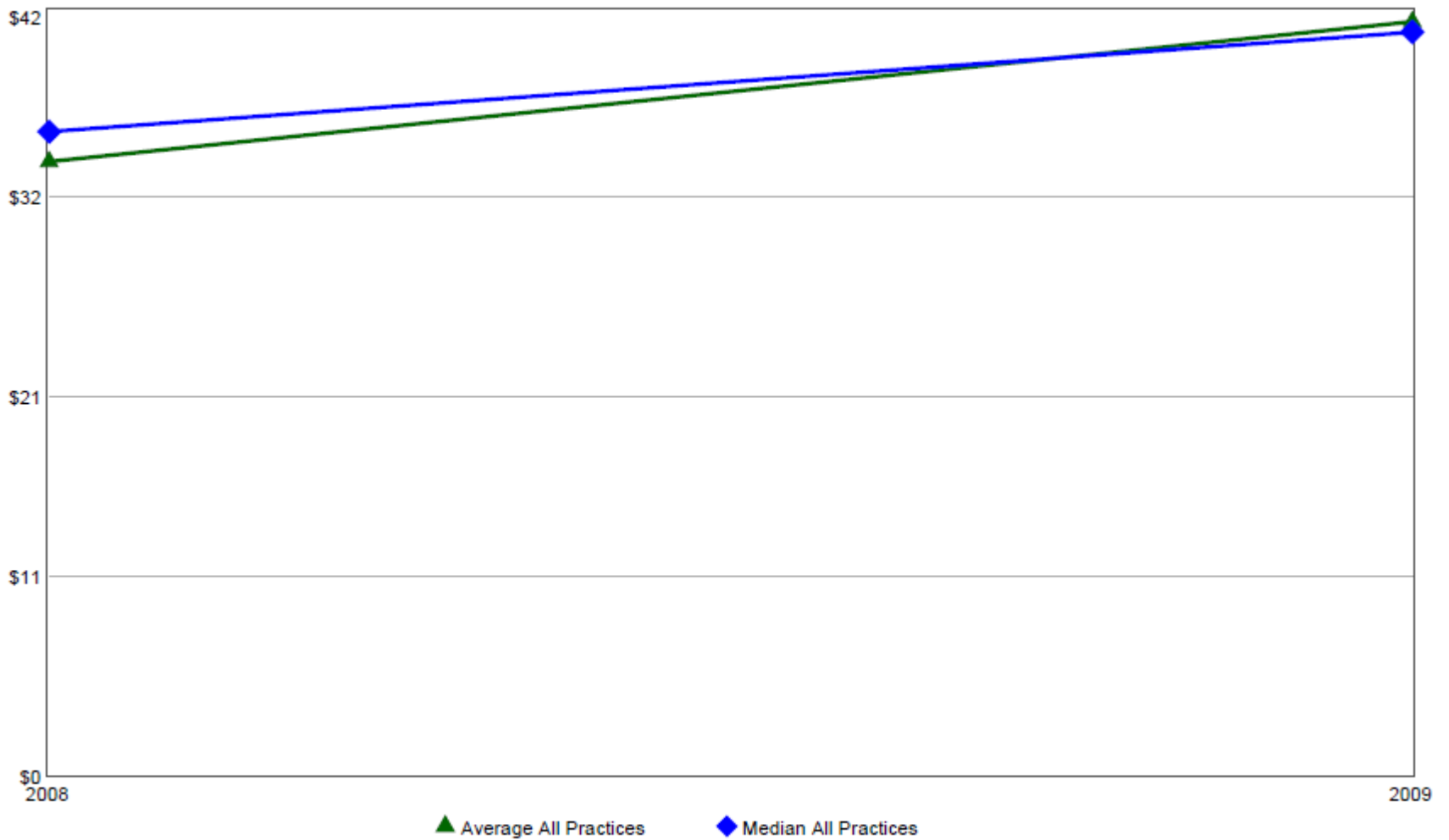
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	56.12%	53.97%	55.09%	55.19%	54.66%	55.94%	55.09%
Median All Practices	56.11%	54.20%	54.74%	55.73%	54.44%	54.42%	55.67%

Staff expenses - per FTE Physician
 Book: 2 Section: 1 Measure: 1000



	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$336,500	\$349,528	\$382,162	\$386,316	\$401,450	\$398,304	\$417,808
Median All Practices	\$322,442	\$351,948	\$357,052	\$379,642	\$379,839	\$391,106	\$414,795

Staff Expenses - per wRVU
Book: 2 Section: 1 Measure: 1050



Average All Practices
Median All Practices

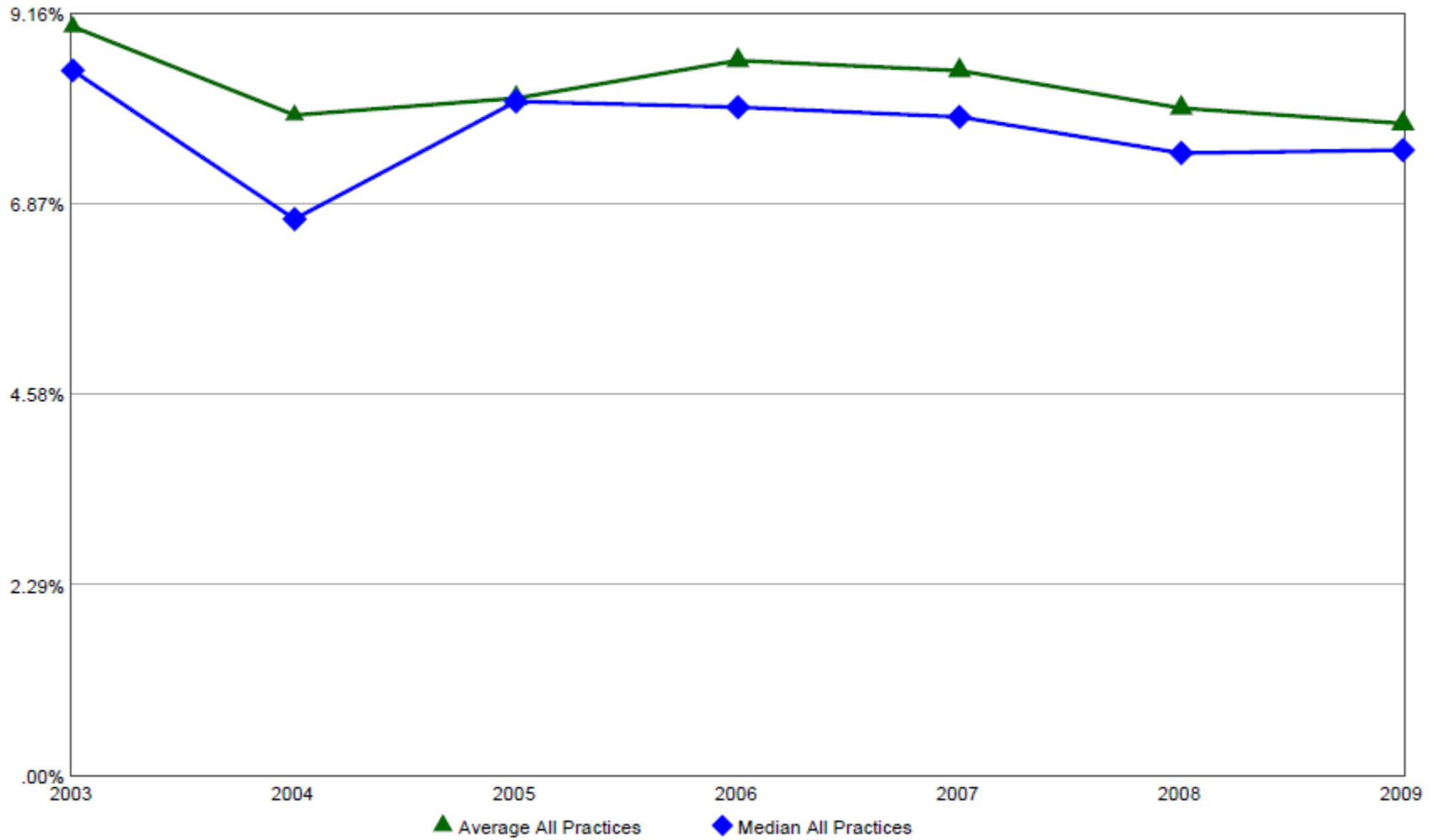
2008

\$34
\$36

2009

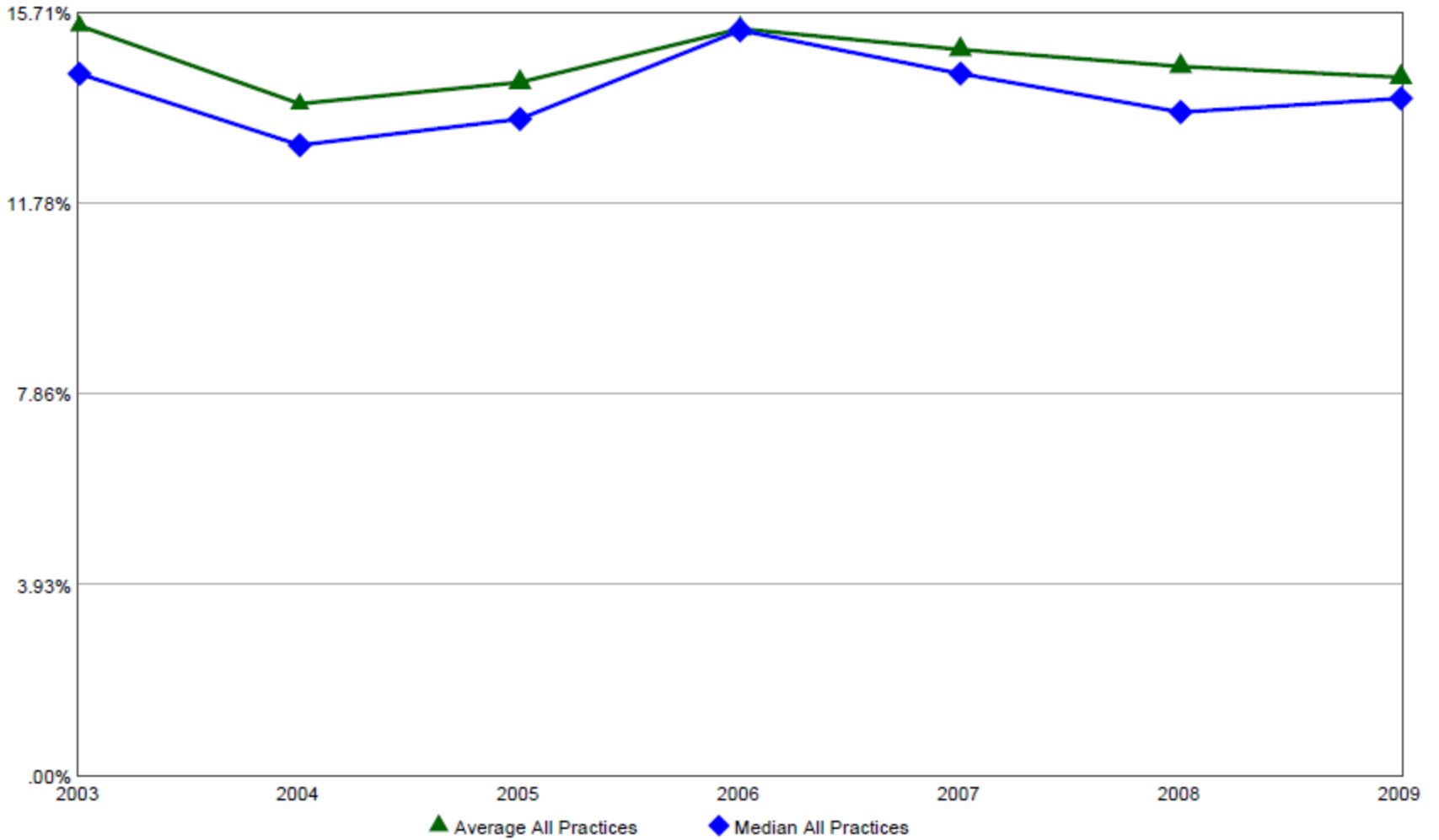
\$42
\$41

Facilities Expense as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 1100



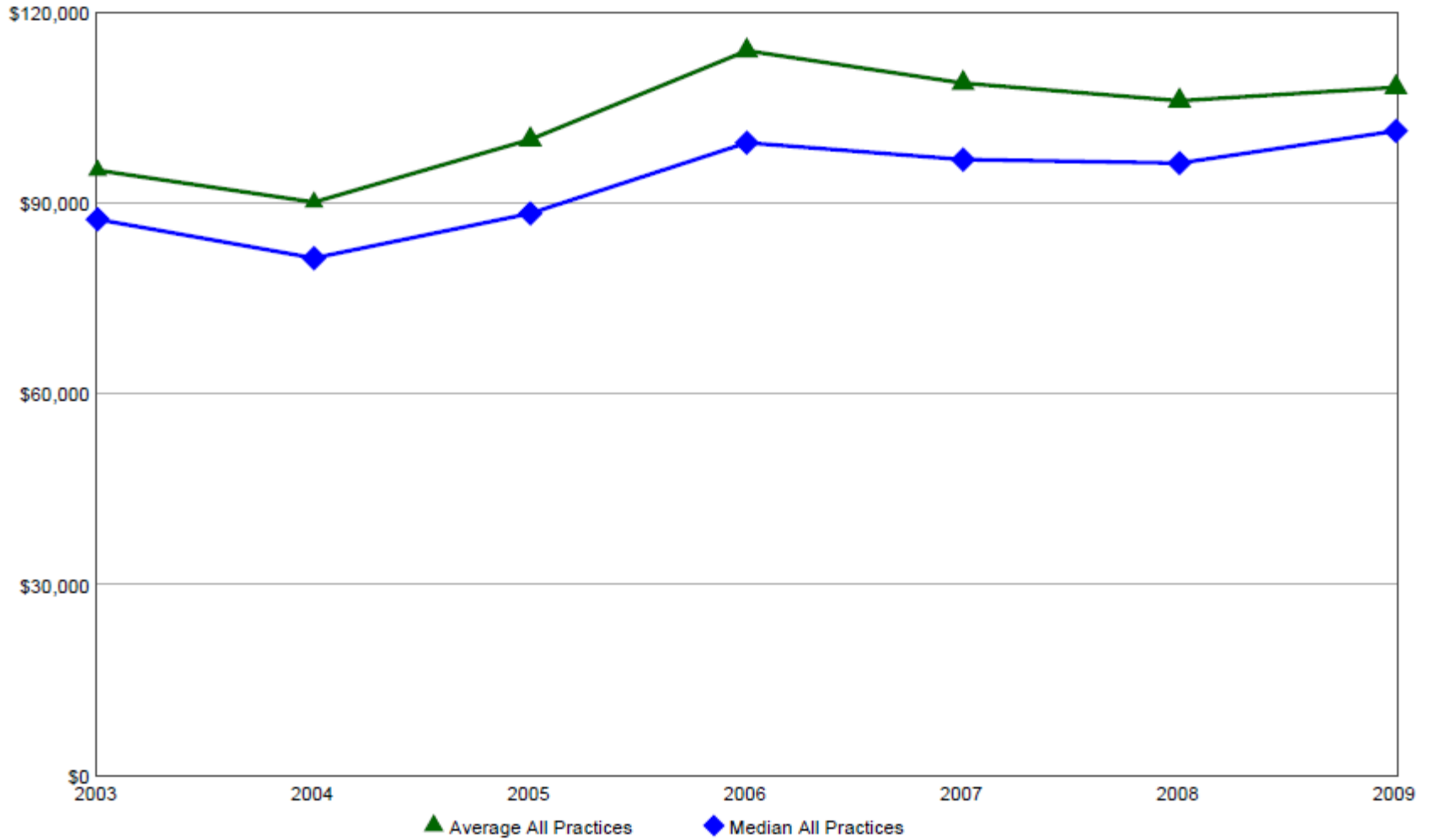
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	8.98%	7.91%	8.11%	8.57%	8.45%	8.00%	7.81%
Median All Practices	8.45%	6.66%	8.08%	8.01%	7.89%	7.45%	7.49%

Facilities Expense as a percent of Operating Expenses
 Book: 2 Section: 1 Measure: 1200



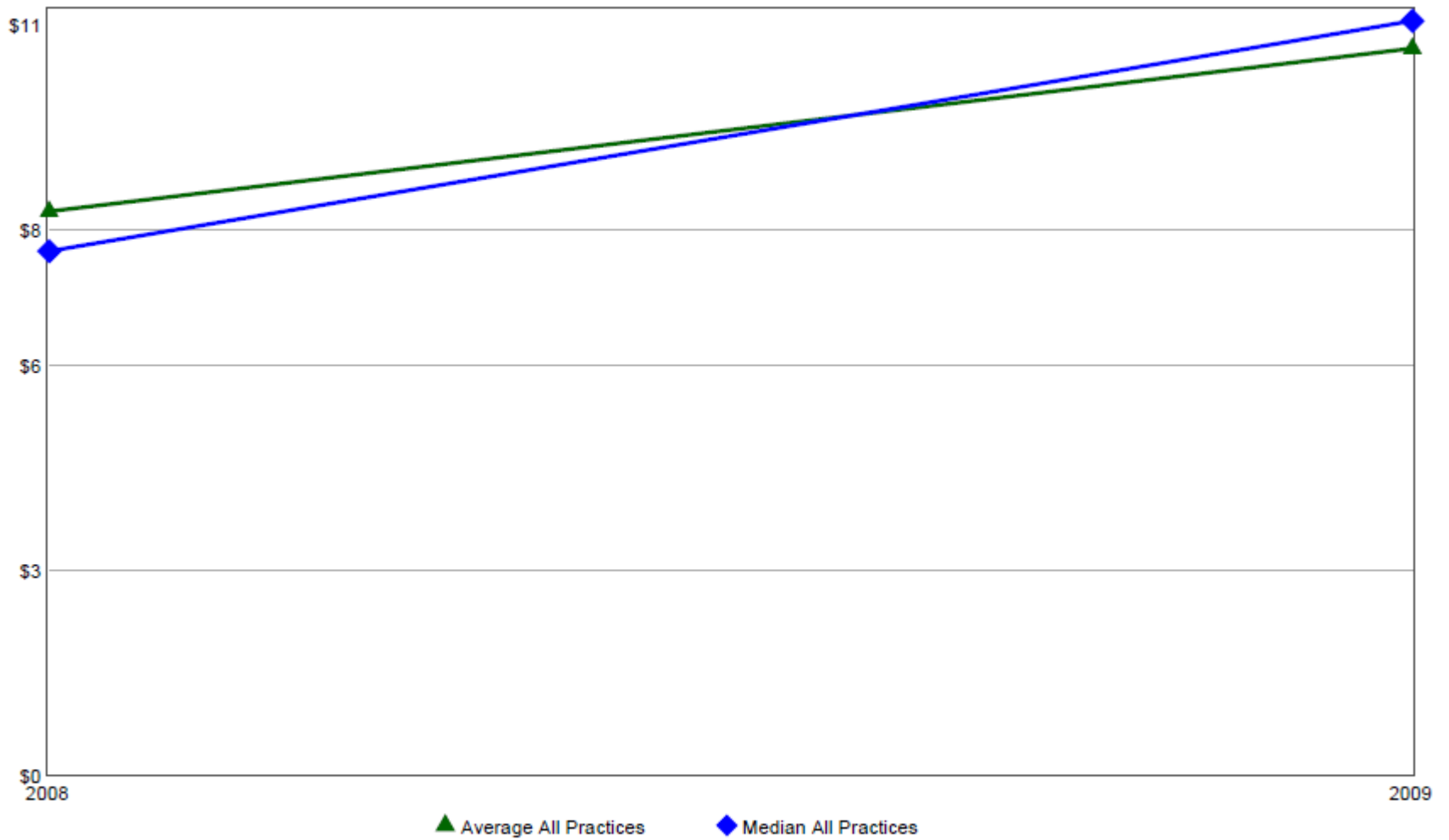
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	15.40%	13.80%	14.24%	15.34%	14.91%	14.56%	14.34%
Median All Practices	14.41%	12.94%	13.48%	15.31%	14.42%	13.62%	13.90%

Facilities Expense - per FTE Physician
 Book: 2 Section: 1 Measure: 1300



	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$94,890	\$89,882	\$99,747	\$113,708	\$108,610	\$105,836	\$107,944
Median All Practices	\$87,165	\$81,082	\$88,113	\$99,228	\$96,583	\$96,026	\$101,088

Facilities Expense - per wRVU
Book: 2 Section: 1 Measure: 1350



Average All Practices
Median All Practices

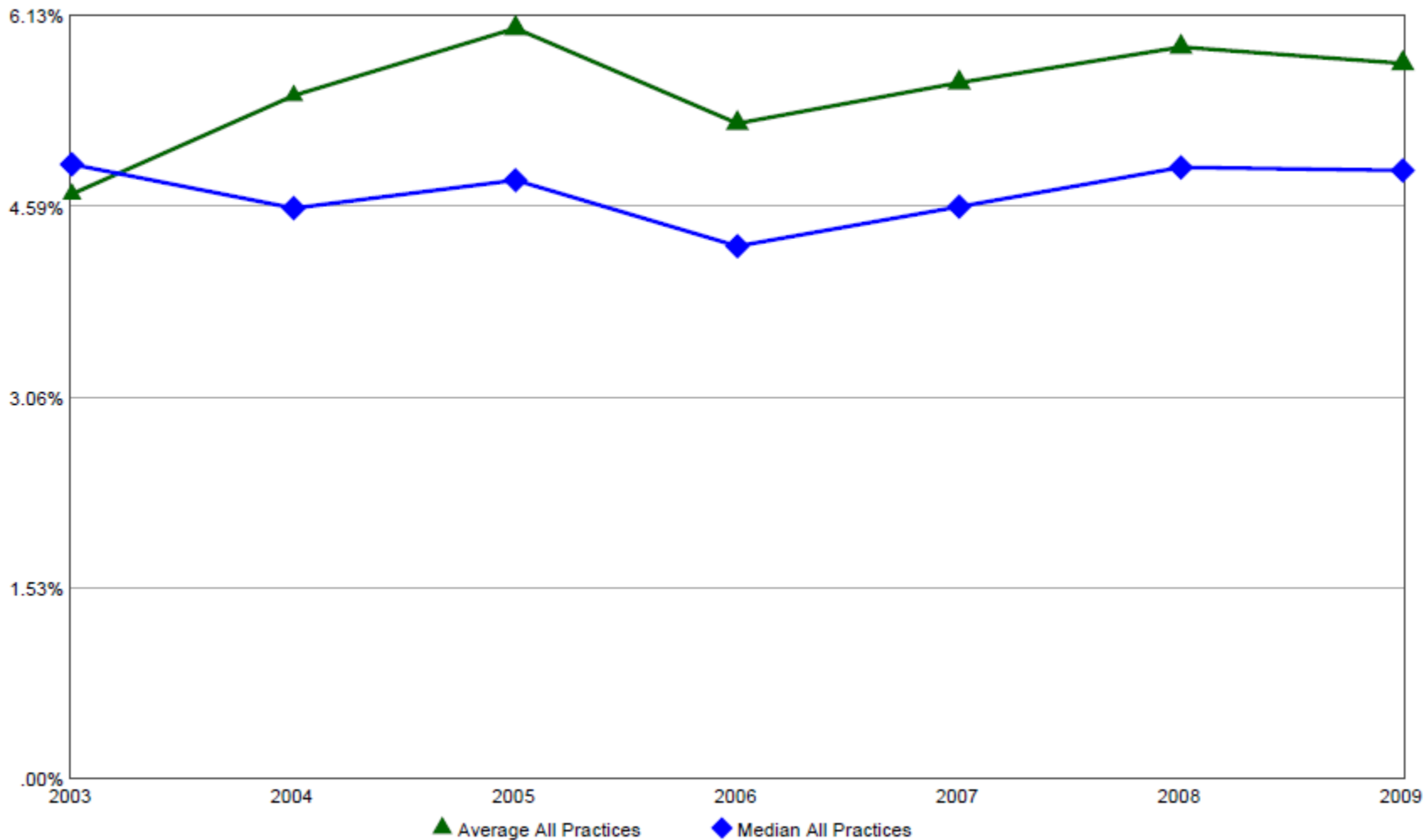
2008

\$8
\$8

2009

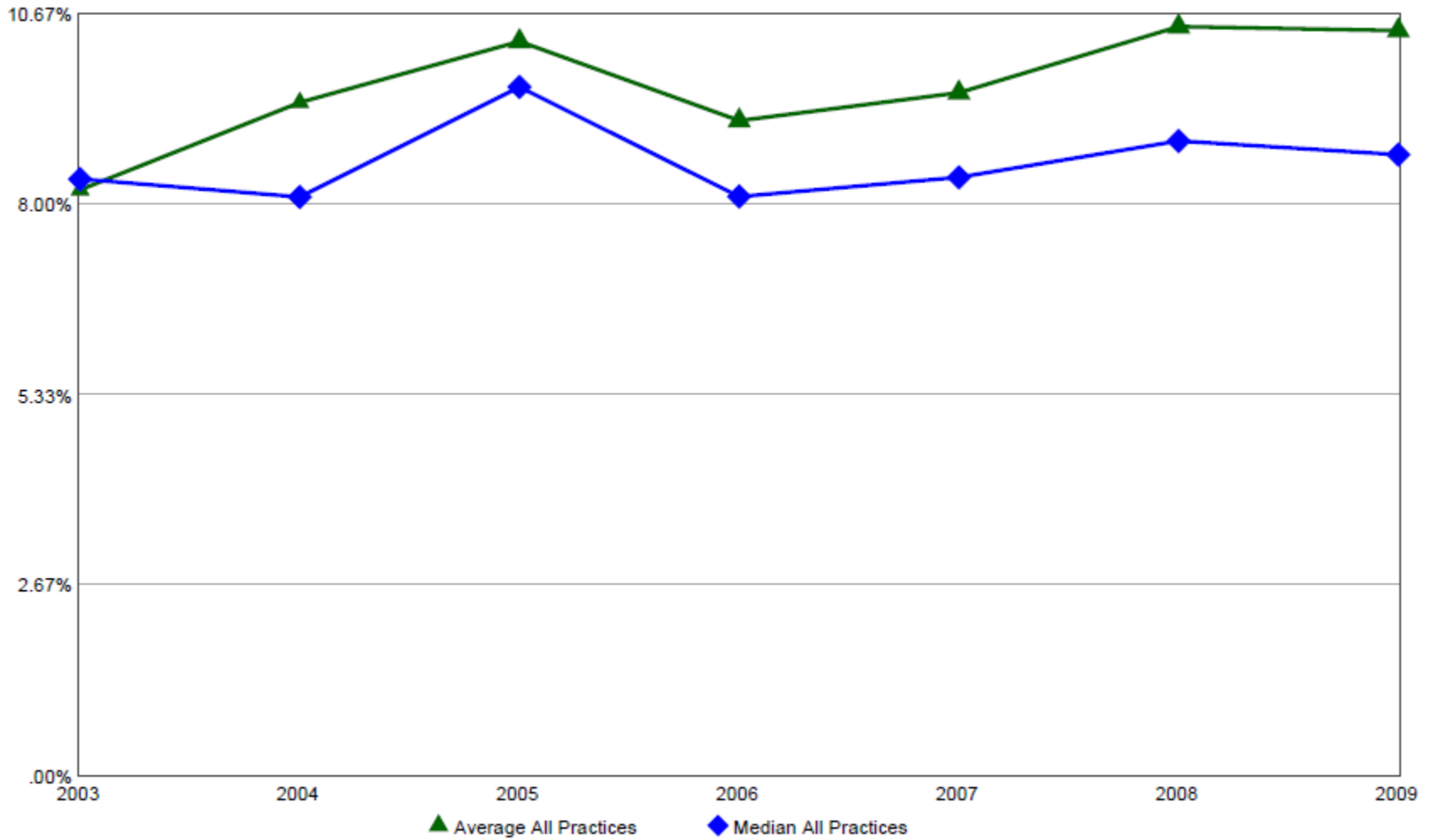
\$11
\$11

Medical Expense as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 1400



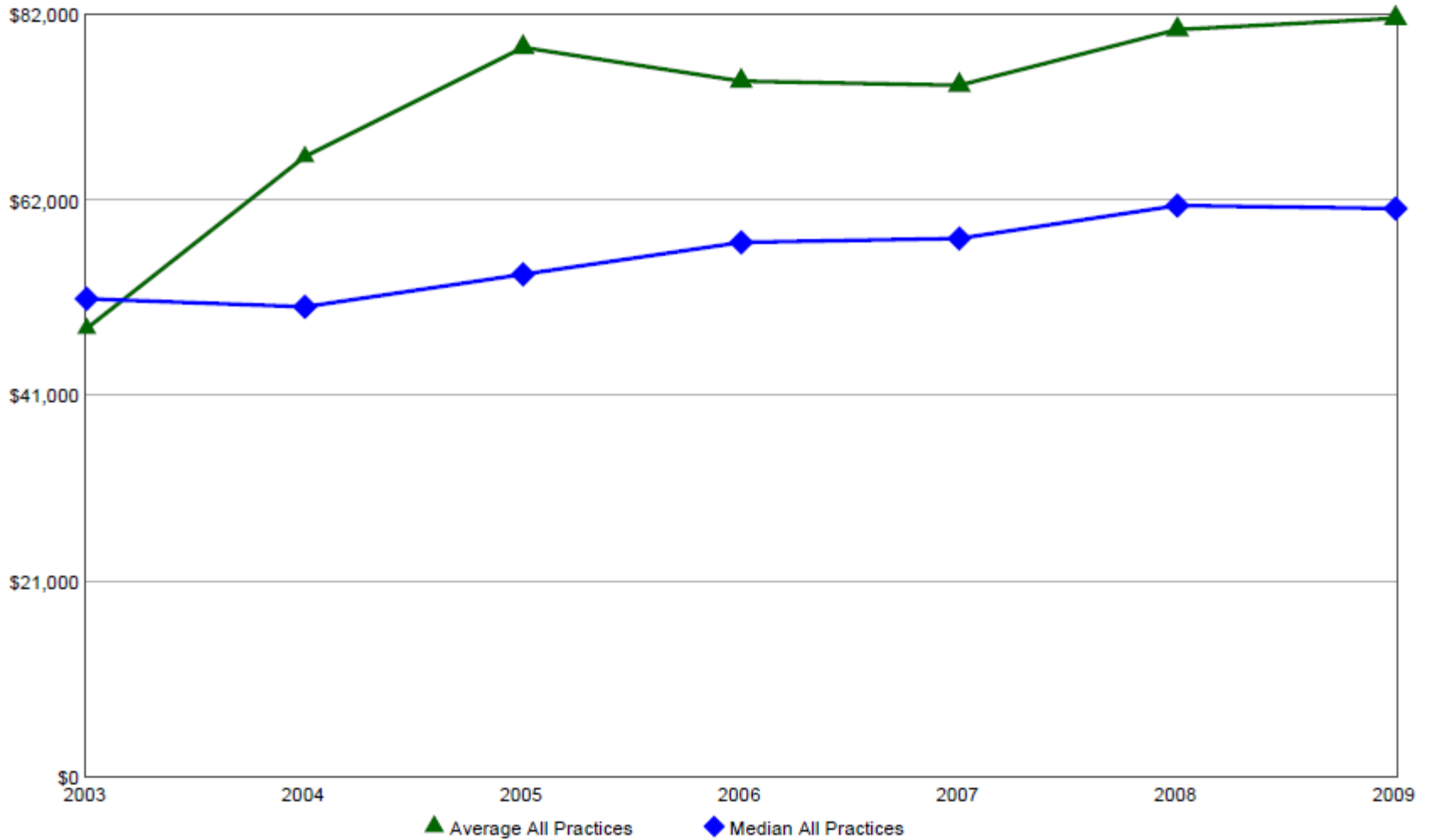
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	4.67%	5.47%	6.01%	5.24%	5.57%	5.85%	5.72%
Median All Practices	4.91%	4.56%	4.78%	4.26%	4.57%	4.89%	4.86%

Medical Expense as a percent of Operating Expenses
 Book: 2 Section: 1 Measure: 1500



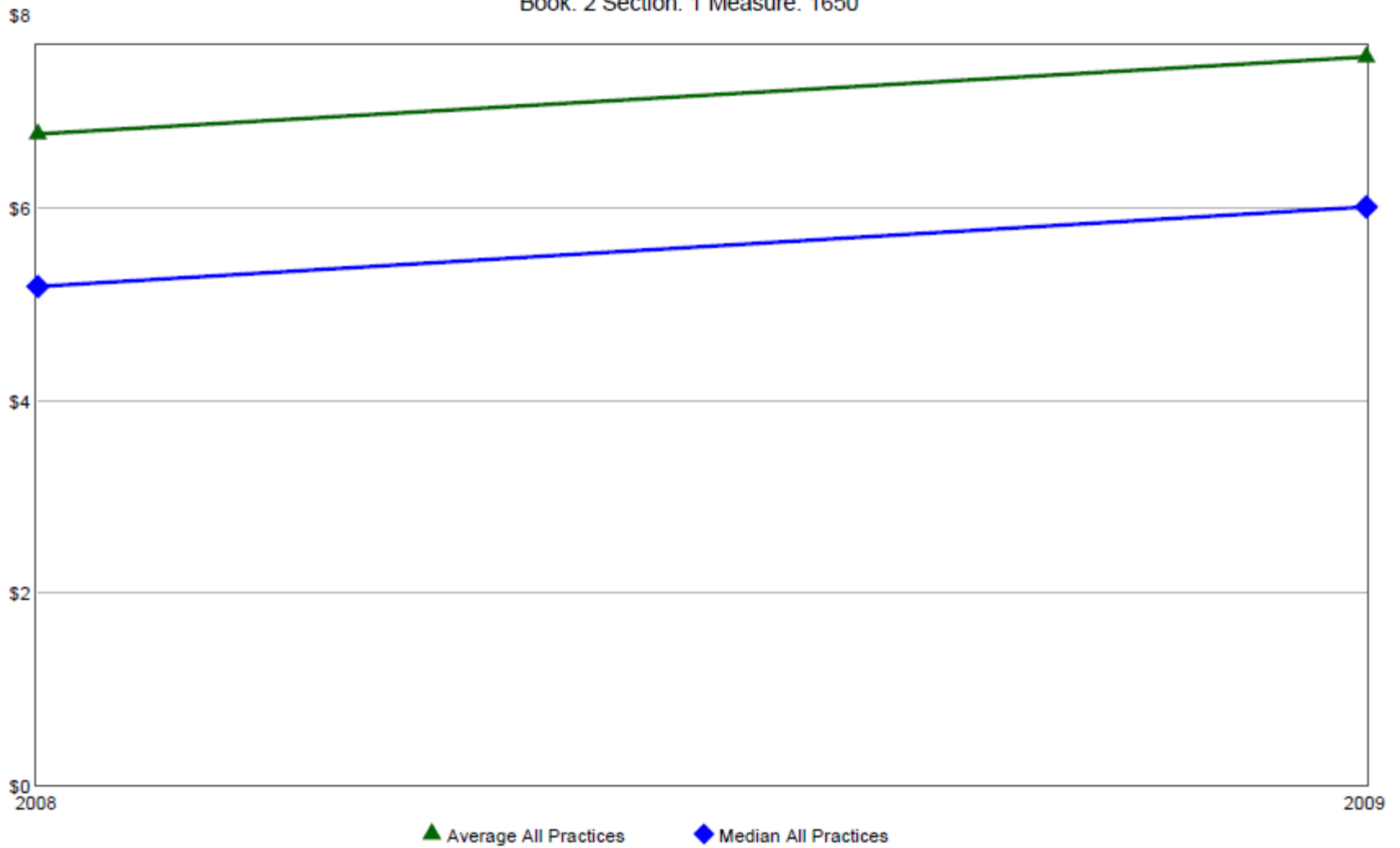
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	8.17%	9.39%	10.25%	9.14%	9.53%	10.46%	10.40%
Median All Practices	8.32%	8.07%	9.61%	8.07%	8.35%	8.85%	8.66%

Medical Expense - per FTE Physician
 Book: 2 Section: 1 Measure: 1600



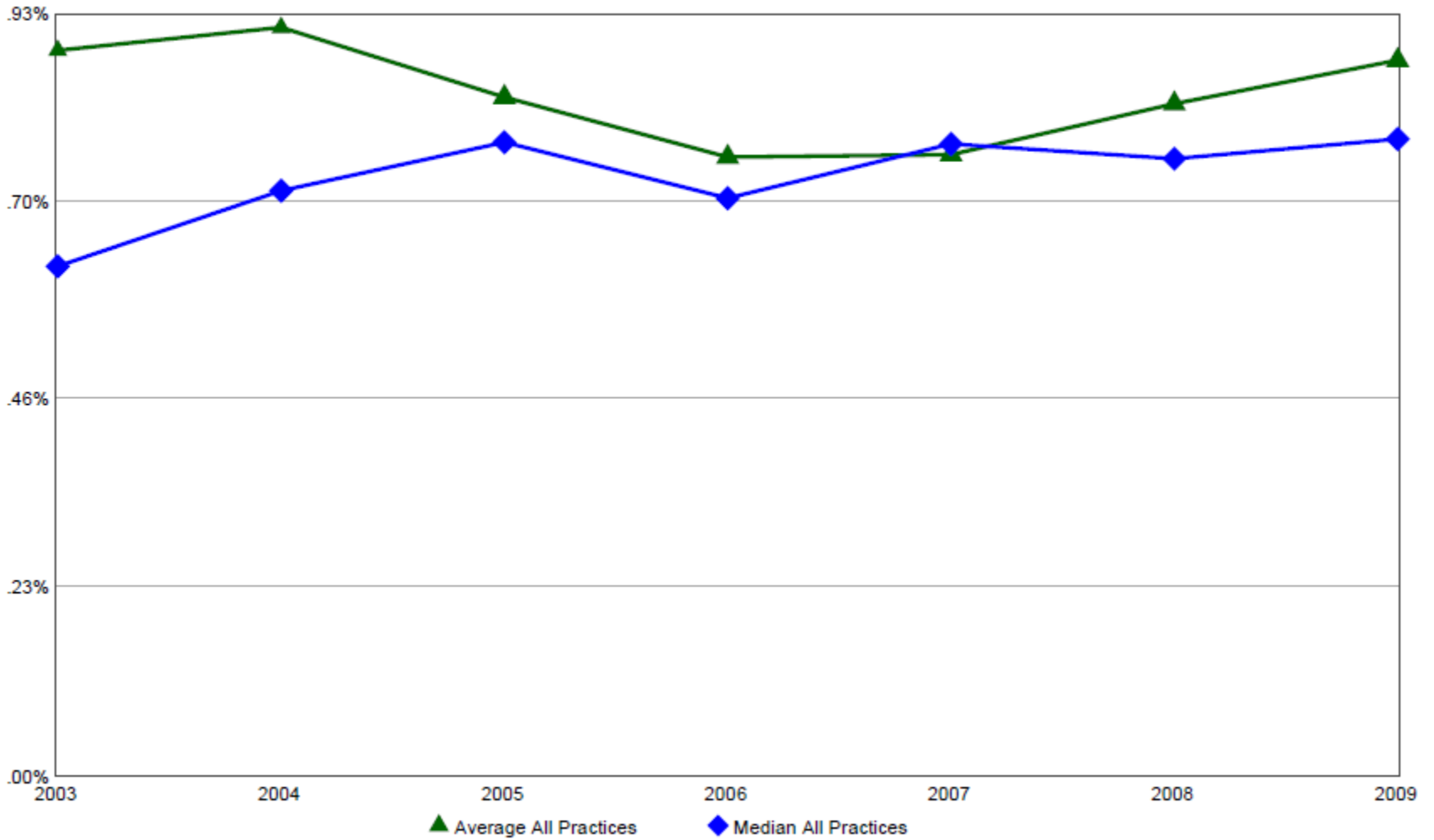
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$47,991	\$66,489	\$78,226	\$74,604	\$74,154	\$80,152	\$81,371
Median All Practices	\$51,176	\$50,317	\$53,811	\$57,253	\$57,673	\$61,214	\$60,896

Medical Expense - per wRVU
Book: 2 Section: 1 Measure: 1650



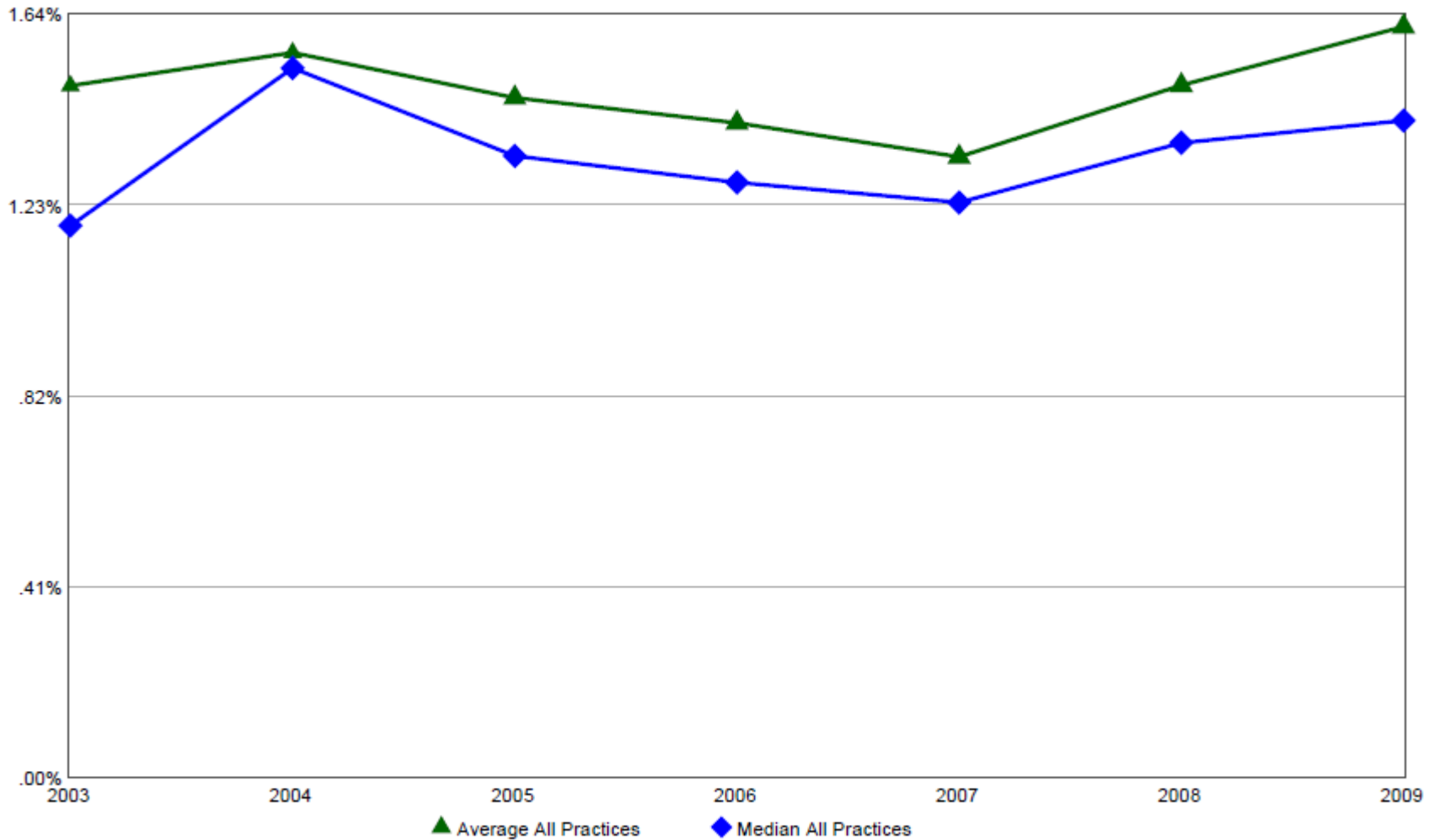
Average All Practices	2008	2009
Median All Practices	\$7	\$8
	\$5	\$6

Marketing Expense as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 1700



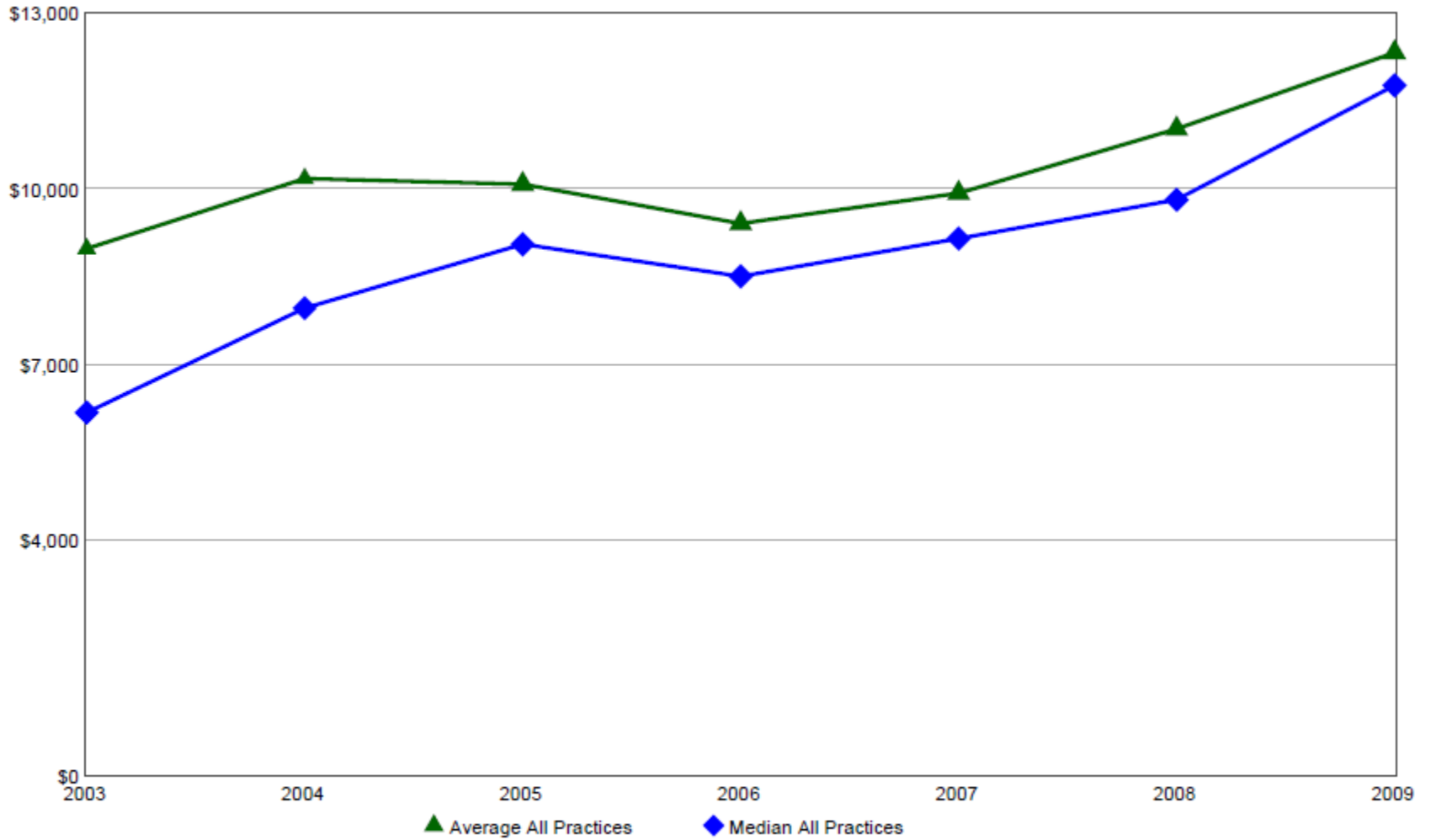
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	.88%	.91%	.82%	.75%	.75%	.82%	.87%
Median All Practices	.62%	.71%	.77%	.70%	.77%	.75%	.77%

Marketing Expense as a percent of Operating Expenses
 Book: 2 Section: 1 Measure: 1800



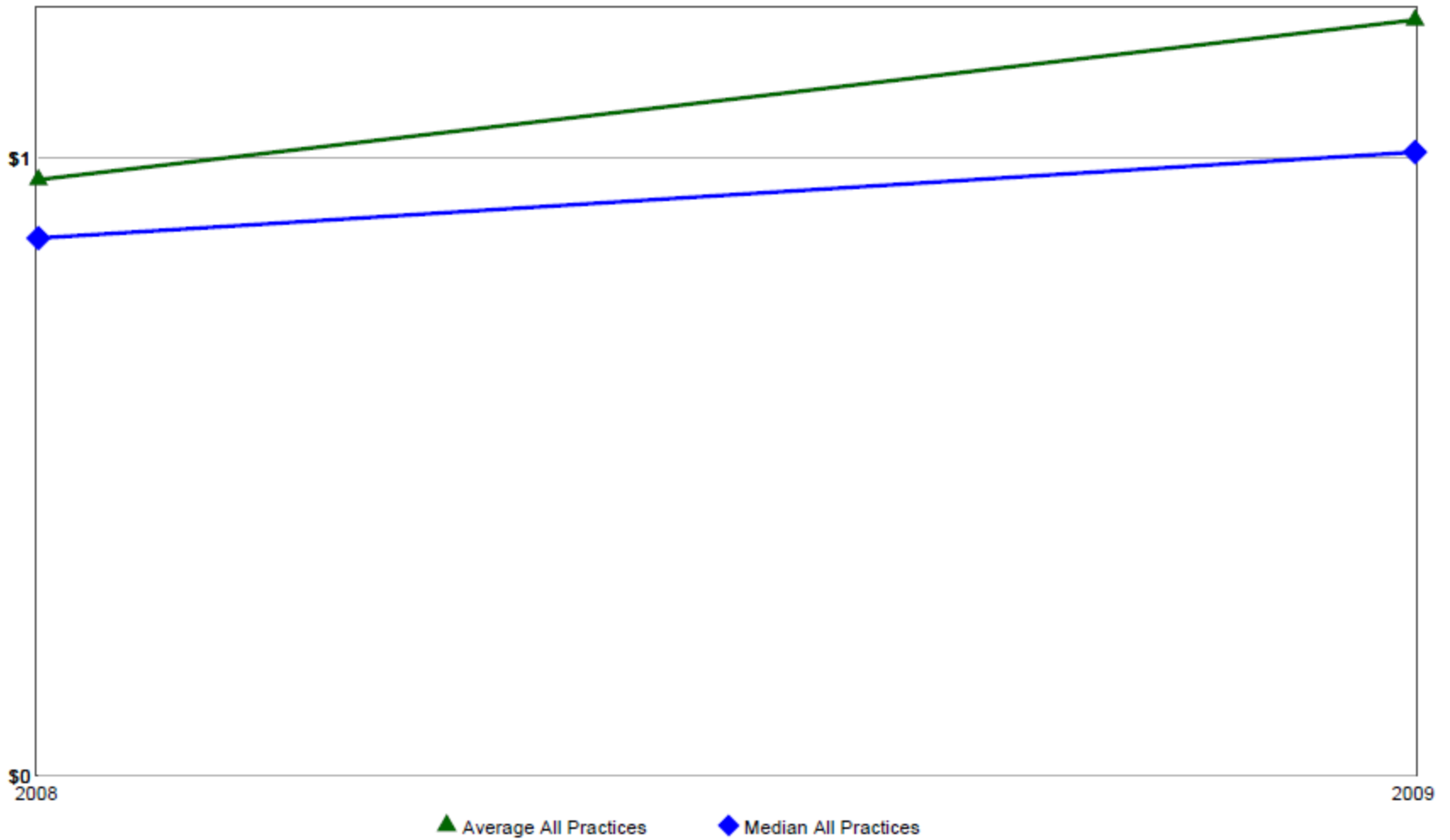
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	1.48%	1.55%	1.46%	1.40%	1.33%	1.48%	1.61%
Median All Practices	1.18%	1.52%	1.33%	1.27%	1.23%	1.36%	1.41%

Marketing Expense - per FTE Physician
 Book: 2 Section: 1 Measure: 1900



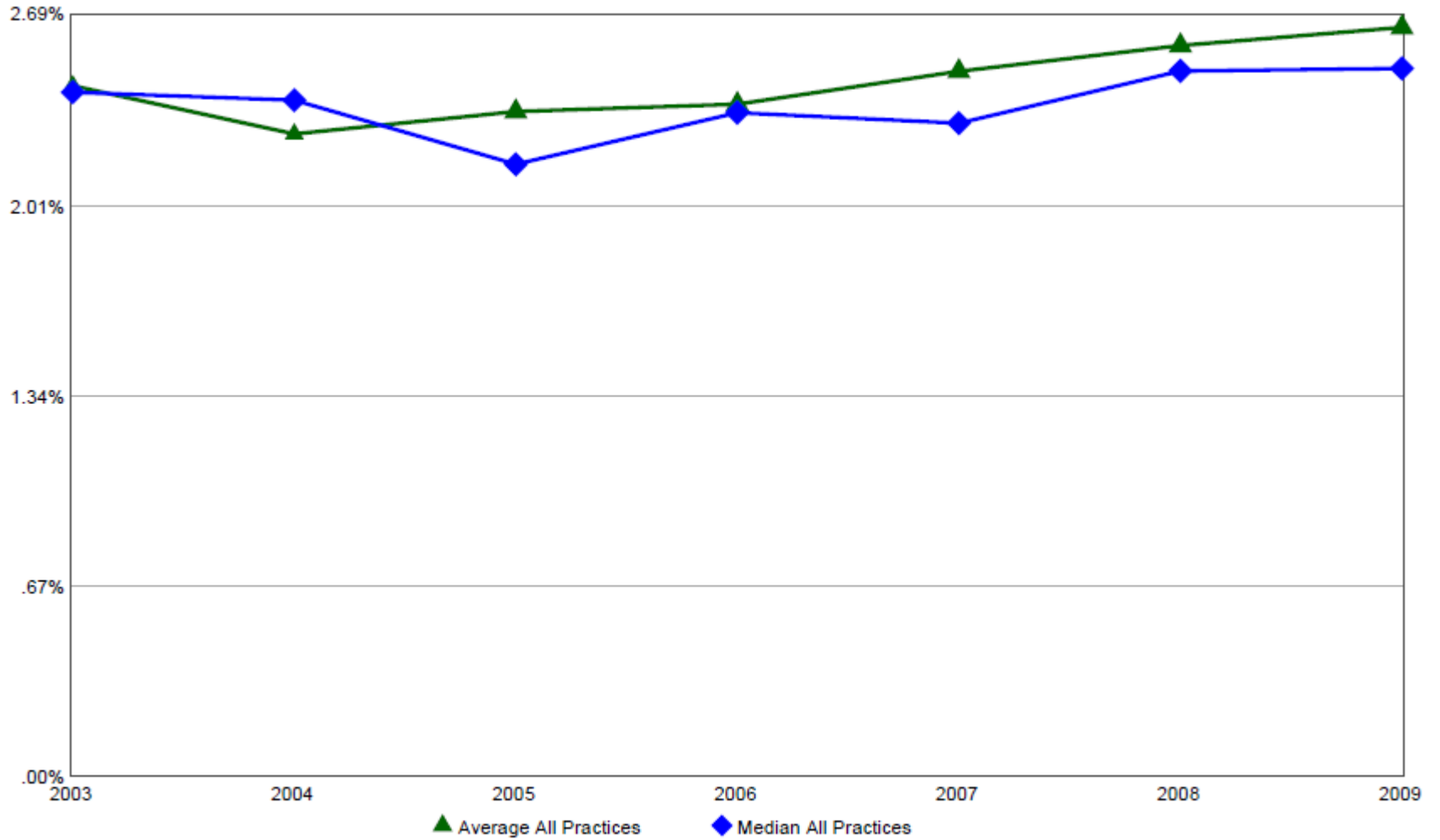
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$8,945	\$10,140	\$10,044	\$9,374	\$9,891	\$10,987	\$12,287
Median All Practices	\$6,151	\$7,931	\$9,021	\$8,473	\$9,117	\$9,779	\$11,729

Marketing Expense - per wRVU
Book: 2 Section: 1 Measure: 1950



	2008	2009
Average All Practices	\$1	\$1
Median All Practices	\$1	\$1

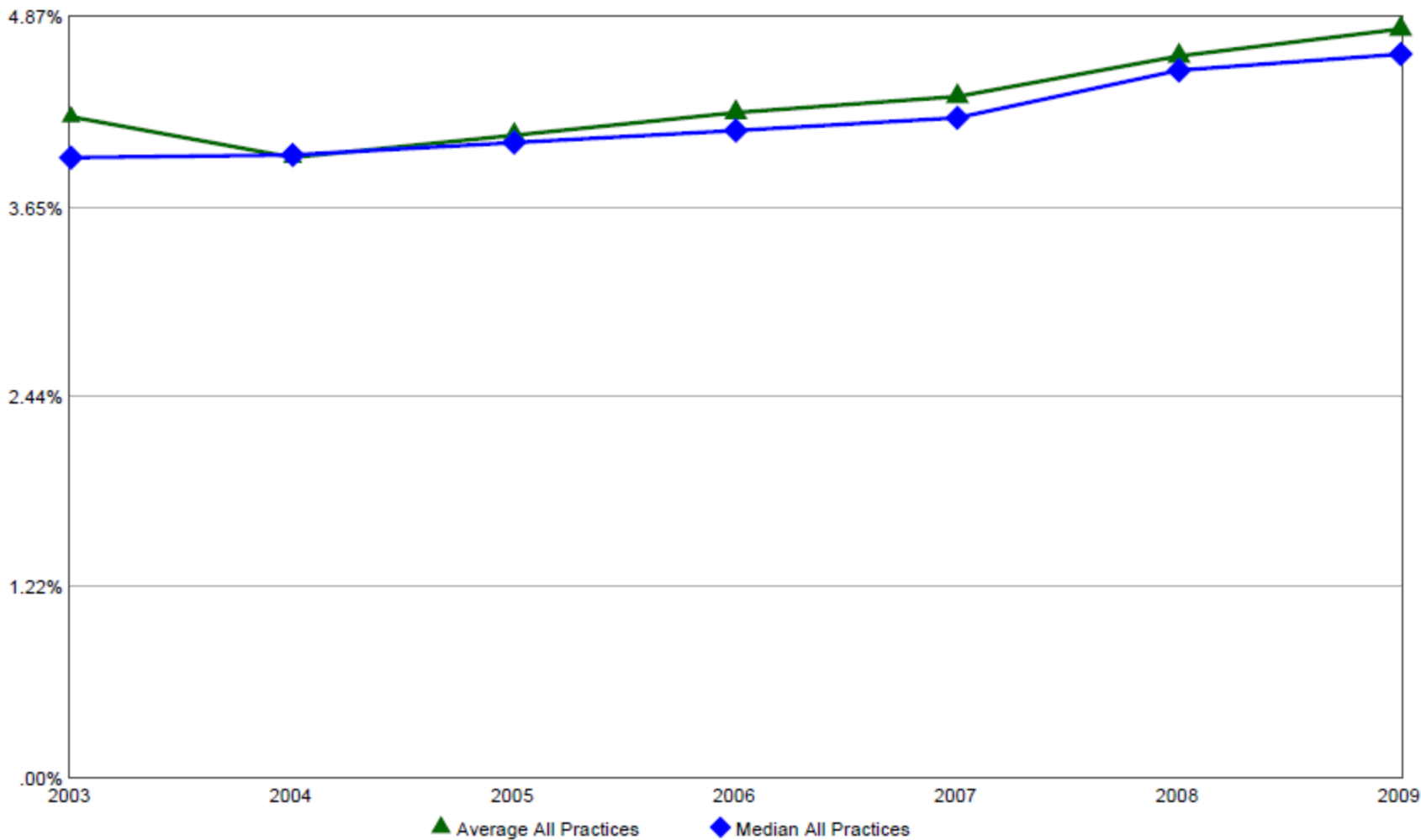
Technology Expense as a percent of Total Revenue
 Book: 2 Section: 1 Measure: 2000



	2003	2004	2005	2006	2007	2008	2009
Average All Practices	2.43%	2.26%	2.34%	2.36%	2.48%	2.57%	2.63%
Median All Practices	2.40%	2.38%	2.15%	2.33%	2.30%	2.48%	2.49%

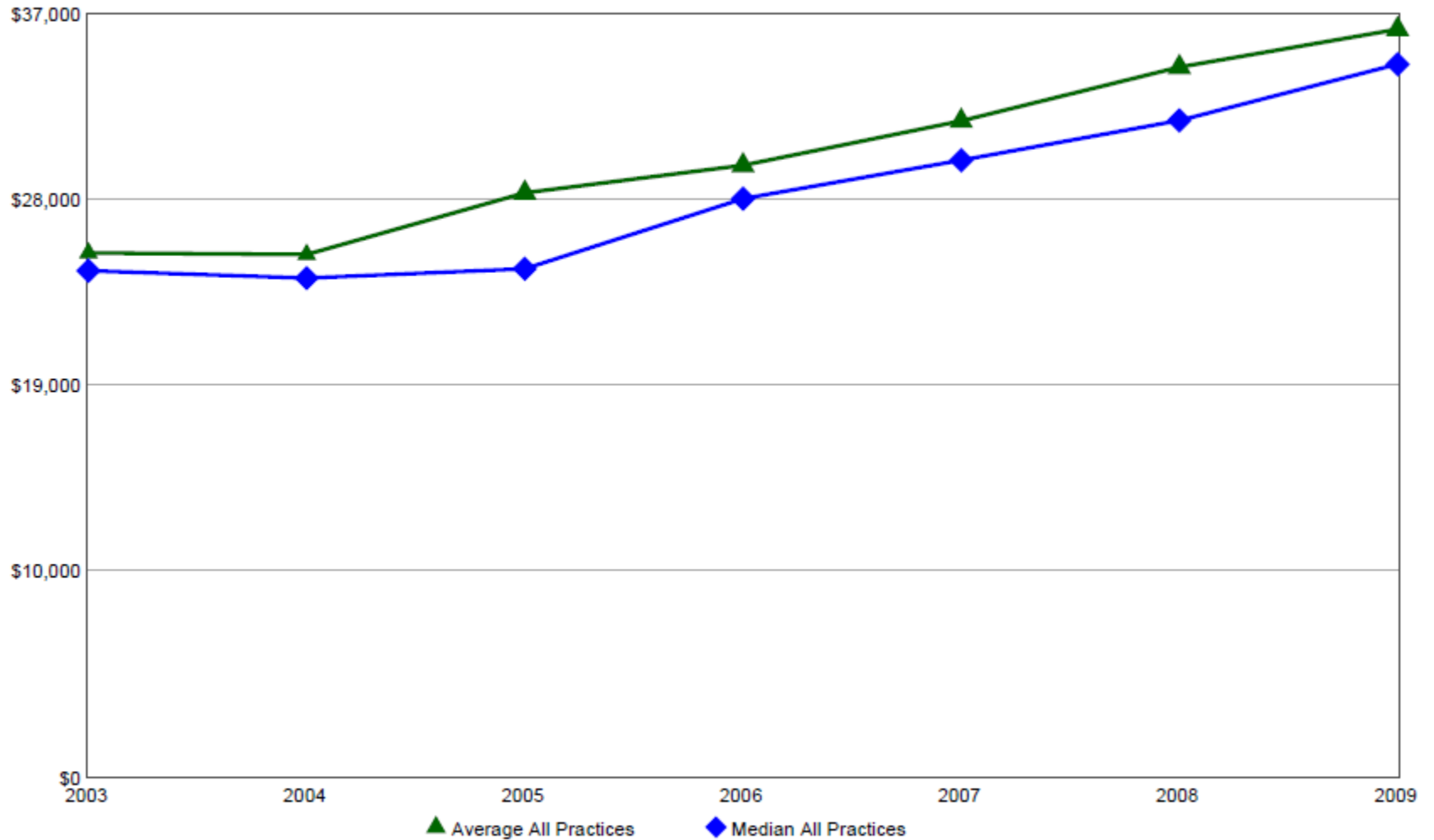
Technology Expense as a percent of Operating Expenses

Book: 2 Section: 1 Measure: 2100



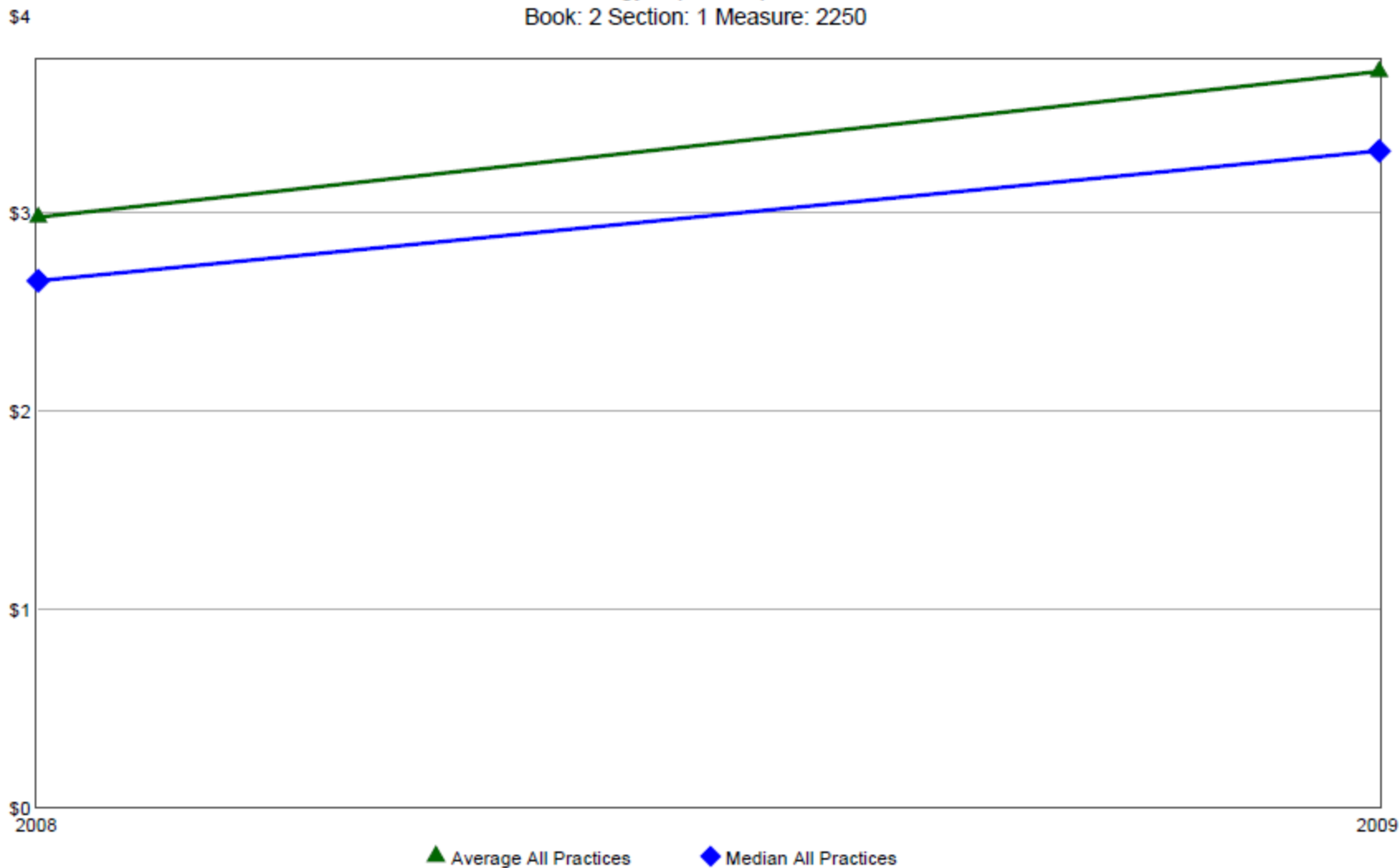
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	4.21%	3.95%	4.10%	4.24%	4.34%	4.60%	4.78%
Median All Practices	3.95%	3.97%	4.05%	4.13%	4.21%	4.51%	4.61%

Technology Expense - per FTE Physician
 Book: 2 Section: 1 Measure: 2200



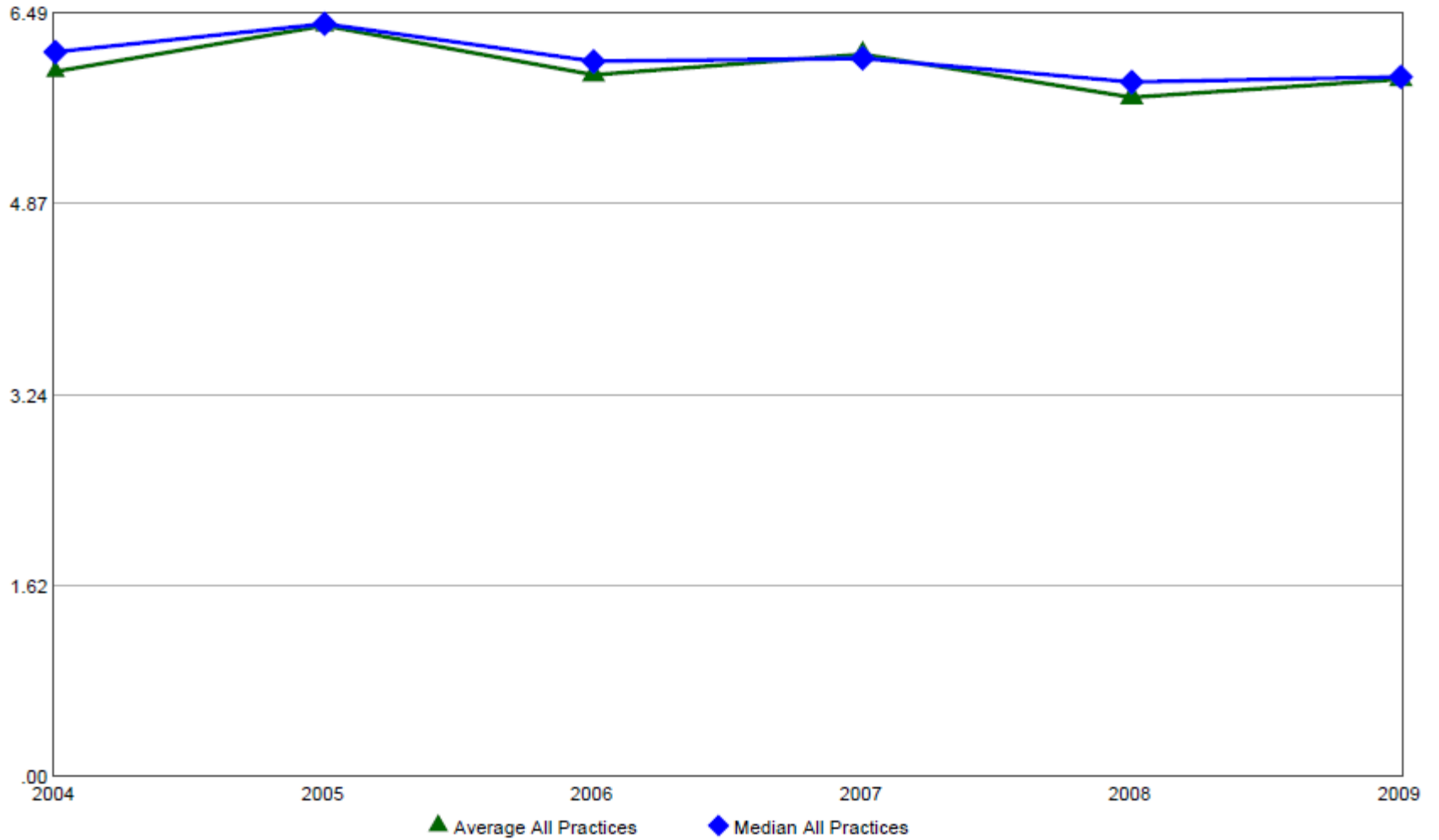
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$25,305	\$25,229	\$28,218	\$29,552	\$31,706	\$34,313	\$36,145
Median All Practices	\$24,443	\$24,086	\$24,536	\$27,935	\$29,799	\$31,725	\$34,455

Technology Expense - per wRVU
Book: 2 Section: 1 Measure: 2250



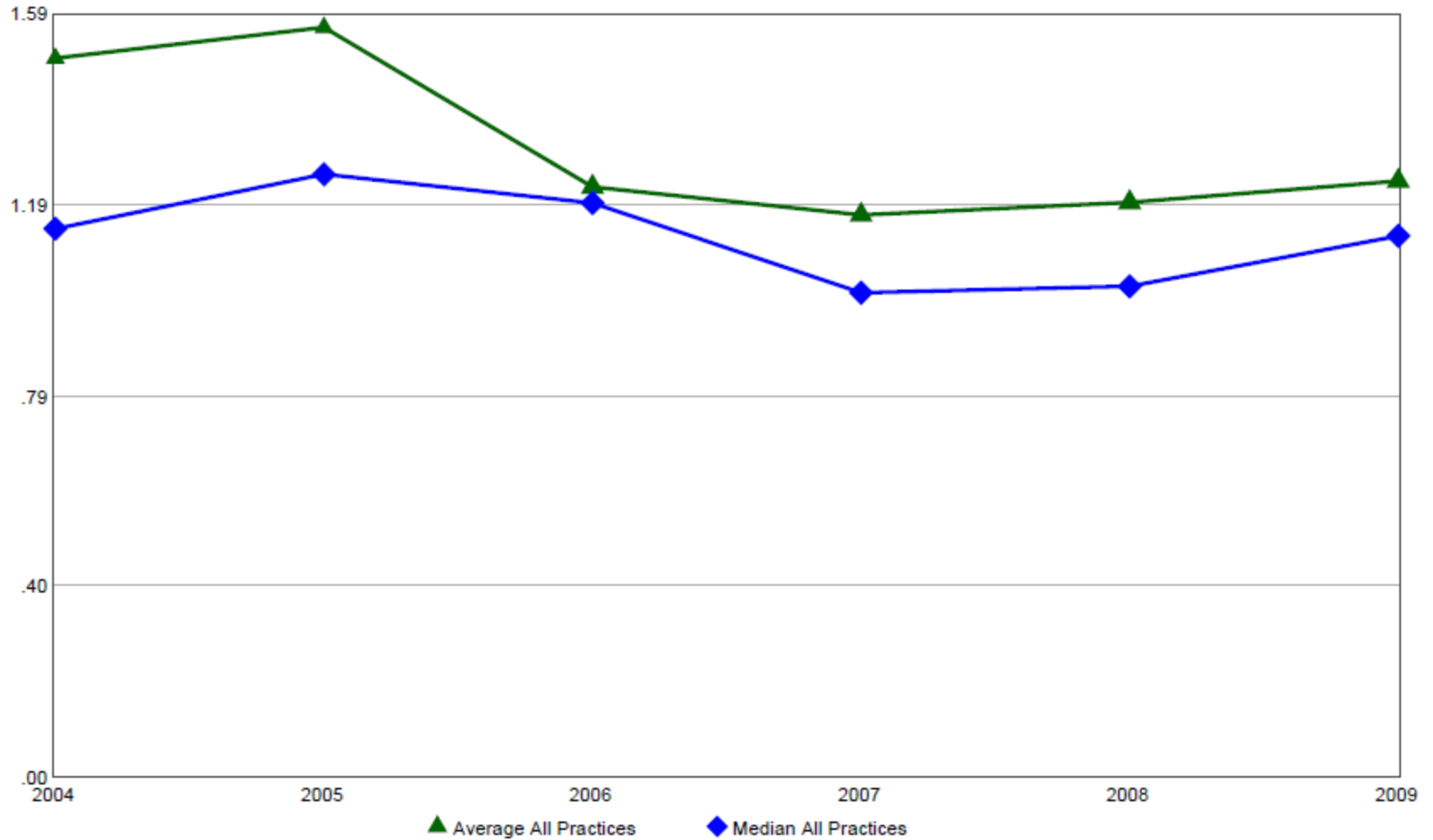
	2008	2009
Average All Practices	\$3	\$4
Median All Practices	\$3	\$3

FTE Ortho Practice - per FTE Physician
 Book: 2 Section: 1 Measure: 2300



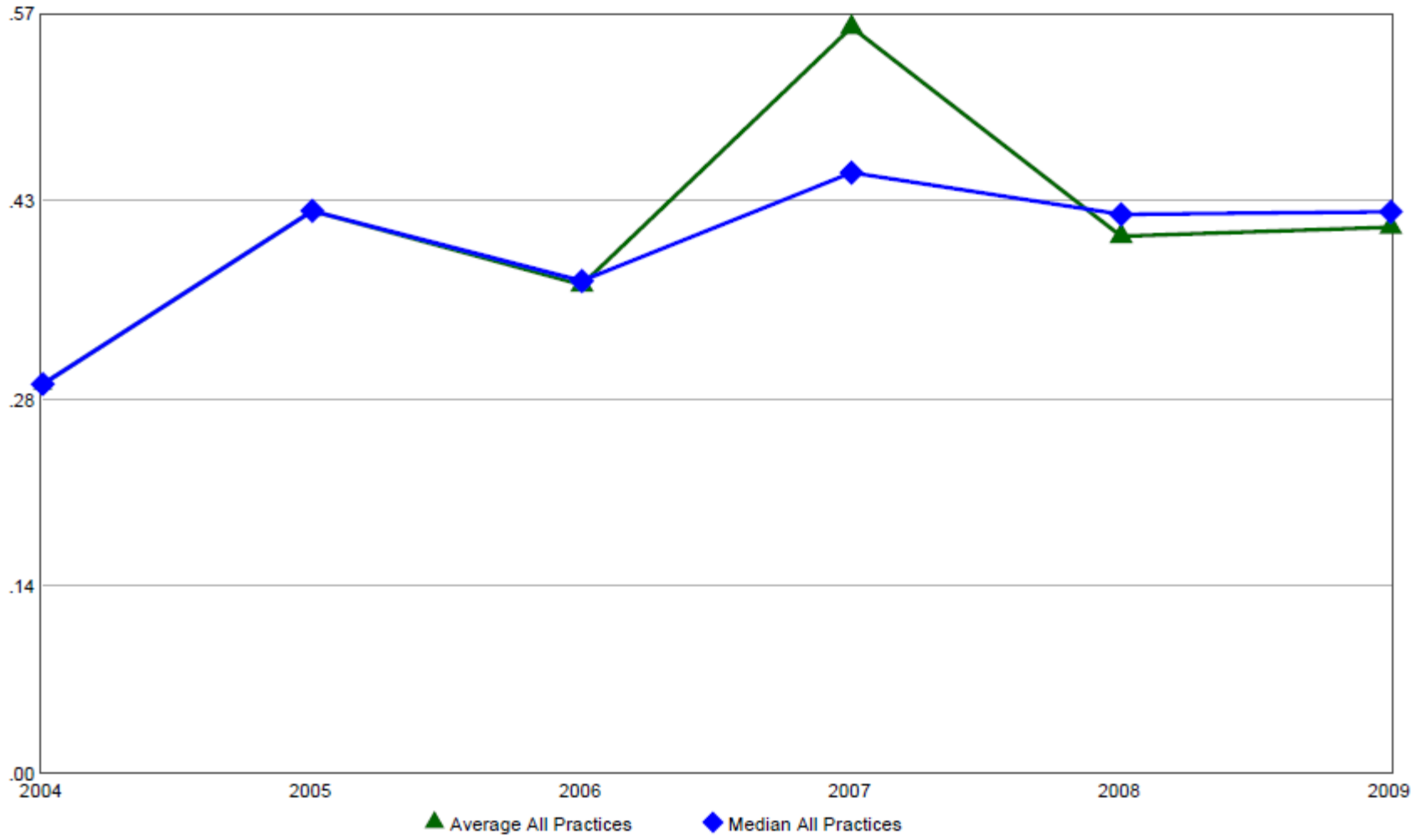
	2004	2005	2006	2007	2008	2009
Average All Practices	5.97	6.36	5.94	6.12	5.75	5.91
Median All Practices	6.14	6.38	6.06	6.08	5.88	5.93

FTE Others - per FTE Physician
 Book: 2 Section: 1 Measure: 2400



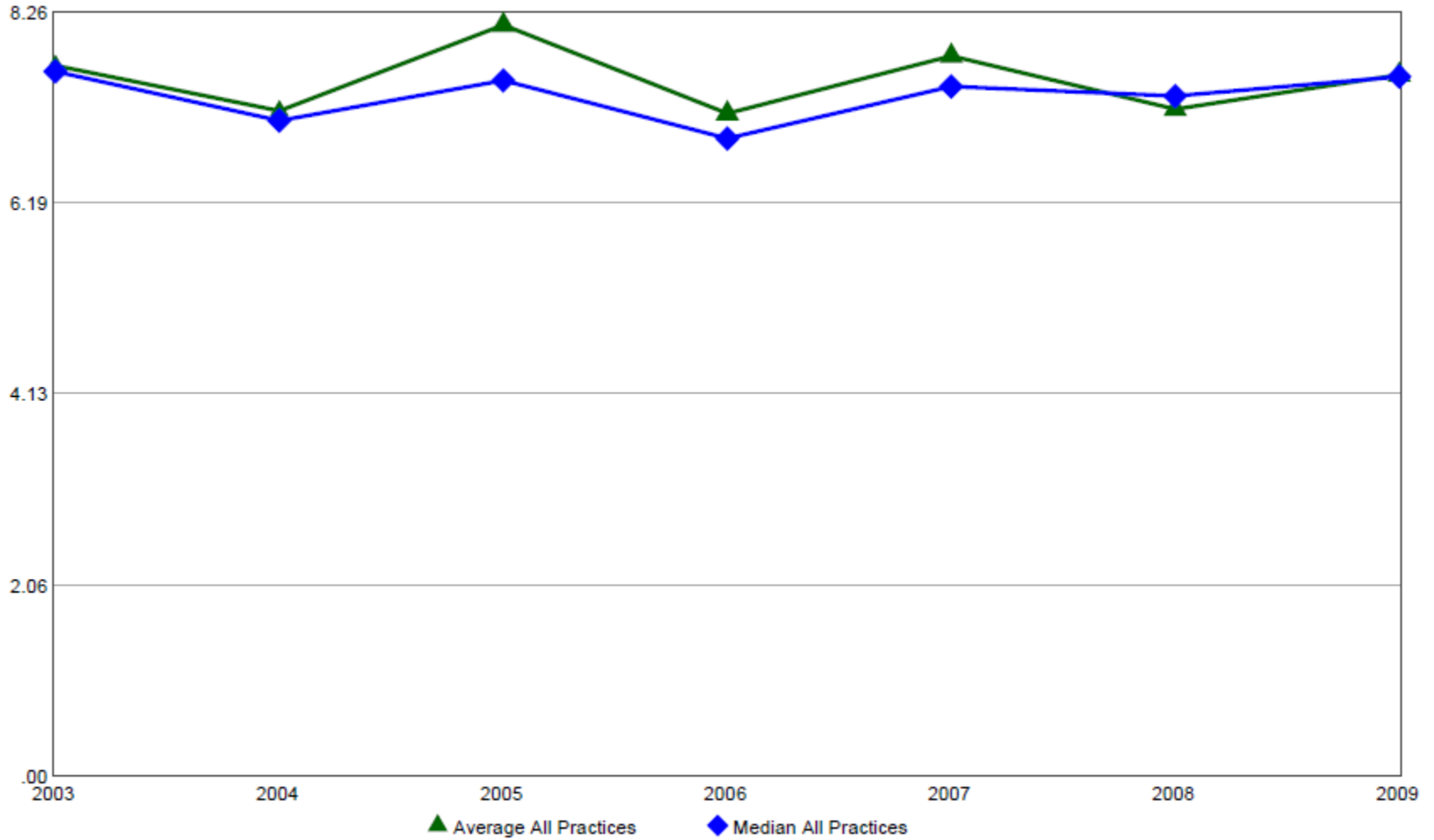
	2004	2005	2006	2007	2008	2009
Average All Practices	1.49	1.56	1.22	1.17	1.19	1.24
Median All Practices	1.14	1.25	1.19	1.00	1.02	1.12

FTE NP's / PA's - per FTE Physician
 Book: 2 Section: 1 Measure: 2500



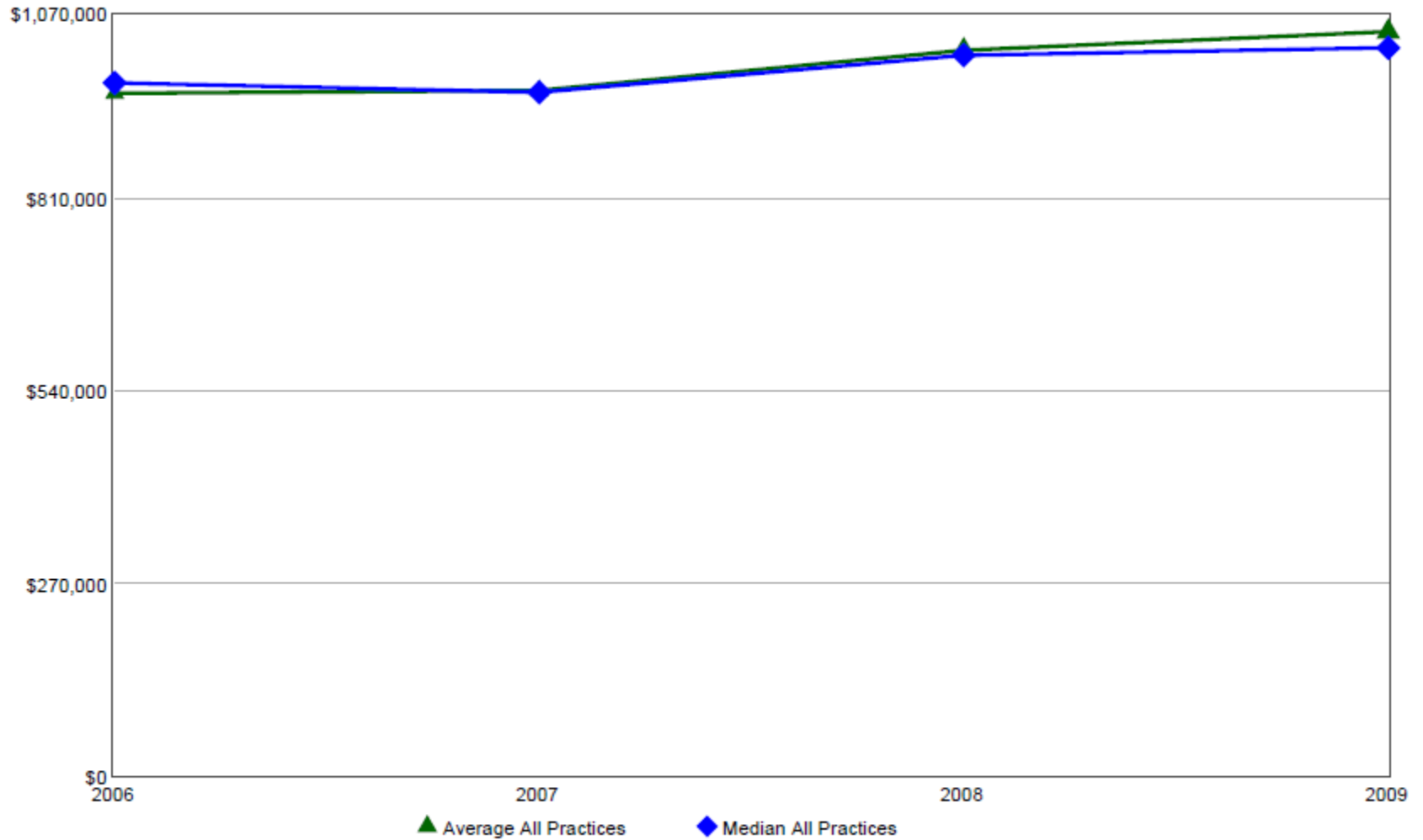
	2004	2005	2006	2007	2008	2009
Average All Practices	.29	.42	.36	.56	.40	.41
Median All Practices	.29	.42	.37	.45	.42	.42

FTE Employees - per FTE Physician
 Book: 2 Section: 1 Measure: 2600



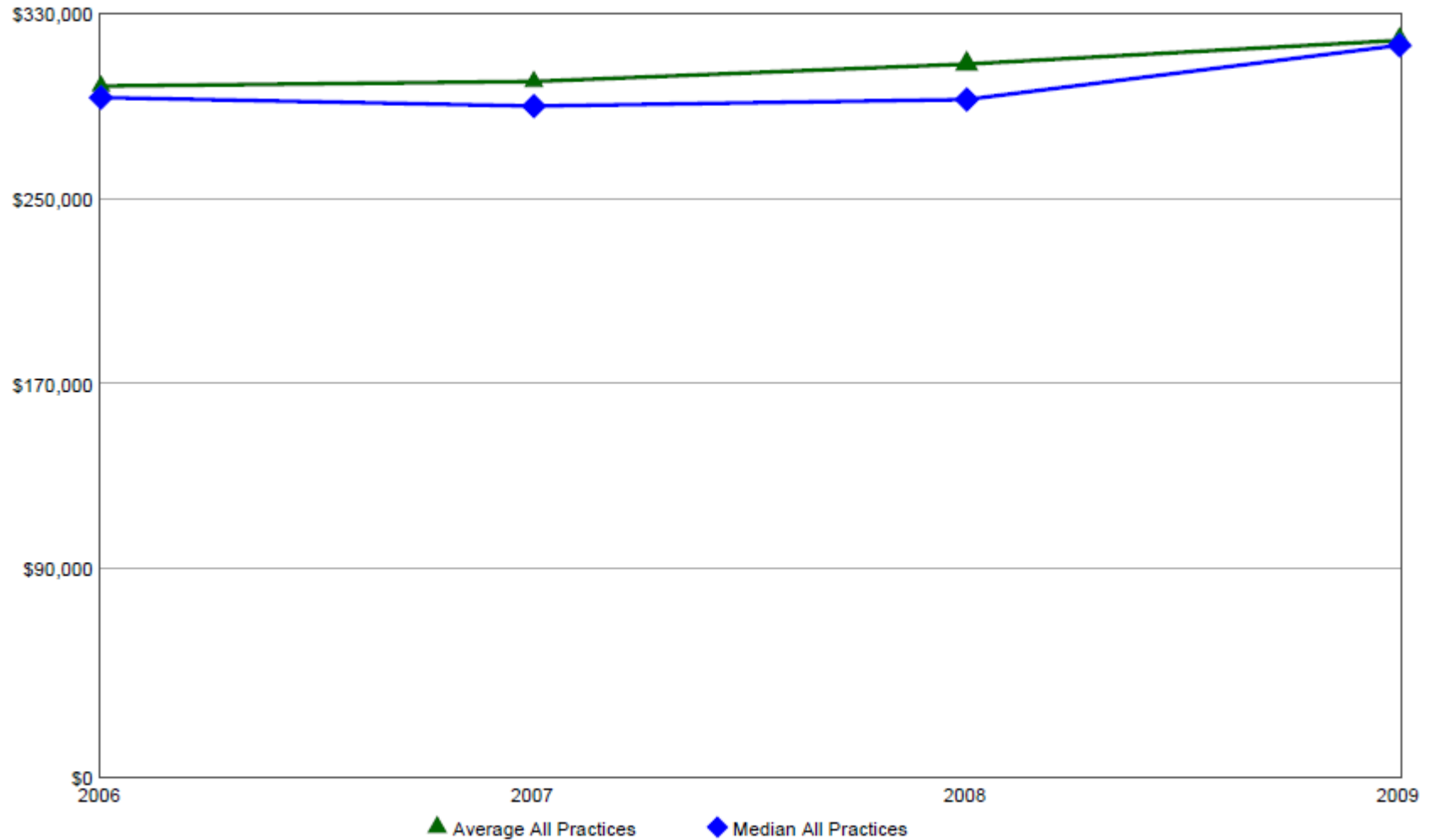
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	7.65	7.16	8.09	7.14	7.76	7.18	7.55
Median All Practices	7.59	7.06	7.49	6.87	7.43	7.33	7.53

IS w/o Ancillaries - Total Revenue - per FTE Physician
 Book: 4 Section: 1 Measure: 02100



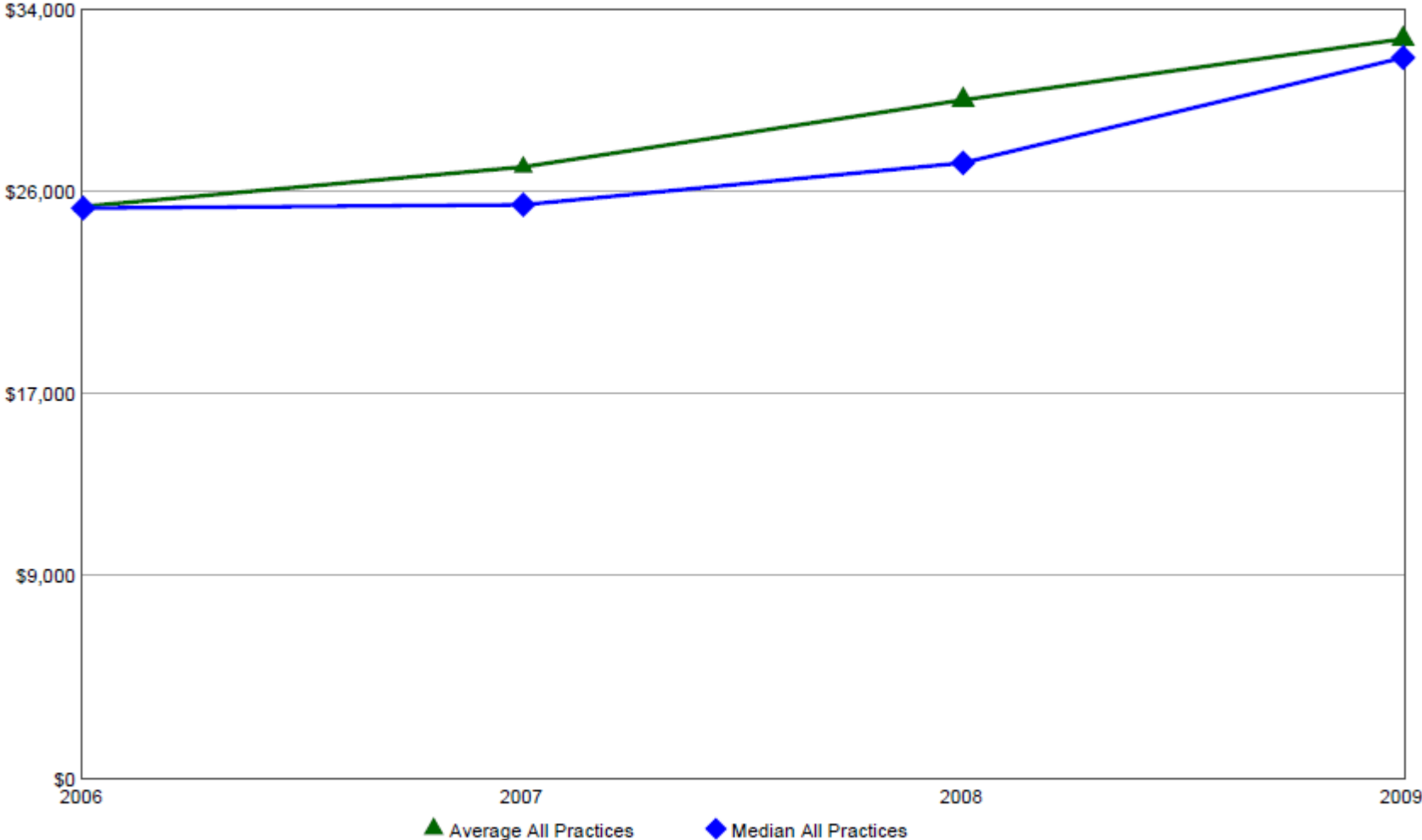
	2006	2007	2008	2009
Average All Practices	\$955,447	\$959,442	\$1,015,763	\$1,041,990
Median All Practices	\$970,073	\$956,803	\$1,008,802	\$1,019,321

IS w/o Ancillaries - Total Staff Expenses - per FTE Physician
 Book: 4 Section: 1 Measure: 04100



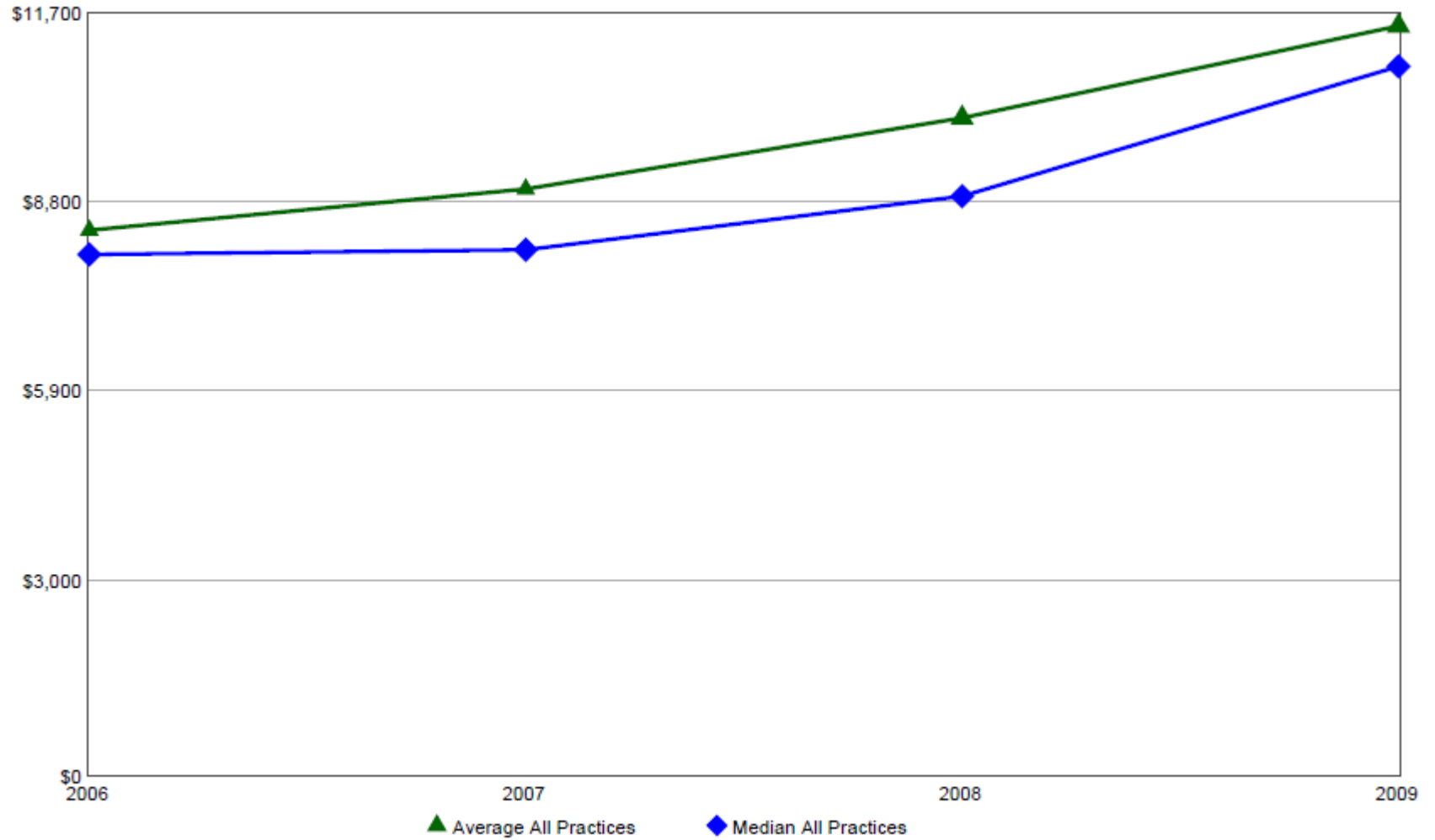
	2006	2007	2008	2009
Average All Practices	\$297,848	\$299,813	\$307,349	\$317,593
Median All Practices	\$292,873	\$289,185	\$292,031	\$315,484

IS w/o Ancillaries - Total Technology Expense - per FTE Physician
 Book: 4 Section: 1 Measure: 05800



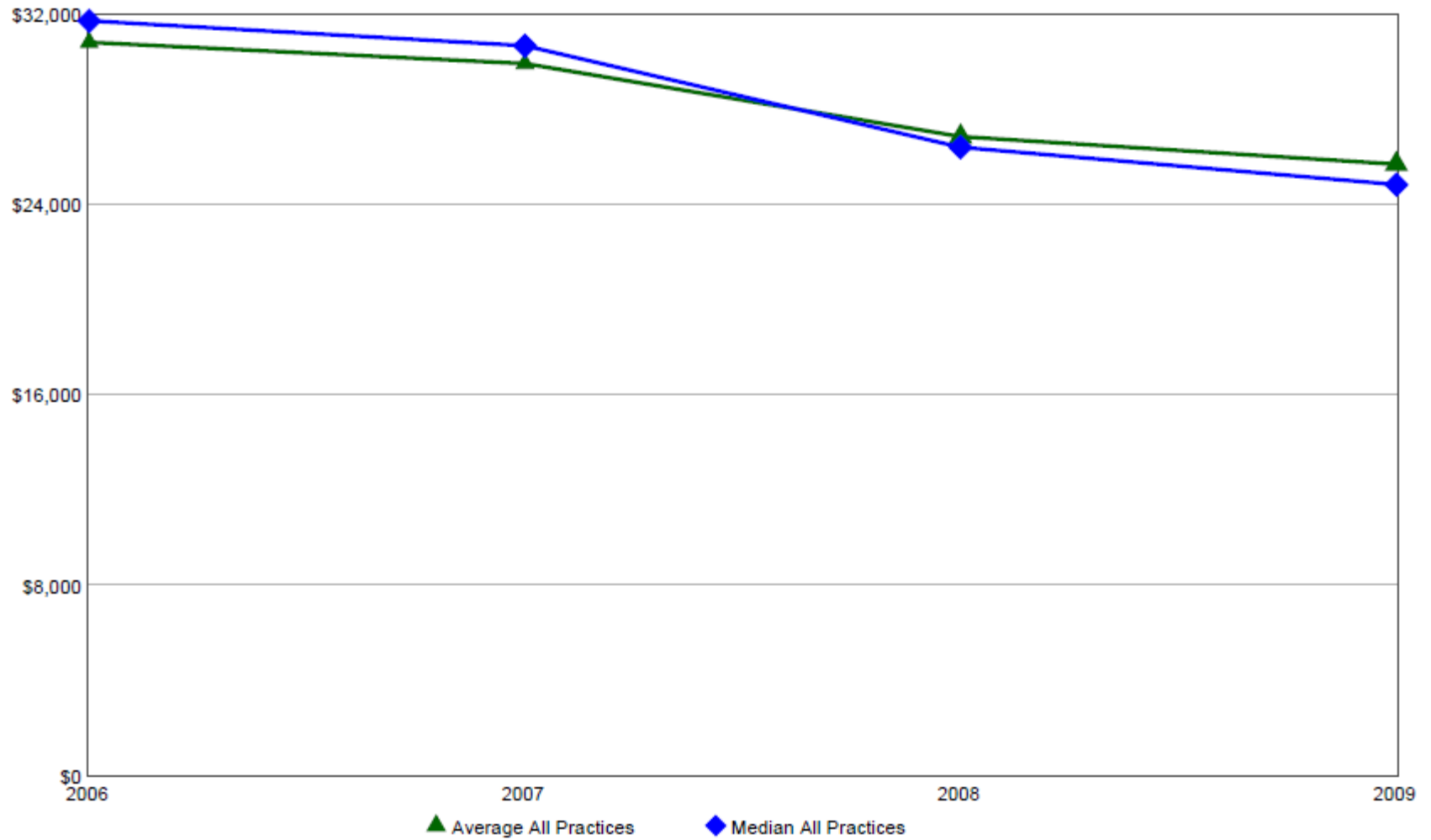
	2006	2007	2008	2009
Average All Practices	\$25,202	\$26,949	\$29,912	\$32,608
Median All Practices	\$25,123	\$25,274	\$27,128	\$31,781

IS w/o Ancillaries - Total Marketing Expense - per FTE Physician
 Book: 4 Section: 1 Measure: 07000



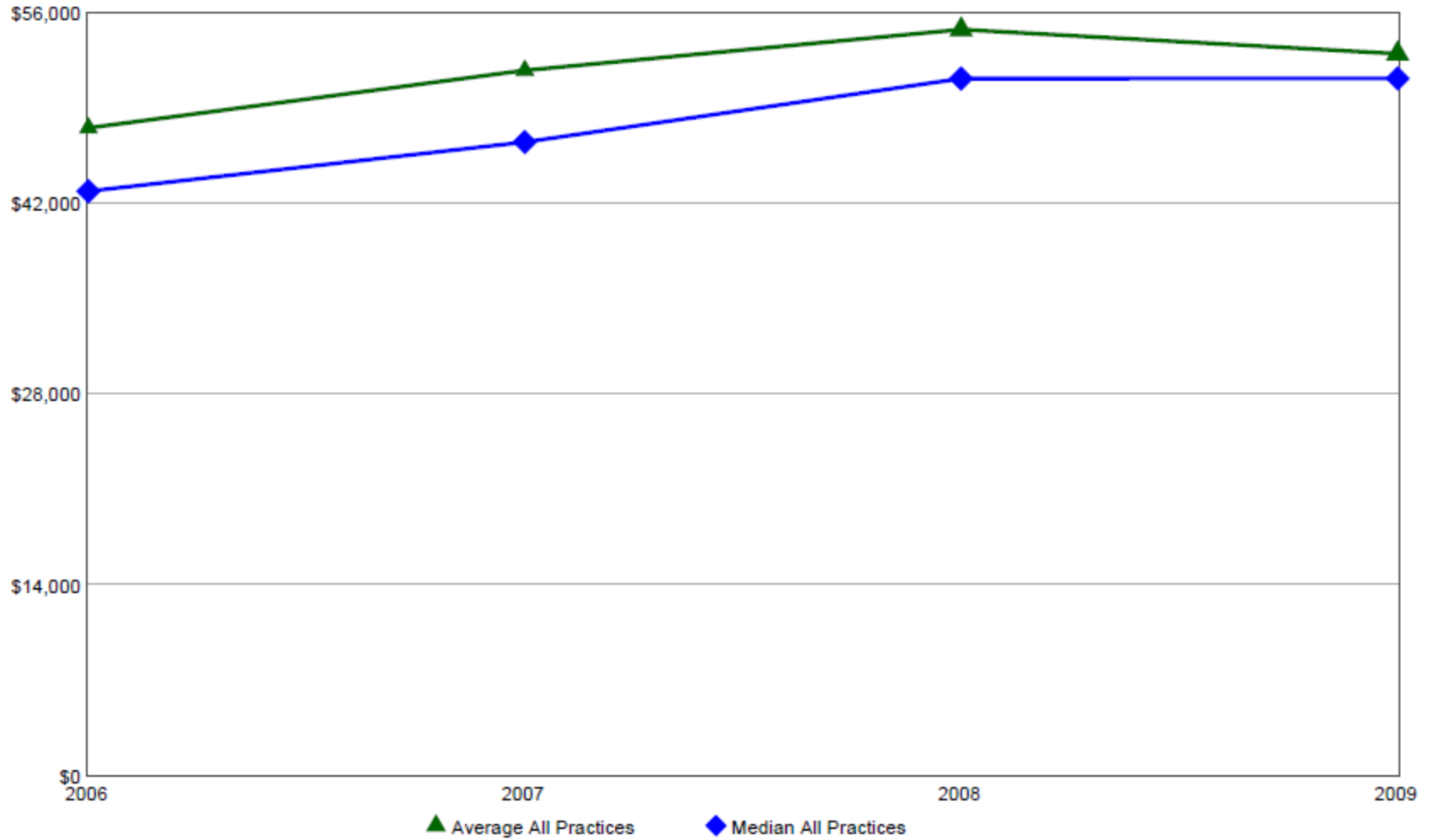
	2006	2007	2008	2009
Average All Practices	\$8,333	\$8,966	\$10,057	\$11,468
Median All Practices	\$7,962	\$8,033	\$8,856	\$10,848

IS w/o Ancillaries - Malpractice Insurance - Total All - per FTE Physician
 Book: 4 Section: 1 Measure: 07100



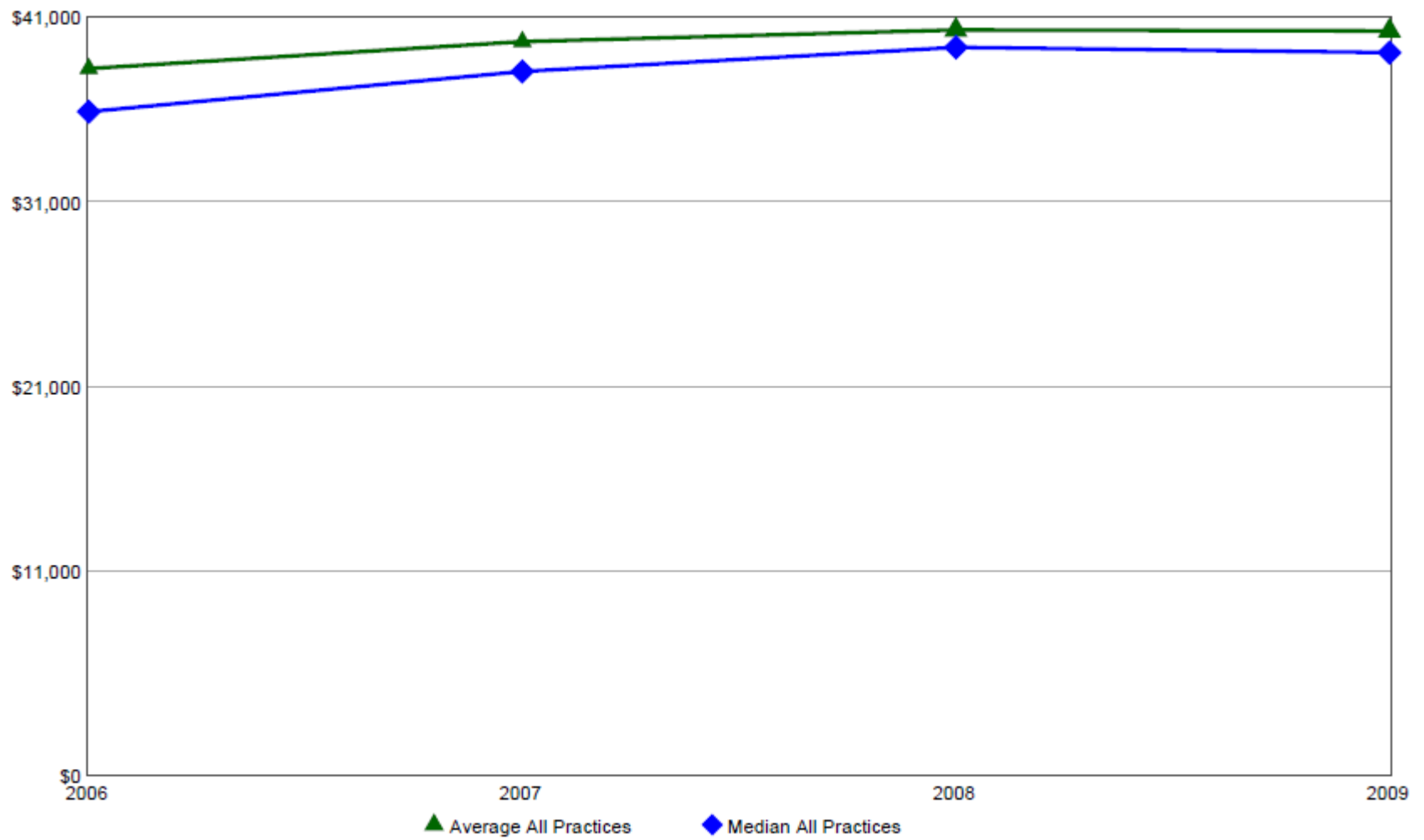
	2006	2007	2008	2009
Average All Practices	\$30,741	\$29,850	\$26,778	\$25,619
Median All Practices	\$31,646	\$30,599	\$26,330	\$24,761

IS w/o Ancillaries - Total Office Expense - per FTE Physician
 Book: 4 Section: 1 Measure: 09100



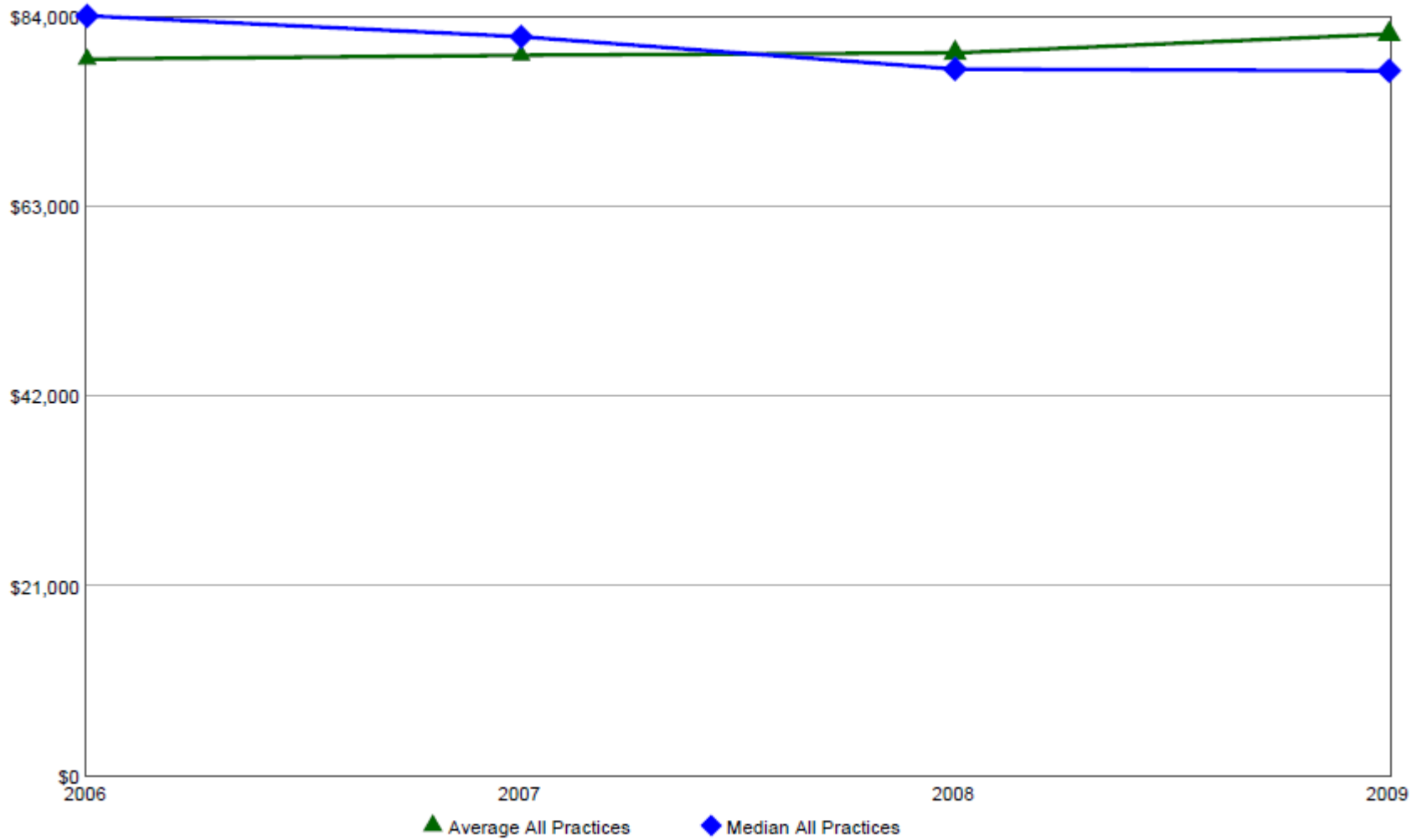
	2006	2007	2008	2009
Average All Practices	\$47,397	\$51,622	\$54,620	\$52,846
Median All Practices	\$42,752	\$46,356	\$51,020	\$51,033

IS w/o Ancillaries - Total Medical Expense - per FTE Physician
 Book: 4 Section: 1 Measure: 10100



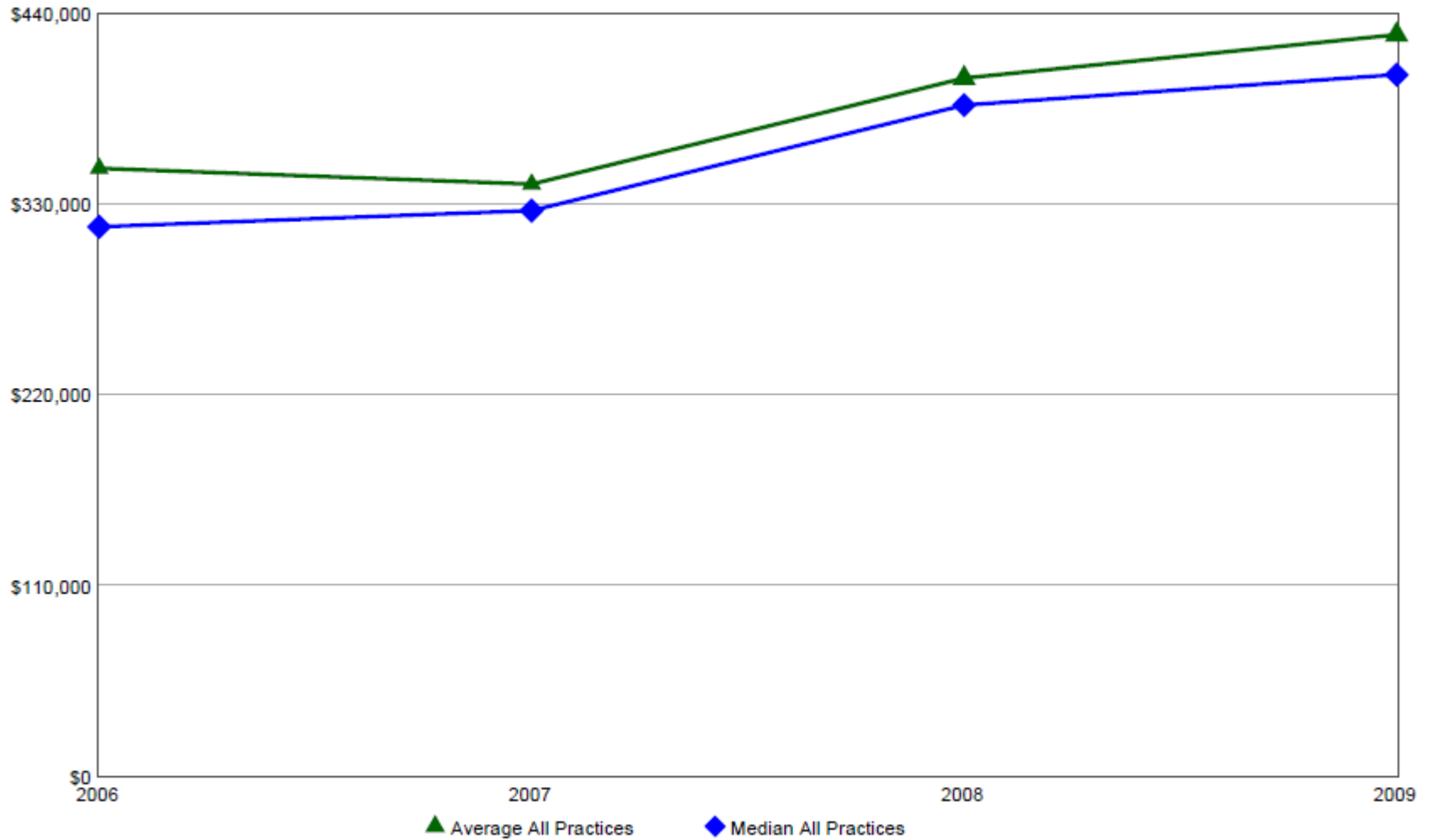
	2006	2007	2008	2009
Average All Practices	\$38,099	\$39,557	\$40,190	\$40,136
Median All Practices	\$35,767	\$37,943	\$39,246	\$38,967

IS w/o Ancillaries - Total Facility Expenses - per FTE Physician
 Book: 4 Section: 1 Measure: 11500



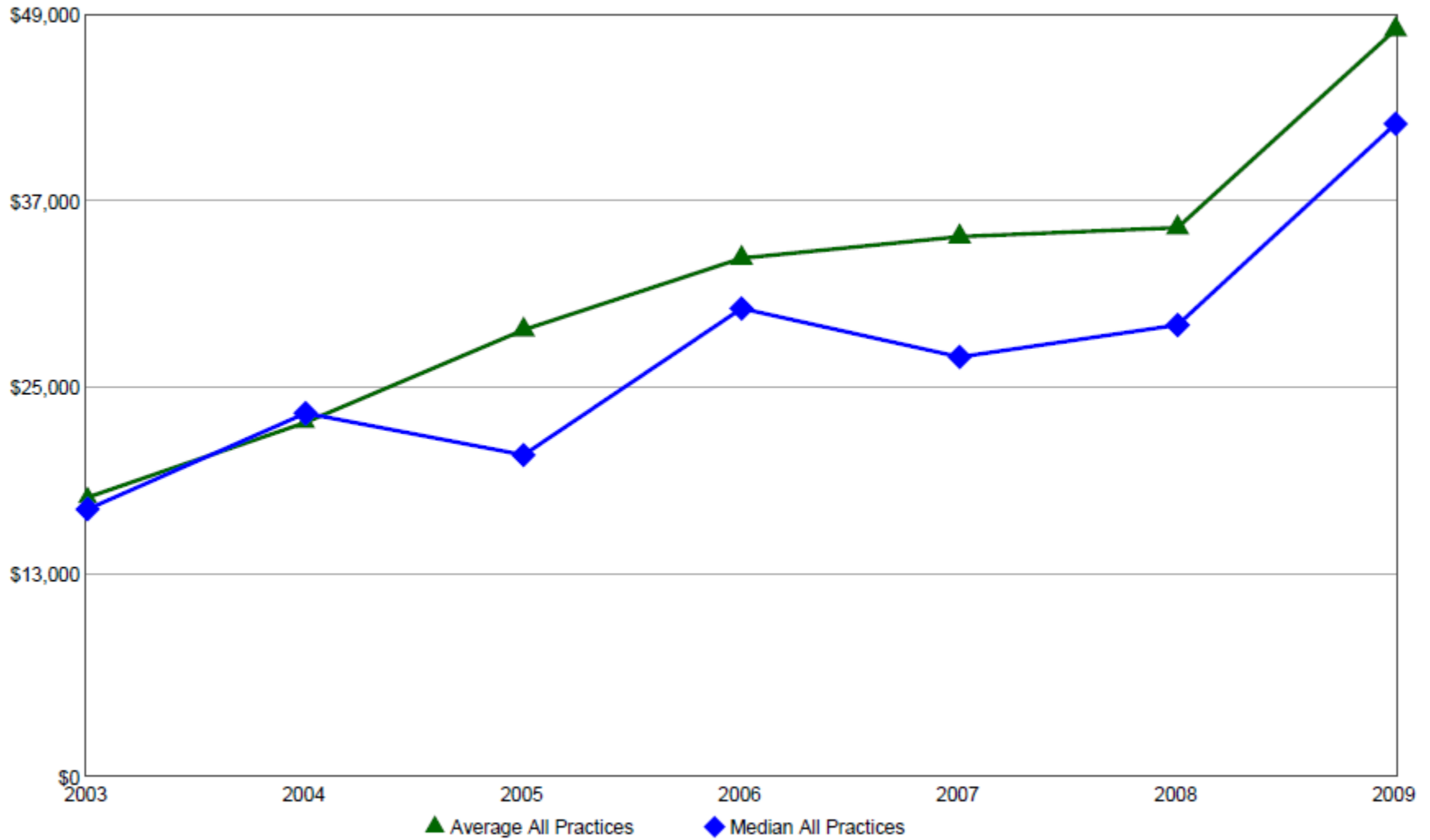
	2006	2007	2008	2009
Average All Practices	\$79,107	\$79,540	\$79,797	\$81,883
Median All Practices	\$83,902	\$81,591	\$78,005	\$77,817

IS w/o Ancillaries - Physician Compensation & Bonuses - per FTE Physician
 Book: 4 Section: 1 Measure: 12200



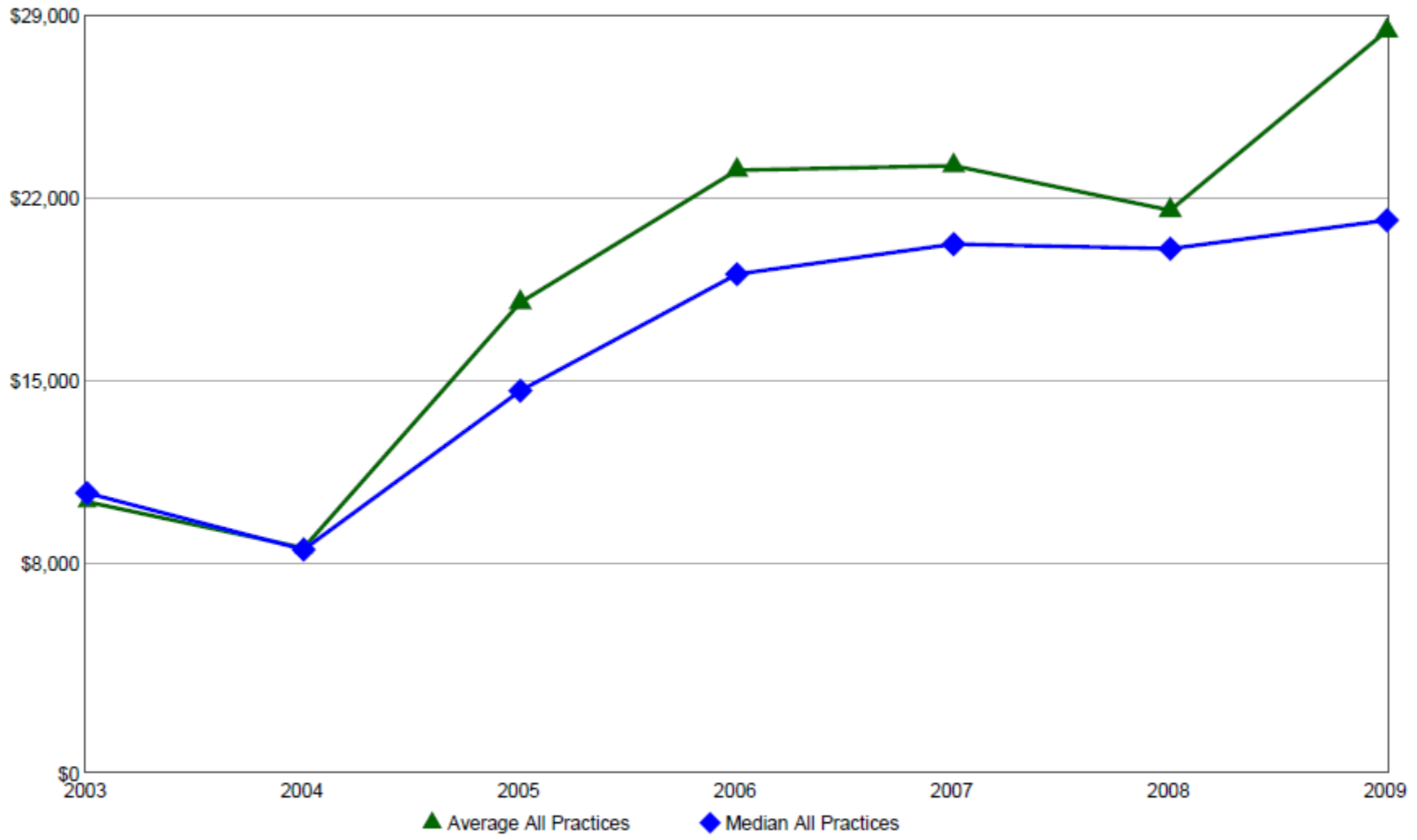
	2006	2007	2008	2009
Average All Practices	\$349,617	\$340,475	\$401,648	\$426,680
Median All Practices	\$315,878	\$325,214	\$386,059	\$403,679

DME IS - Total Revenue - per FTE Physician
 Book: 5 Section: 3 Measure: 02100



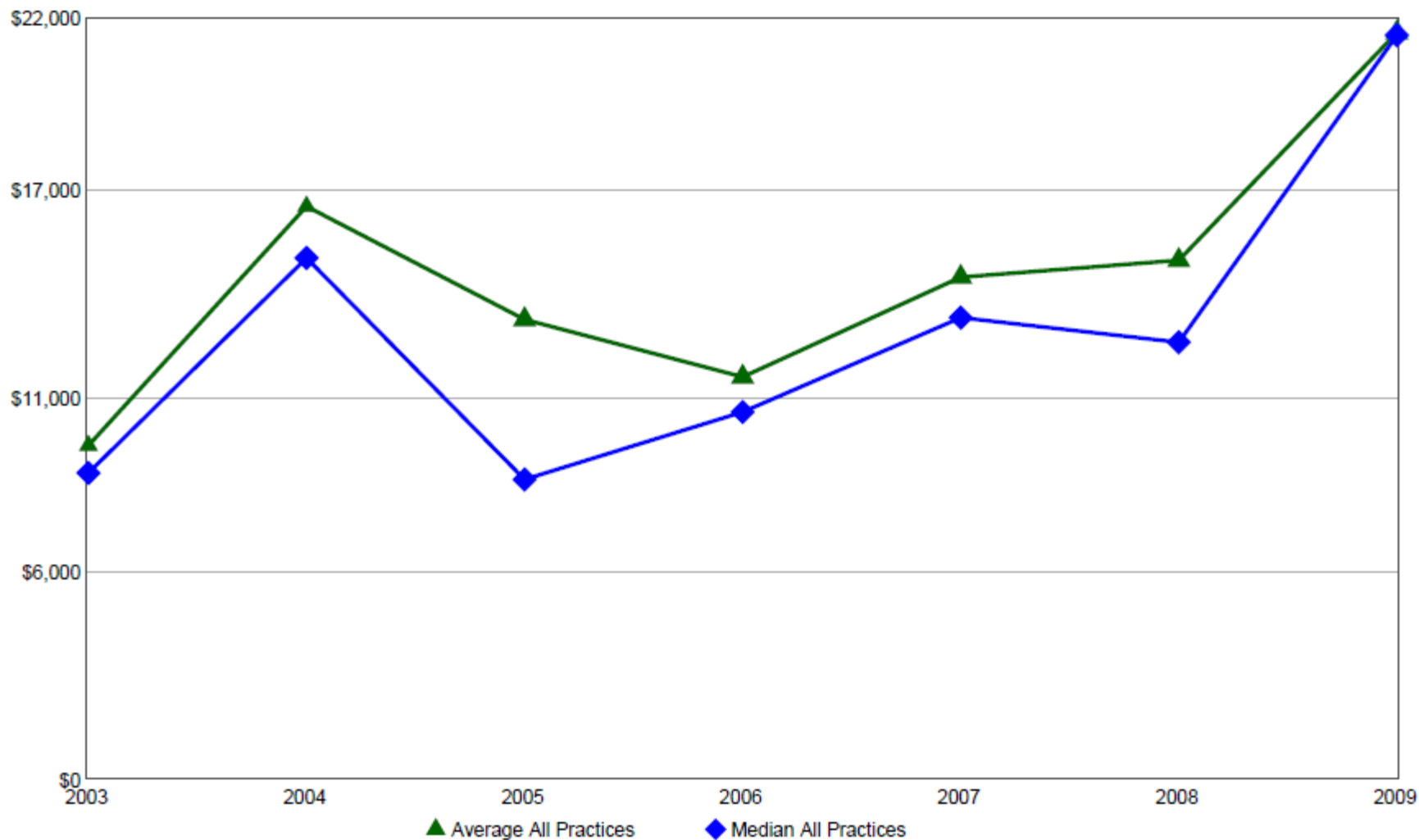
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$17,817	\$22,637	\$28,584	\$33,194	\$34,579	\$35,159	\$47,896
Median All Practices	\$17,057	\$23,230	\$20,543	\$29,962	\$26,843	\$28,898	\$41,834

DME IS - Total Oper. Expense before Physician Exp. - per FTE Physician
 Book: 5 Section: 3 Measure: 12100



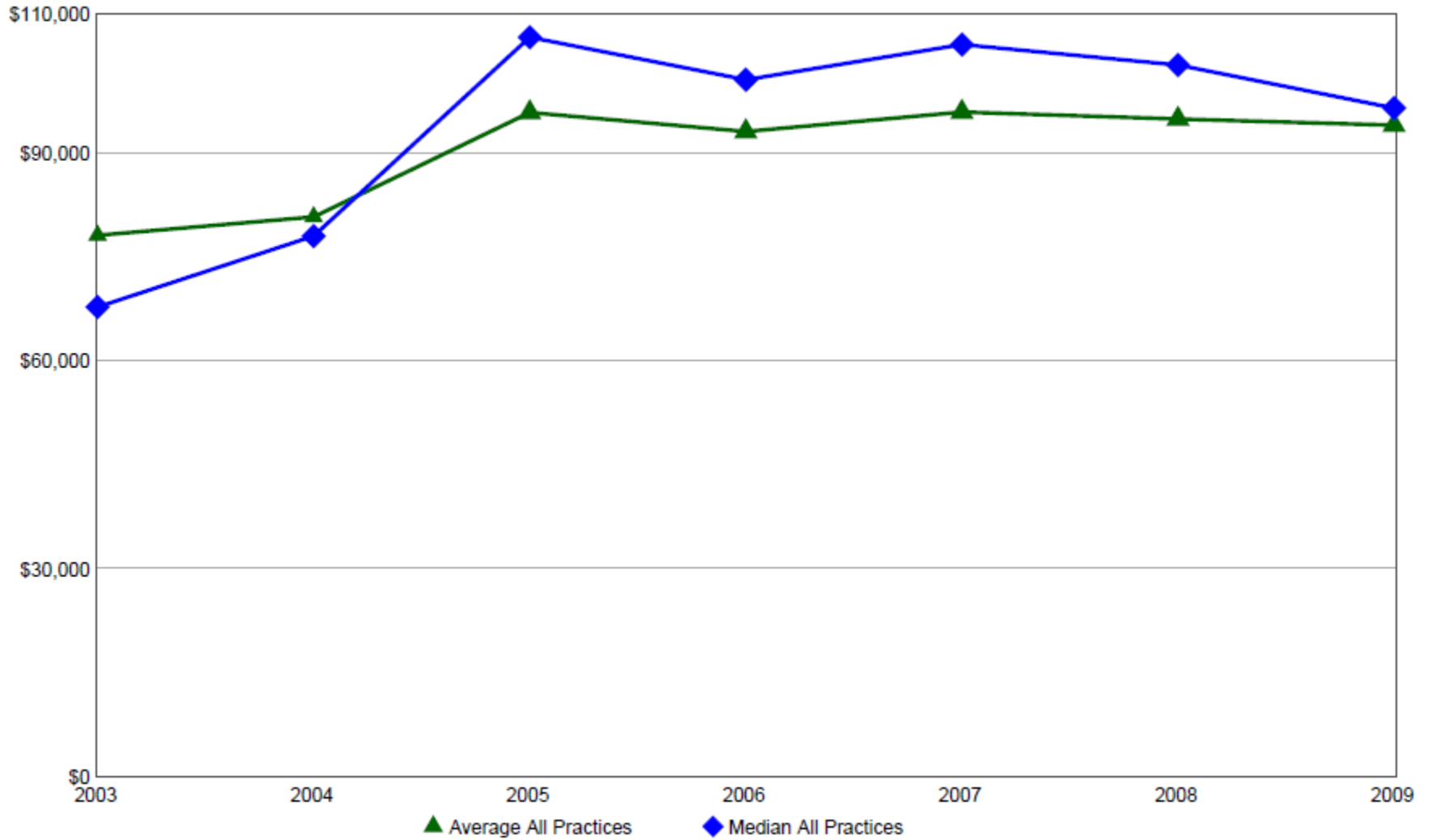
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$10,295	\$8,531	\$17,926	\$22,986	\$23,158	\$21,455	\$28,321
Median All Practices	\$10,632	\$8,468	\$14,546	\$19,009	\$20,160	\$19,982	\$21,072

DME IS - Net Income - per FTE Physician
 Book: 5 Section: 3 Measure: 13000



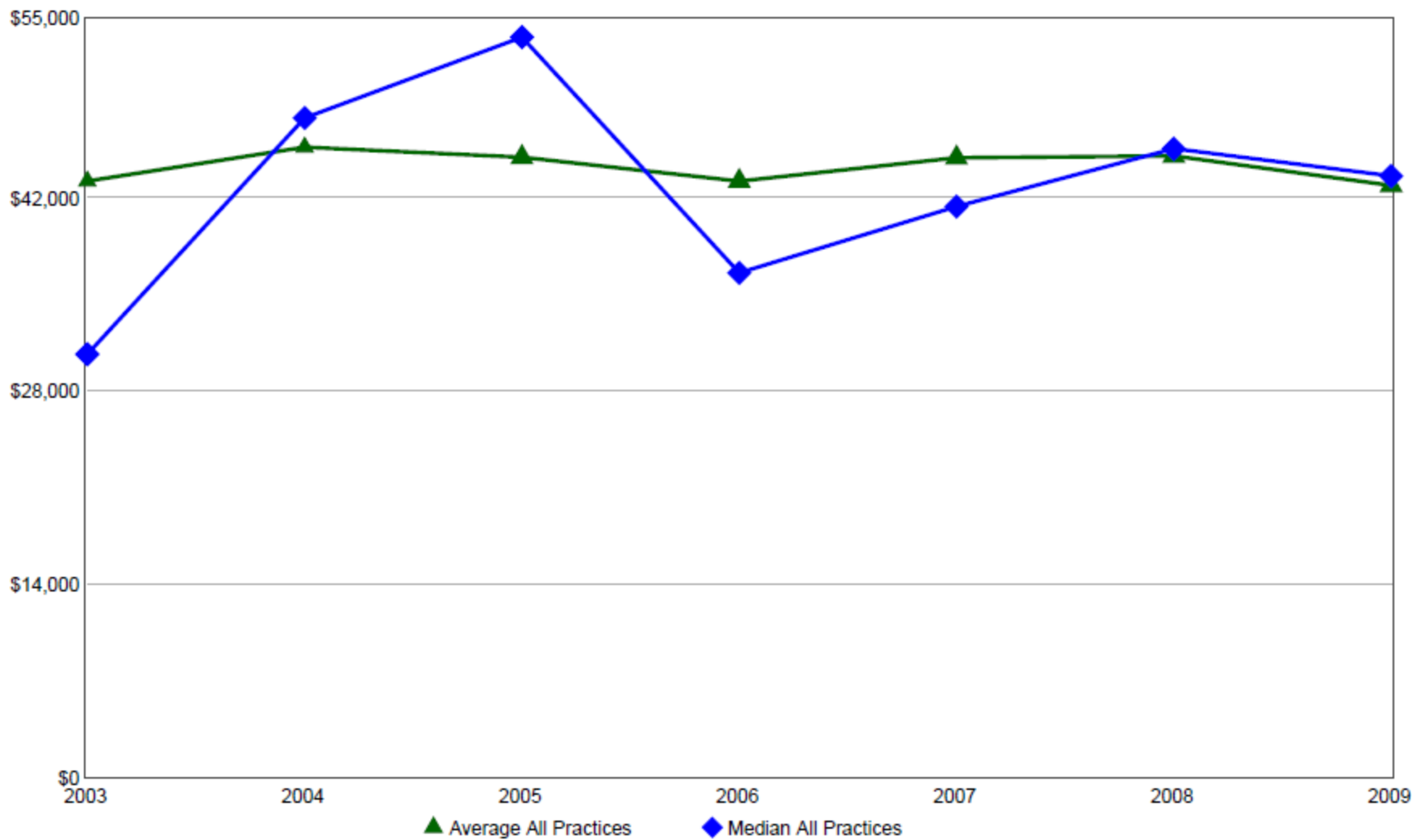
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$9,582	\$16,488	\$13,219	\$11,560	\$14,442	\$14,930	\$21,506
Median All Practices	\$8,789	\$14,997	\$8,599	\$10,548	\$13,272	\$12,562	\$21,431

MRI IS - Total Revenue - per FTE Physician
 Book: 5 Section: 1 Measure: 02100



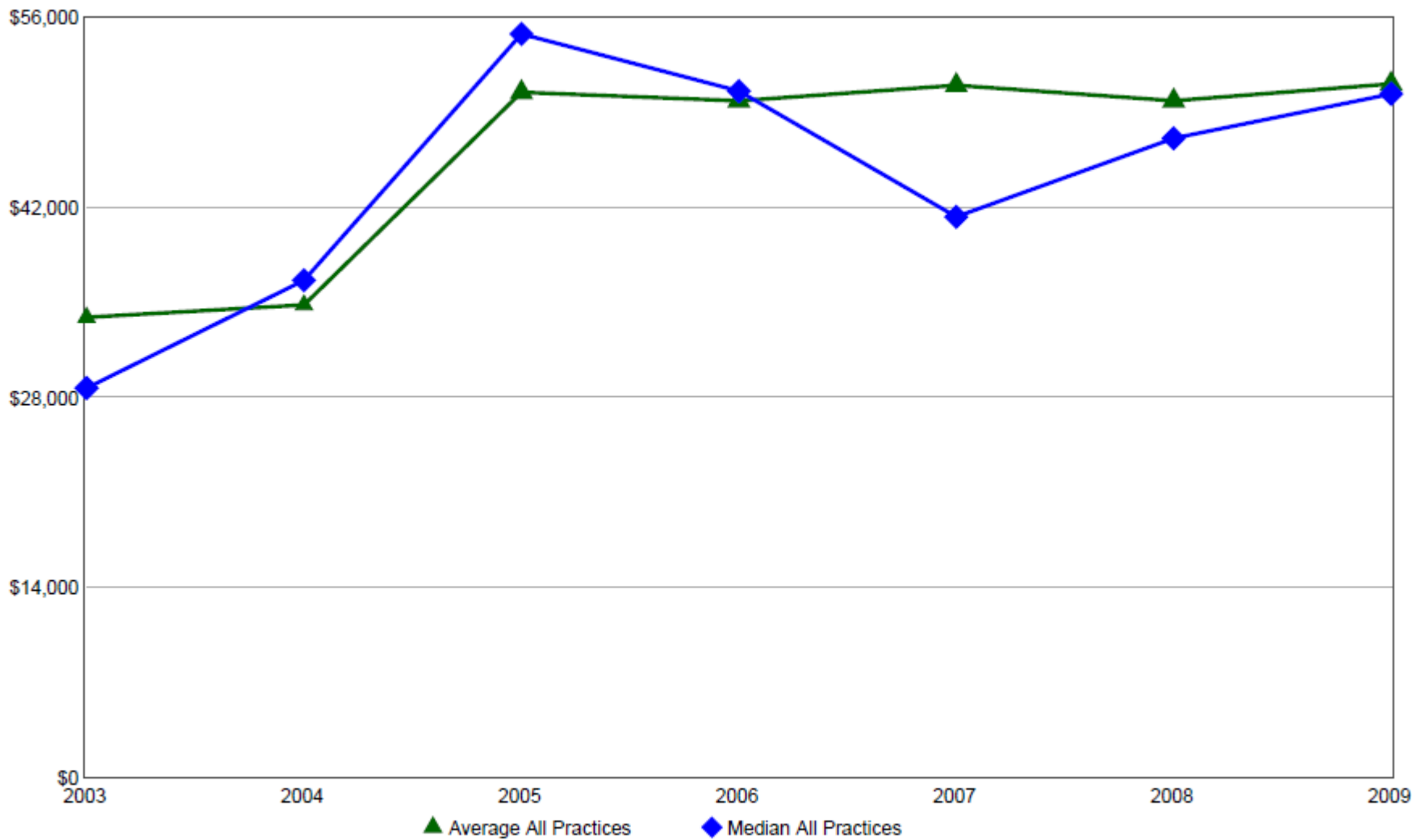
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$77,764	\$80,418	\$95,474	\$92,734	\$95,544	\$94,538	\$93,646
Median All Practices	\$67,410	\$77,664	\$106,338	\$100,209	\$105,280	\$102,329	\$96,118

MRI IS - Total Oper. Expense before Physician Exp. - per FTE Physician
 Book: 5 Section: 1 Measure: 12100



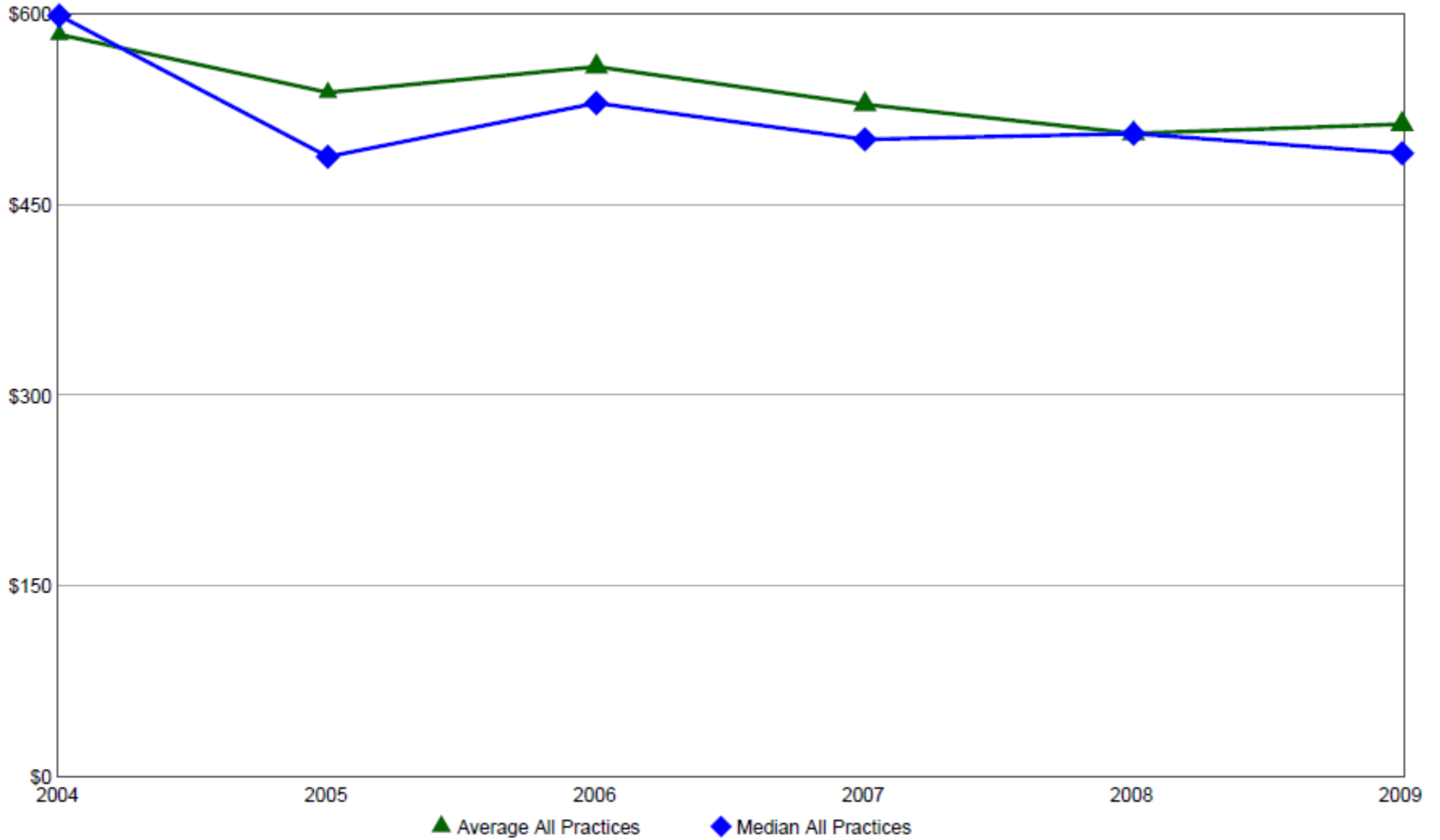
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$43,033	\$45,486	\$44,757	\$43,026	\$44,720	\$44,851	\$42,718
Median All Practices	\$30,497	\$47,602	\$53,451	\$36,387	\$41,193	\$45,382	\$43,405

MRI IS - Net Income - per FTE Physician
 Book: 5 Section: 1 Measure: 13000



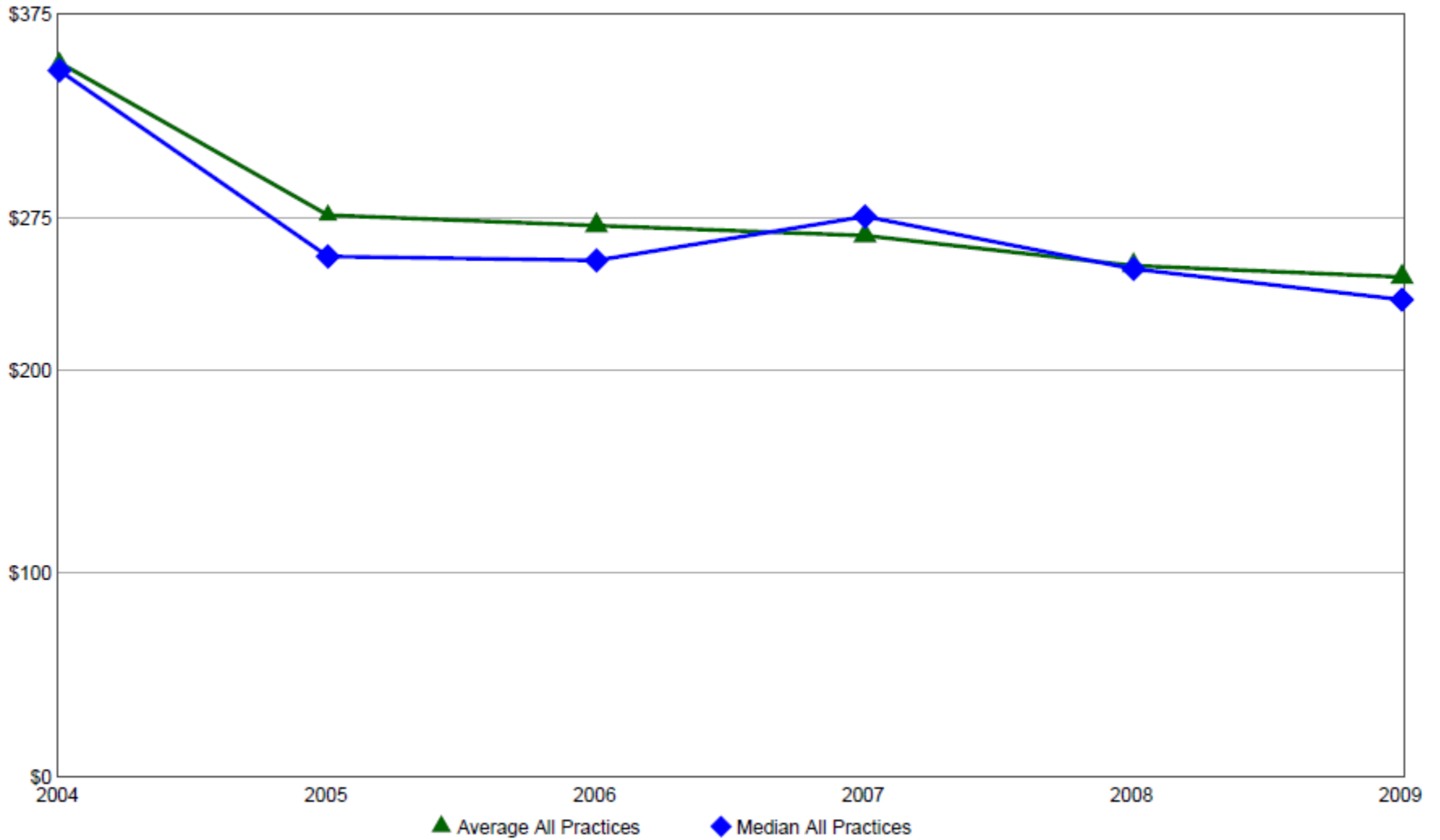
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$33,735	\$34,648	\$50,309	\$49,681	\$50,824	\$49,687	\$50,929
Median All Practices	\$28,523	\$36,462	\$54,606	\$50,403	\$41,141	\$46,924	\$50,185

MRI IS - Total Revenue - per MRI Scan
 Book: 5 Section: 1 Measure: 02100



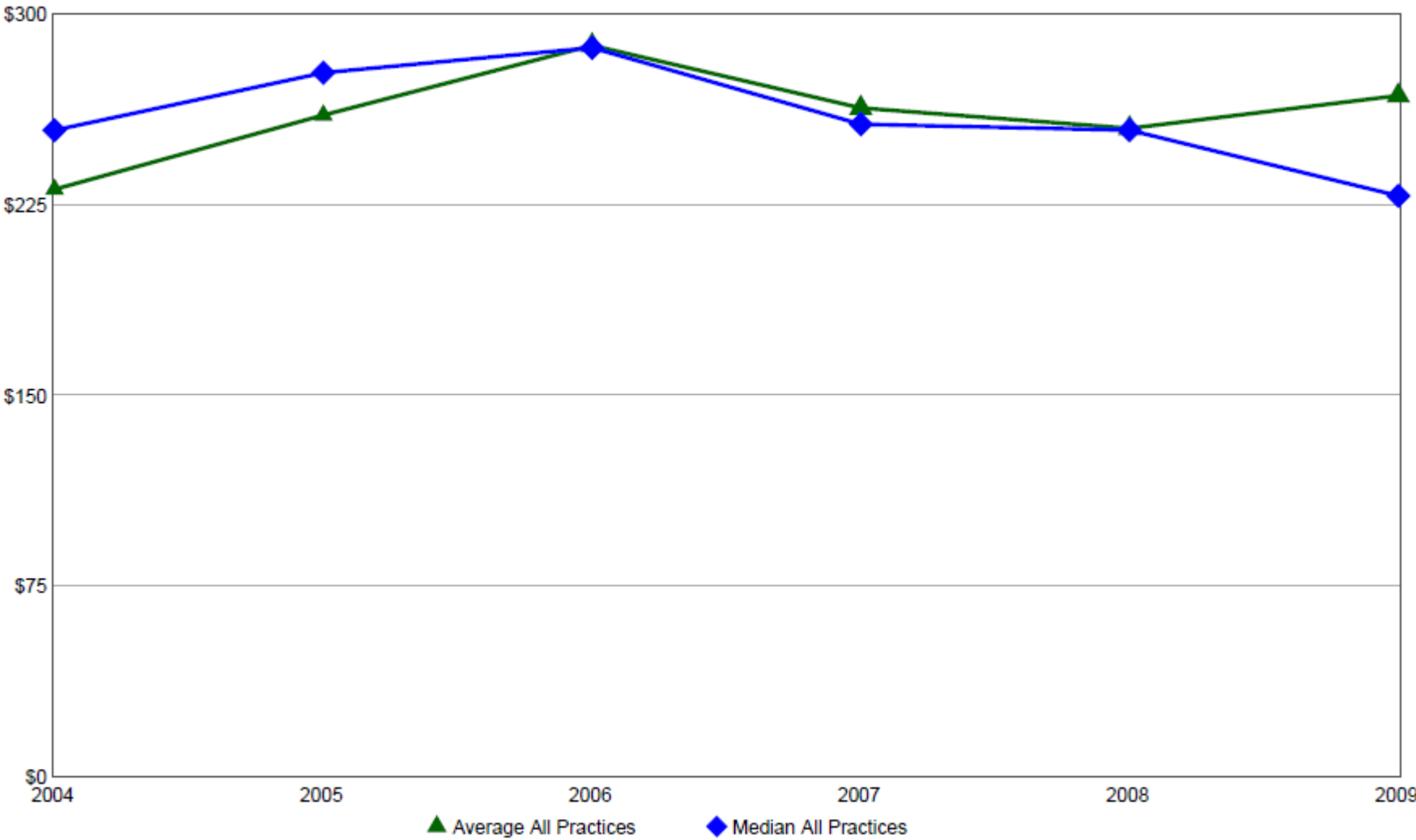
	2004	2005	2006	2007	2008	2009
Average All Practices	\$582	\$537	\$557	\$527	\$504	\$512
Median All Practices	\$597	\$486	\$528	\$500	\$504	\$489

MRI IS - Total Oper. Expense before Physician Exp. - per MRI Scan
 Book: 5 Section: 1 Measure: 12100



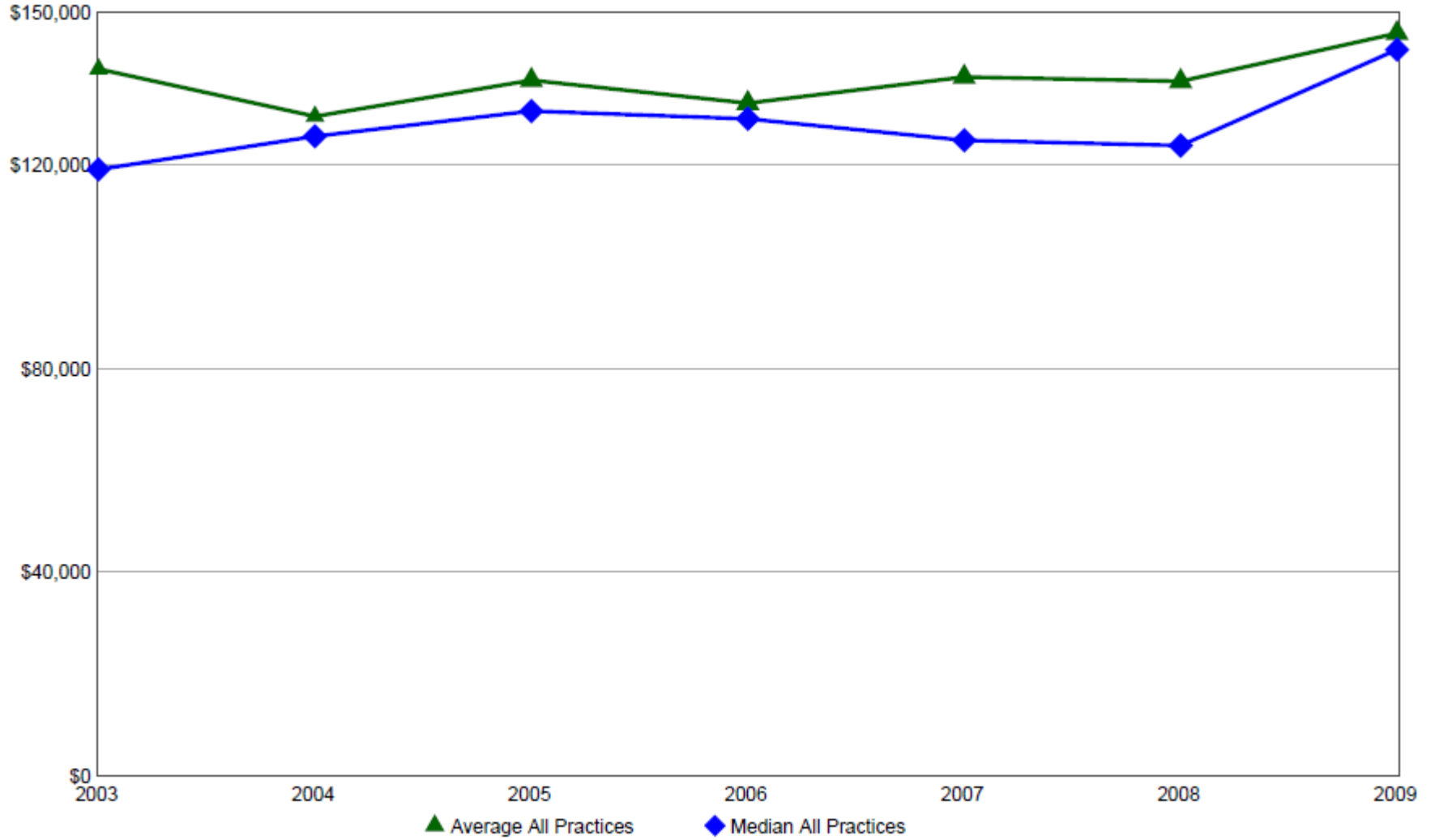
	2004	2005	2006	2007	2008	2009
Average All Practices	\$350	\$275	\$270	\$265	\$250	\$245
Median All Practices	\$346	\$255	\$253	\$274	\$249	\$233

MRI IS - Net Income - per MRI Scan
 Book: 5 Section: 1 Measure: 13000



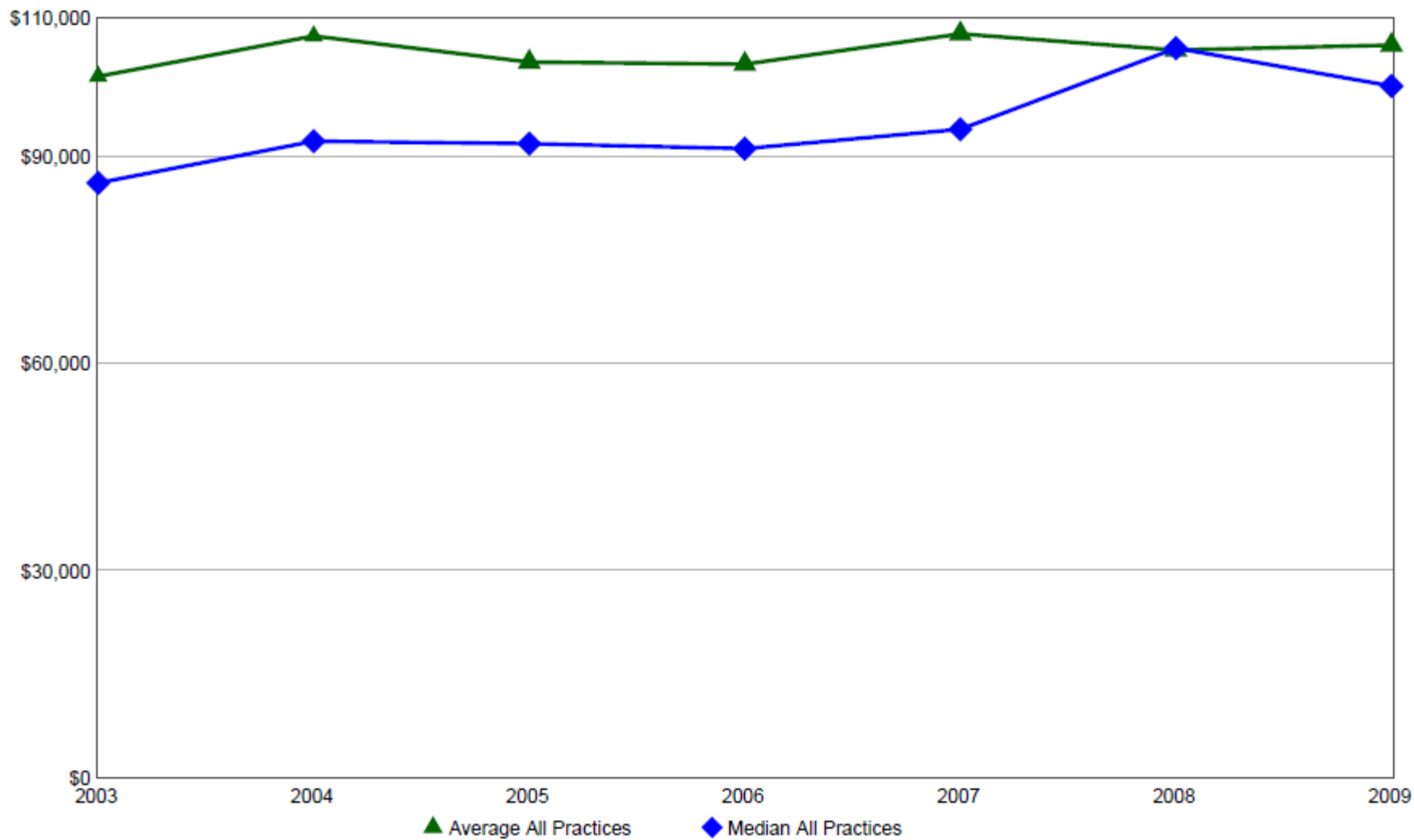
	2004	2005	2006	2007	2008	2009
Average All Practices	\$230	\$259	\$287	\$262	\$254	\$267
Median All Practices	\$253	\$276	\$286	\$256	\$253	\$228

PT/OT IS - Total Revenue - per FTE Physician
 Book: 5 Section: 2 Measure: 02100



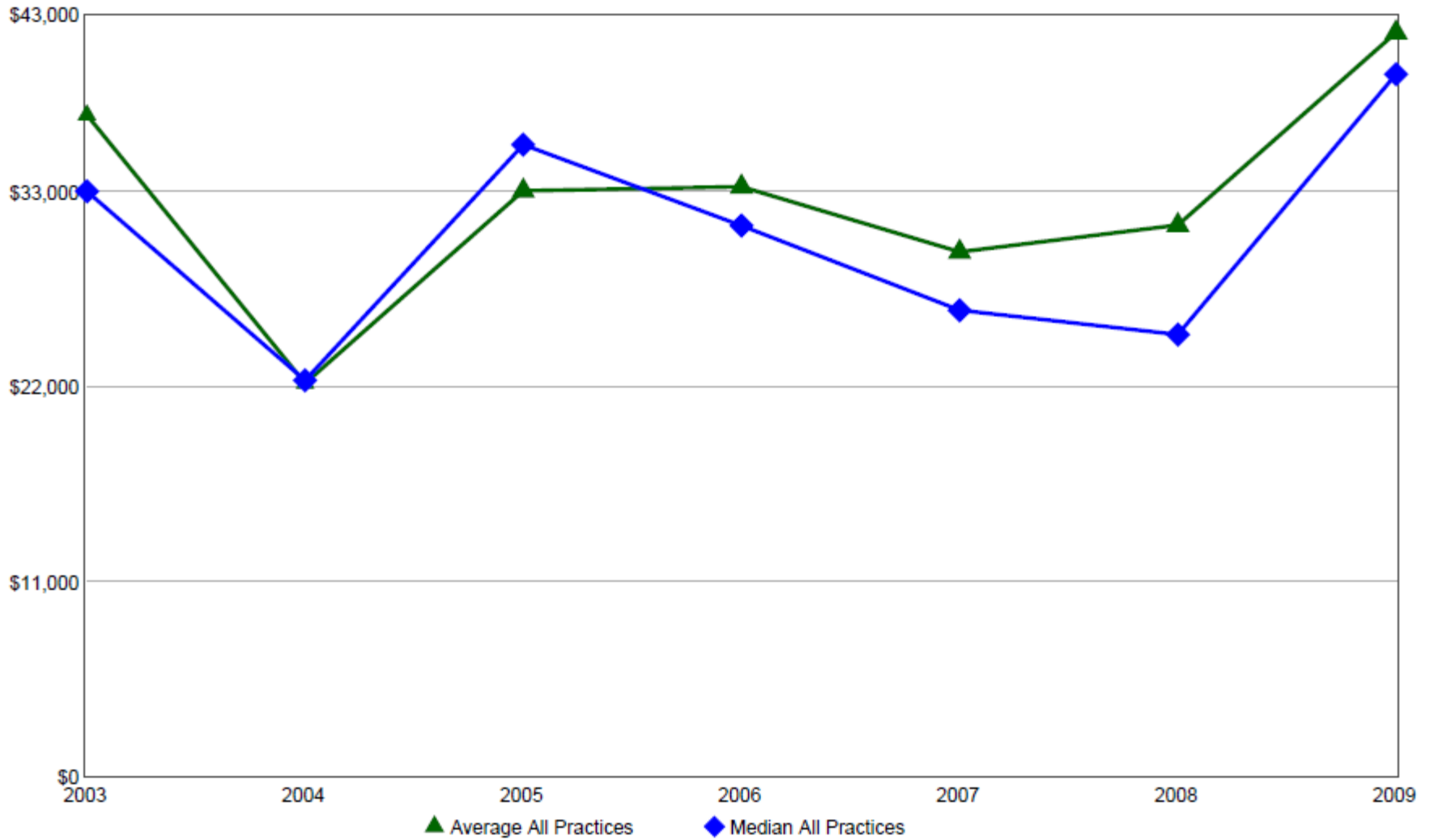
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$138,449	\$129,140	\$136,234	\$131,739	\$136,873	\$136,046	\$145,468
Median All Practices	\$118,707	\$125,222	\$130,188	\$128,650	\$124,441	\$123,405	\$142,266

PT/OT IS - Total Oper. Expense before Physician Exp. - per FTE Physician
 Book: 5 Section: 2 Measure: 12100



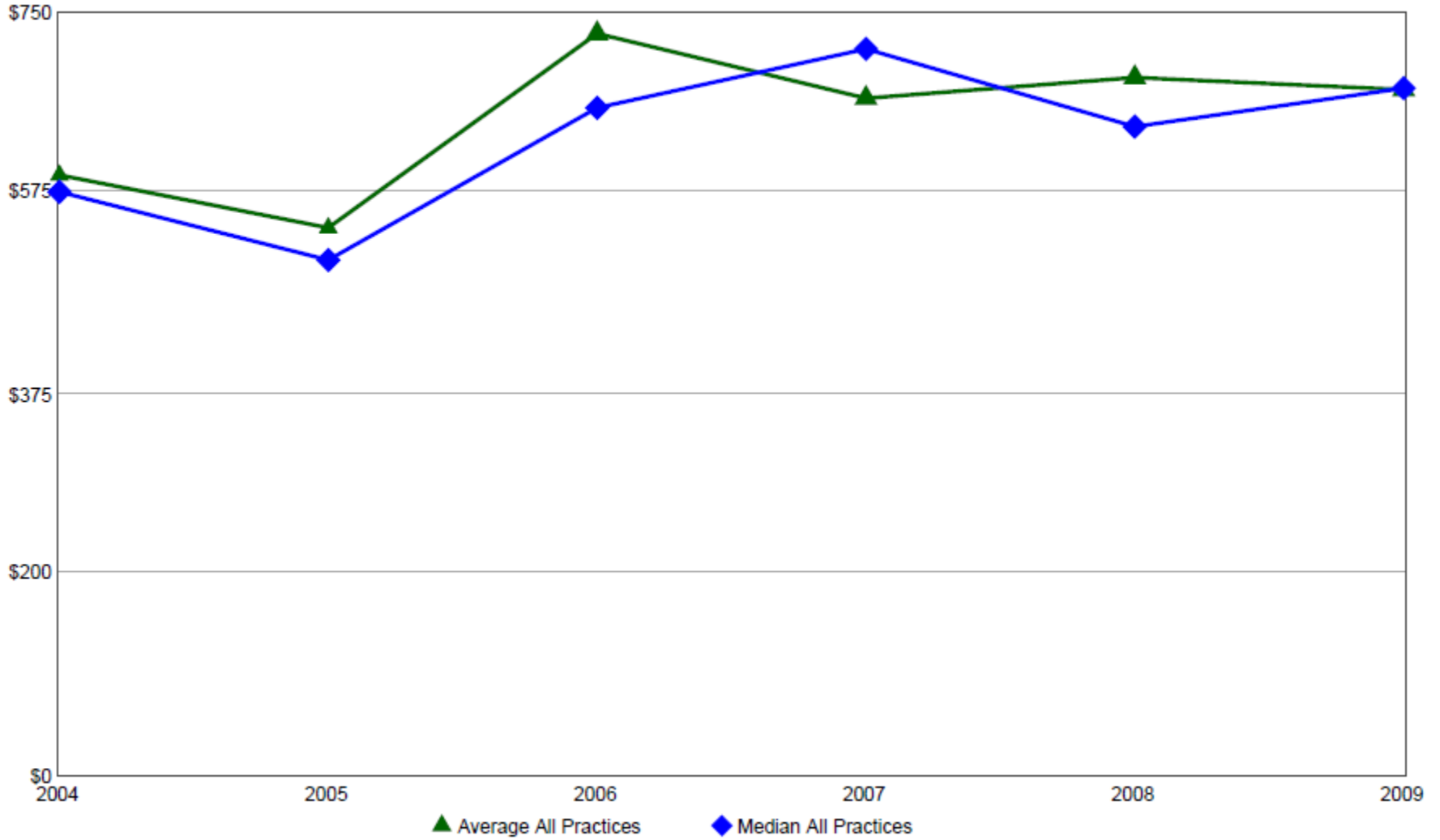
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$101,226	\$107,065	\$103,292	\$102,993	\$107,380	\$105,040	\$105,750
Median All Practices	\$85,796	\$91,835	\$91,480	\$90,759	\$93,564	\$105,304	\$99,838

PT/OT IS - Net Income - per FTE Physician
 Book: 5 Section: 2 Measure: 13000



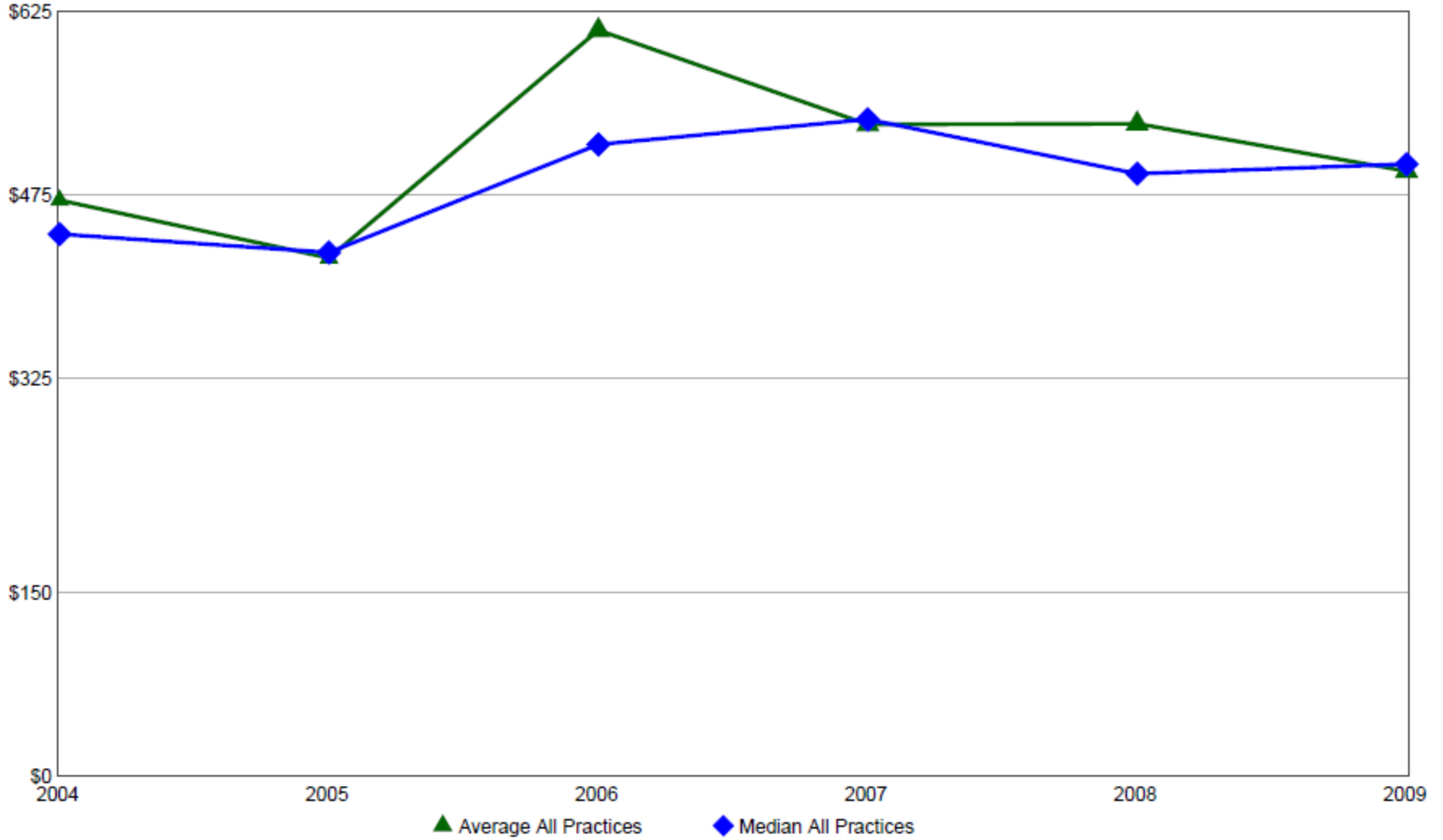
	2003	2004	2005	2006	2007	2008	2009
Average All Practices	\$37,223	\$22,075	\$32,942	\$33,171	\$29,493	\$31,005	\$41,876
Median All Practices	\$32,911	\$22,245	\$35,546	\$30,974	\$26,201	\$24,827	\$39,527

PT/OT IS - Total Revenue - per Patient
 Book: 5 Section: 2 Measure: 02100



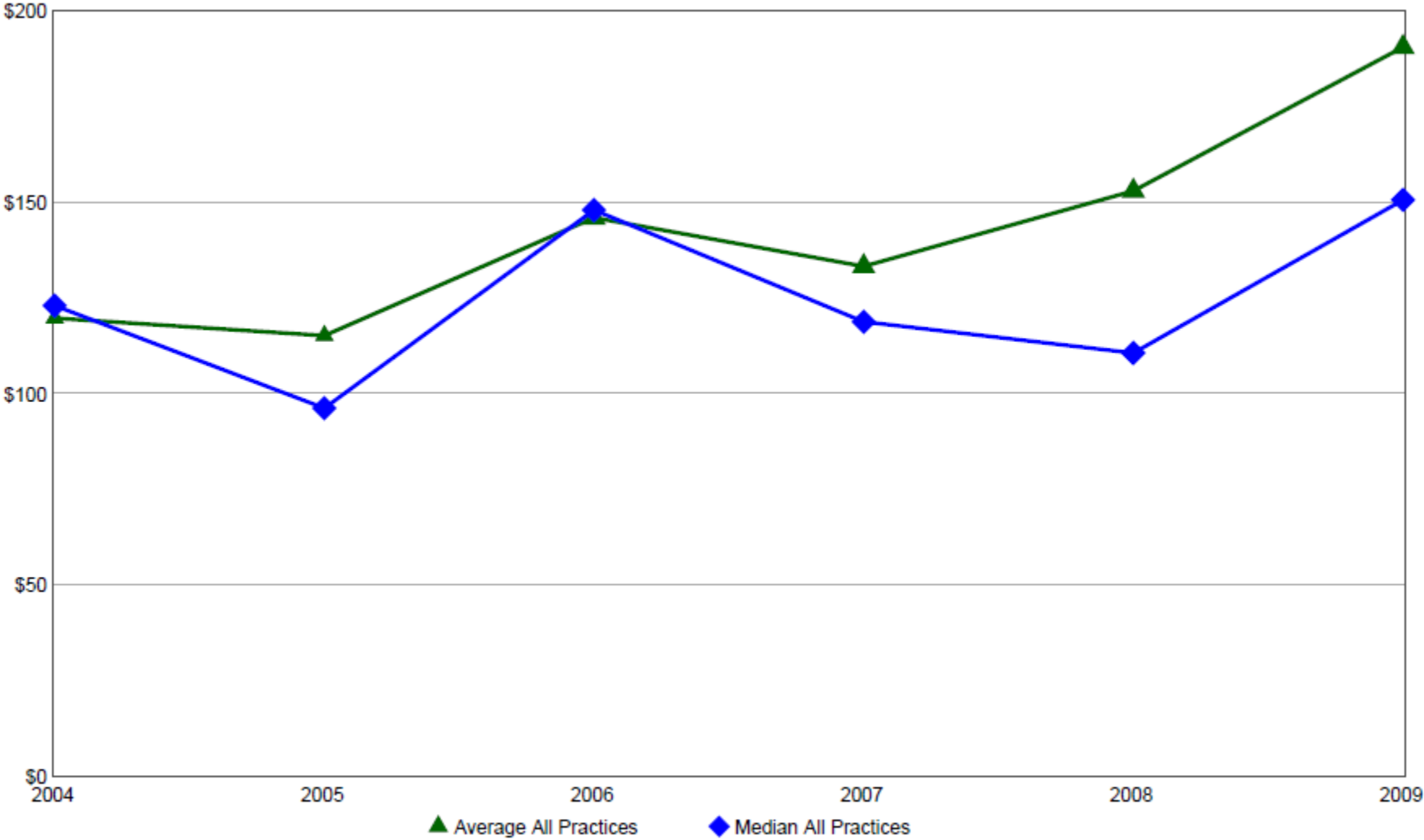
	2004	2005	2006	2007	2008	2009
Average All Practices	\$588	\$536	\$727	\$664	\$684	\$672
Median All Practices	\$571	\$505	\$654	\$712	\$636	\$673

PT/OT IS - Total Oper. Expense before Physician Exp. - per Patient
 Book: 5 Section: 2 Measure: 12100



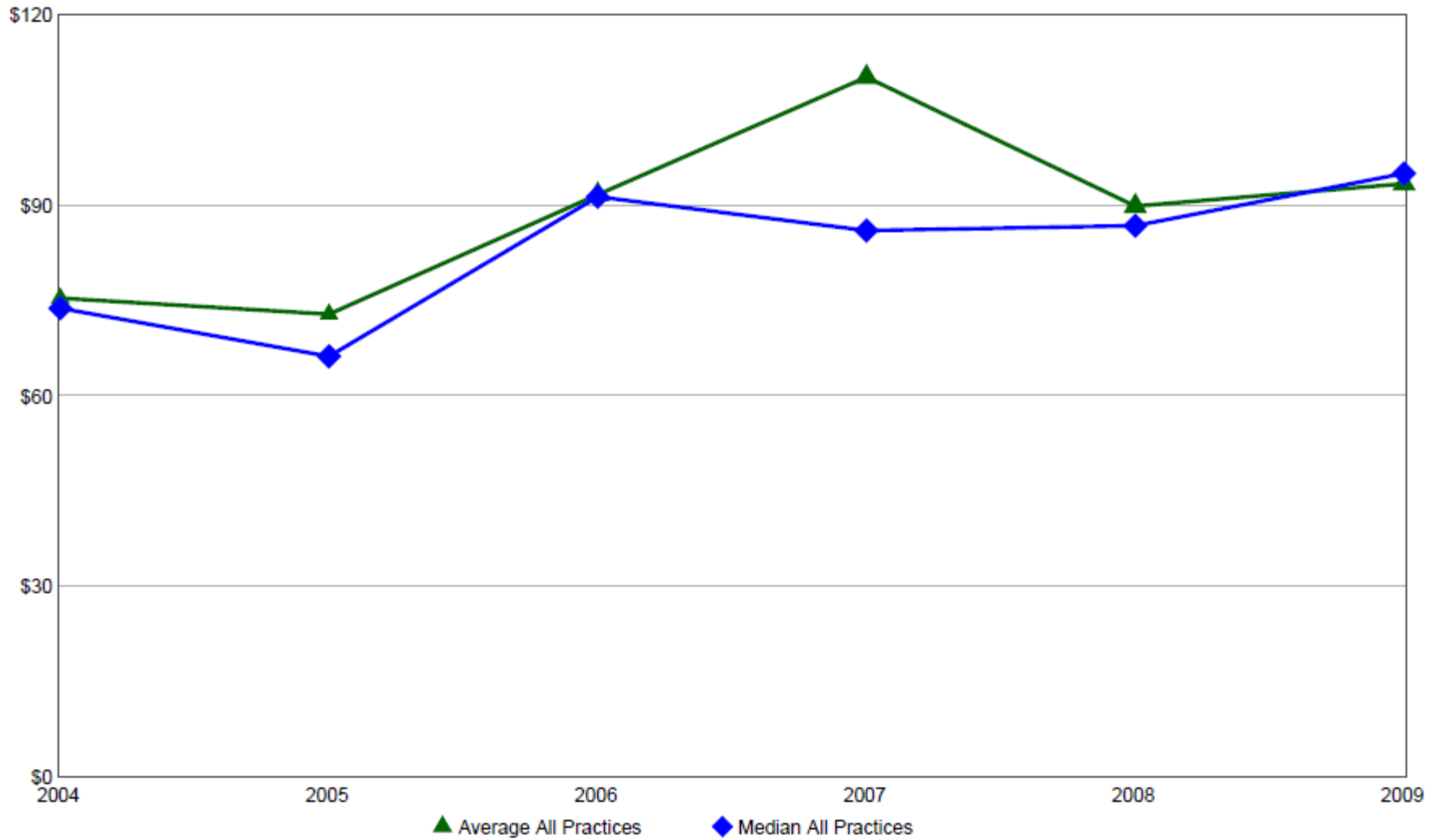
	2004	2005	2006	2007	2008	2009
Average All Practices	\$469	\$422	\$608	\$531	\$531	\$493
Median All Practices	\$441	\$426	\$515	\$535	\$491	\$499

PT/OT IS - Net Income - per Patient
 Book: 5 Section: 2 Measure: 13000



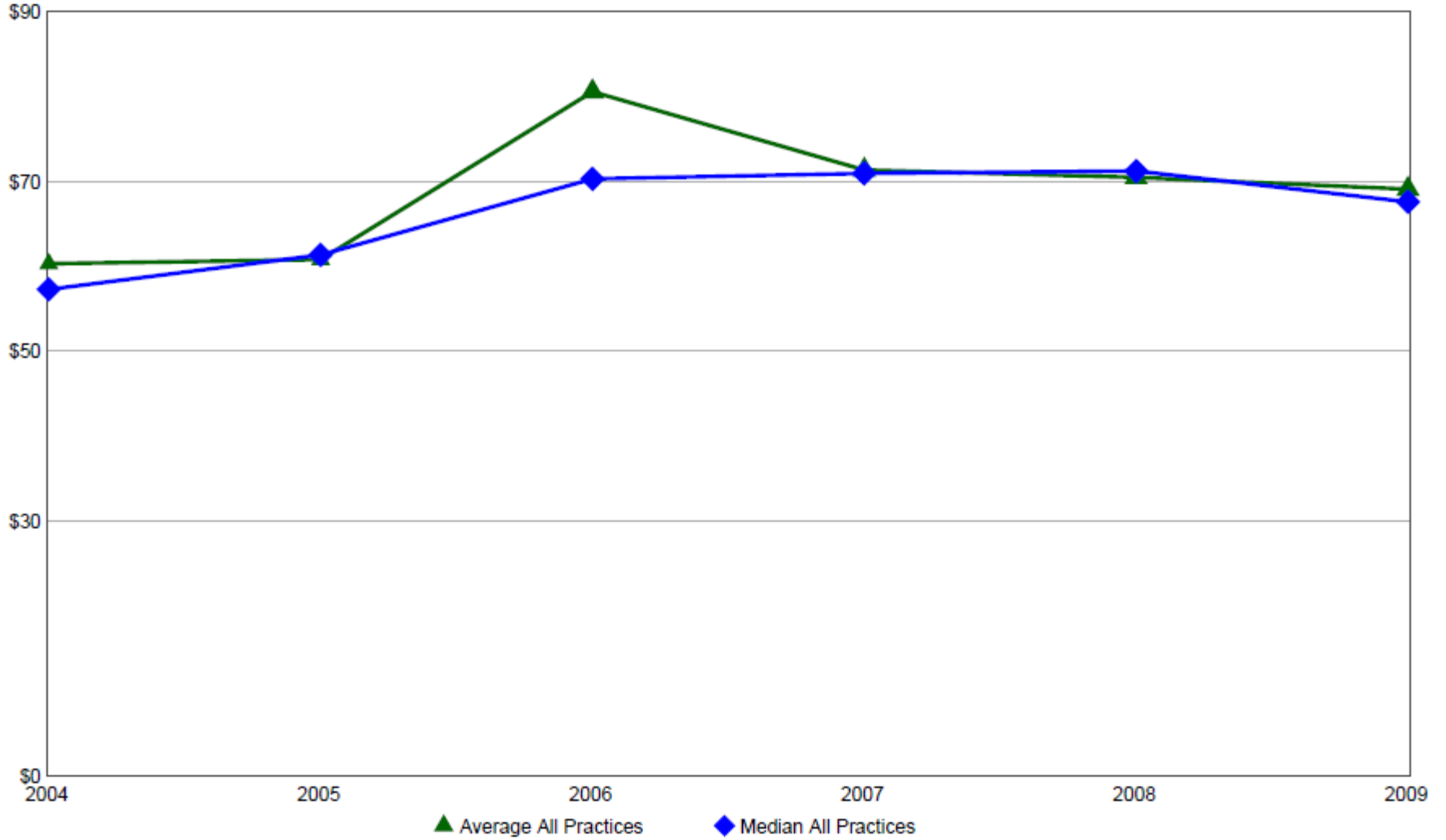
	2004	2005	2006	2007	2008	2009
Average All Practices	\$119	\$115	\$145	\$133	\$152	\$190
Median All Practices	\$122	\$96	\$147	\$118	\$110	\$150

PT/OT IS - Total Revenue - per PT/OT Visit
 Book: 5 Section: 2 Measure: 02100



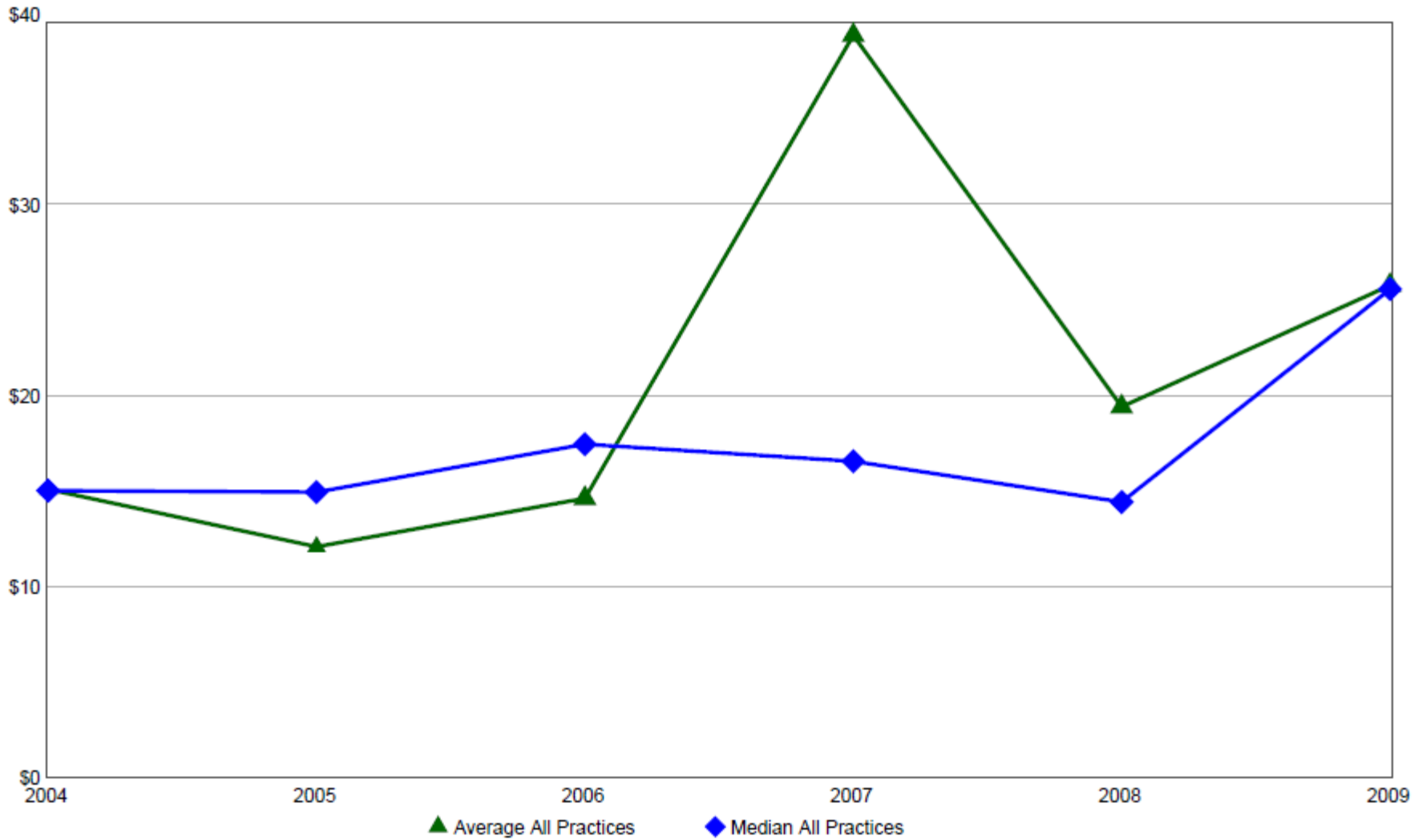
	2004	2005	2006	2007	2008	2009
Average All Practices	\$75	\$72	\$91	\$110	\$90	\$93
Median All Practices	\$73	\$66	\$91	\$86	\$86	\$95

PT/OT IS - Total Oper. Expense before Physician Exp. - per PT/OT Visit
 Book: 5 Section: 2 Measure: 12100



	2004	2005	2006	2007	2008	2009
Average All Practices	\$60	\$61	\$80	\$71	\$70	\$69
Median All Practices	\$57	\$61	\$70	\$71	\$71	\$67

PT/OT IS - Net Income - per PT/OT Visit
 Book: 5 Section: 2 Measure: 13000



	2004	2005	2006	2007	2008	2009
Average All Practices	\$15	\$12	\$14	\$39	\$19	\$26
Median All Practices	\$15	\$15	\$17	\$16	\$14	\$25

COA – Orthopaedic Financial Trends

- Expenses are clearly rising and some of the increase in expenses is tied to new business inside the practice (Physical Therapy, DME, MRI etc.)
- Many expense increases are simply a function of the cost of remaining in business. To date much of this has been offset by income from the new businesses inside the practice
- In an environment which may be dominated by ACOs, bundled payments, shared savings and capitation will the historical practice model work?

Conclusion

Questions?