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Using Key Performance Indicators to Do More with Less in Your Practice, presented in partnership with Seminars in Hearing

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Disclosures

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Learner Objectives

1) Provide a working definition of key performance indicators (KPIs).
2) Characterize why KPIs are important to the sustainability of a practice
3) Explain how to manage a set of KPIs in a real-world practice

Agenda

- Basic Concepts and Definitions
- Creating Your Own KPIs
- How to Manage KPIs relative to a benchmark
Objective

- KPIs that are tailored to your business model and strategy are essential to managing a sustainable business
  - Provide a clear path for employees/clinicians
  - Monitor areas that need to be improved
  - Allocation of resources
  - Planning for the future

Time is Money

- KPIs improve efficiency!
The Big Idea

How you manage KPIs is more meaningful and fulfilling that what you measure.

What is a KPI?
**Importance of KPIs**

**Your trucking company....**

- 3 days to get cargo across country
- $6000 to complete task and turn a 15% marginal profit
- $2000 per day
Your trucking company….

- 3 days to get cargo across country
- $6000 to complete task and turn marginal 15% profit
- $2000 per day
- One day late costs you $2000!

On or off course?

- GPS location data
- average speed
- fuel levels
- weather information
- status of driver
Getting under the hood of your practice

Productivity

How the truck is built
Productivity

- Optimizing time on revenue generating activities
- Getting the most done with the least amount of resources
  - Division of Labor
  - Audiology Assistants
  - Automated Testing
  - Teleaudiometry

What is a sustainable business?

- Office traffic
- Units sold (hearing aids or tests/procedures/time)
- Price per unit
- Satisfied patients
- Cash collected
Critical Questions

- How do you generate revenue in your practice?
  - Private pay, third party contracts
  - Retail hearing aid or medical
- Where do your patients come from?
  - Referred by physician (ENT model)
  - Advertising
- What is your business strategy?
  - Growth
  - Maintain
  - Retire soon/Sell

2 types of KPIs

- Business or Operational:
  - revenue/profit
  - cash collected
  - COGs/gross profit
  - ASP
  - conversion rate
- Quality or Clinical:
  - benefit
  - satisfaction
Common Hearing Aid KPI Terms

- Gross Revenue
- Cost of Goods
- Gross Profit Margin
- Net Profit Margin

Profit & Loss Statement

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[Table and data related to profit and loss statement]

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[Continued]
6-Step Process

1. Define your business strategy & KPIs
2. Pick 6
3. Identify benchmarks
4. Create reporting dashboard or report
5. Talk to staff about the “whys” and “hows”
6. Develop a cadence – check weekly, daily

Some thoughts on reports
“Typical” Audiology Practice

- Hearing aid sales is 80% of revenue
  - 80% is private pay
- 20% is diagnostic services
- 1 full time provider who wants to grow business
- Gross revenue target: $500,000
- Marginal profit 15%: $75,000

Targets

- $400,000 in gross hearing aid revenue
- $280,000 in gross profit (30% COGs)
- ASP = $2000/unit
- 200 units@17 units per month
- 10 patients per month purchasing products (7 bilateral, 3 unilateral)
Benchmarks

- $34,000/month in gross hearing aid revenue
- $23,800/month in gross hearing aid profit
- $8,400/month is revenue from testing

Benchmarks (Hearing Aids)

- 20 opportunities per month
- 10 per month agree to purchase
- 85% fitted bilaterally
- ASP: $2,000 per unit
- COG: 30%
KPI #1

- 20 opportunities per month

20 opportunities per month

1. Who’s a candidate?
   - Hearing thresholds of 40 decibels (dB) hearing level (HL) or worse at 500, 1000, 2000, 3000, or 4000 hertz (Hz).
   - Hearing thresholds of 25 dB HL or worse at three of the frequencies noted above
   - No medical complications (red flags)
20 opportunities per month

2. How do you reach that goal?
   • Marketing/Advertising
   • Physician Outreach

3. Where do you put them on the schedule?
   • Must have open spaces on schedule
   • Reduce patient wait time

KPI #2

- 10 opportunities agree to purchase hearing aids
- 50% conversion rate
10 opportunities agree to purchase hearing aids

- How do you reach that goal?
  - Use of a repeatable appointment process
    - Visual aids
    - Effective communication skills
  - Focus on binaural advantage

KPI #3

- ASP of $2,000 per unit
ASP of $2000 per unit

- How do I ethically dispense a hearing aid at this price point?
  - Comprehensive clinical approach
  - Do your homework - Believe in the products you recommend
  - What additional services will be offered as part of price?

KPI #4

- Cost of Goods = 30% per unit

- 30% of the retail price goes to the manufacturer
Cost of Goods = 30% per unit

- How do you maintain this number?
  - Negotiate pricing with manufacturer
  - Pay attention to product mix
  - Review each invoice

Closing Gaps

- Example: The trend line for conversion rates is down by a 13 (7 instead of 10 per month)
The Role of Effective Management

- Focus on results and how to achieve them
- Make sure everyone understands clinical processes and is using best practices
- Identify areas in need of improvement
- Directive style: Inexperienced clinicians
- Collaborative style: Experienced clinicians

Effective mgmt. happens everyday

- Know your people (short, weekly meetings)
- Talk about performance (provide feedback)
- Teach (identify ways to improve performance)
Quality KPIs

1. Time
   - Why?
     - Improve efficiency

2. Patient Benefit and Satisfaction
   - Why?
     - Patients with superior outcomes are more likely to be repeat purchasers and refer others to your clinic
     - Identify ways to improve it

Value per Minute = Gross Profit/Clinical Hrs.
**Annex 1. International Outcome Inventory - Hearing Aids (IOI-HA)**

1. Think about how much you used your present hearing aid(s) over the past two weeks. On an average day, how many hours did you use your hearing aid(s)?
   - [ ] Less than 1 hour/day
   - [ ] 1 to 4 hours/day
   - [ ] 5 to 8 hours/day
   - [ ] More than 8 hours/day

2. Think about the situation when you first noticed you were having trouble hearing. From the past two weeks, how much has the hearing aid helped in that situation?
   - [ ] Greatly
   - [ ] Slightly
   - [ ] Moderately
   - [ ] A little
   - [ ] None

3. Think again about the situation when you first noticed you were having trouble hearing. When you use your present hearing aid(s), how much do you think you still have hearing difficulties?
   - [ ] Very much
   - [ ] Slightly
   - [ ] Moderately
   - [ ] A little
   - [ ] None

4. Considering everything, do you think your present hearing aid(s) is worth the trouble?
   - [ ] Worth a lot
   - [ ] Worth a little
   - [ ] Not at all

5. Over the past two weeks, with your present hearing aid(s), how much have your hearing difficulties affected the things you can do?
   - [ ] Very much
   - [ ] Slightly
   - [ ] Moderately
   - [ ] A little
   - [ ] None

6. Over the past two weeks, with your present hearing aid(s), how much do you think other people were bothered by your hearing difficulties?
   - [ ] Very much
   - [ ] Slightly
   - [ ] Moderately
   - [ ] A little
   - [ ] None

7. Considering everything, how much has your present hearing aid(s) changed your enjoyment of life?
   - [ ] Very much
   - [ ] Slightly
   - [ ] A little
   - [ ] None

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**Note:**

Translations of the International Outcome Inventory for Hearing Aids (IOI-HA)

*Gus Stephens/Walker*
Summary

- KPIs are easy to create and a challenge to manage:
  - Define your business strategy & KPIs
  - Pick 6
  - Identify benchmarks
  - Create reporting dashboard or report
  - Communicate to staff about the “whys” and “hows”
  - Develop a cadence – check weekly, daily
Questions