

# OBJECTIVE METHODS FOR MEASURING PATHOLOGIST PRODUCTIVITY

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HAVERFORD HEALTHCARE ADVISORS

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# Introduction

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- Why Measure Pathologist Productivity?
- Key Obstacles to Overcome When Measuring Productivity
- Industry Trends and Practice Characteristics
- Dollar-weighted “*Bottom Line*” Approach to Measuring Productivity
- CAP’s Path*Focus* Pathology Practice Activity and Staffing Program

# Why Measure Pathologist Productivity?

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- Evaluate practice staffing requirements
- Manage the distribution of work among pathologists
- Aid in negotiating contracts with hospital administrators and managed care organizations
- Evaluate alternative compensation systems for pathologists
- Answer that nagging question:  
“Am I earning as much as I should be, relative to my peers?”
- Or, its corollary:  
“Am I paying (insert pathologist’s name here) too much for their services?”

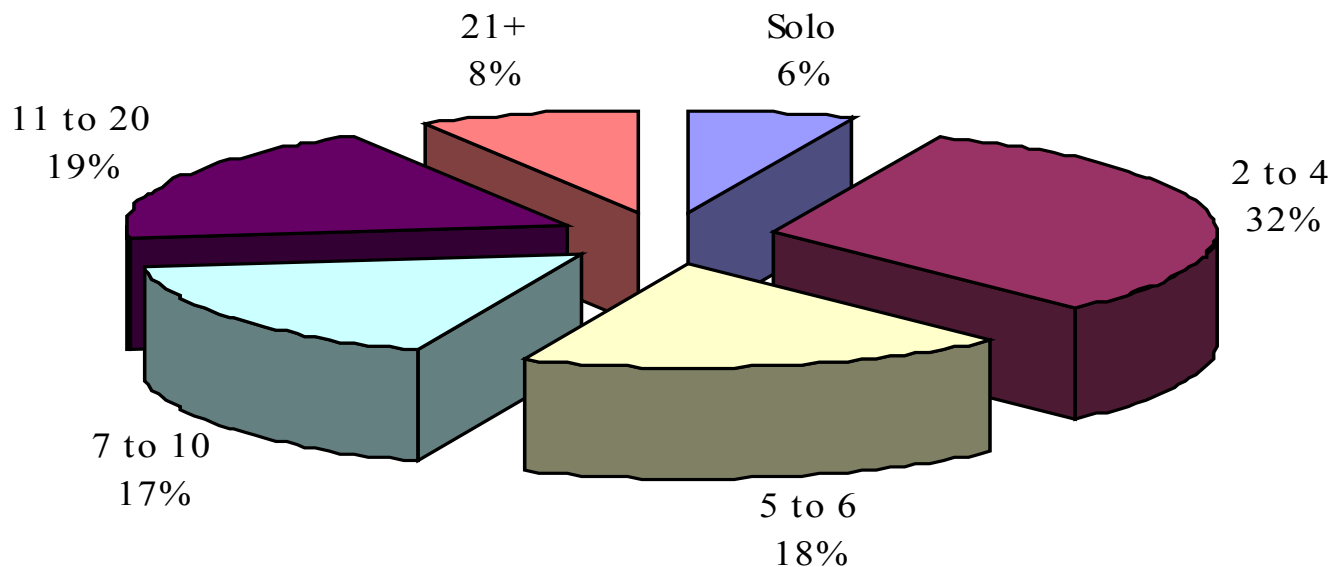
# Key Obstacles to Overcome When Objectively Measuring Productivity

- Compared to *what*?
- Nature of practice environment - clinical pathology & practice management
- Level of complexity of practice environment
- Professional service loads and case mix
- Education and research efforts
- Time spent in scholarly pursuits

# Industry Characteristics

Anatomic Pathology is a fragmented industry consisting of over 3,200 practices.

**Size of Pathology Practices  
by Number of Pathologists in Group**



Source: 2002 Practice Characteristics Survey Report - CAP

# Industry Characteristics (cont'd)

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## Type and Number of Group Practice Sites, 2002

<u>Type of Site</u>	<u>Percentage of Pathologists*</u> <u>2002</u>
Not-for-Profit Community Hospital	65%
For-Profit Community Hospital	24%
Independent Laboratory (No Ownership)	16%
Independent Laboratory (Ownership Interest)	20%
Physician Office Laboratory	12%
University/Medical School Hospital	14%
County or City Hospital	11%
State / Local Government Laboratory	5%

\* Total will exceed 100 percent because some pathologists practice at multiple sites

# Industry Characteristics (cont'd)

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Time Spent (in hours per week) in Various Pathology Services, by Year (a)

<u>Type of Pathology Service</u>	<u>2002</u>	<u>2000</u>	<u>1998</u>	<u>1996</u>
Surgical Pathology	24.6	25.0	23.0	23.0
Cytopathology	5.7	5.9	6.1	6.1
Clinical Pathology (non-billable)	7.8	7.4	8.7	8.6
Clinical Pathology (billable)	2.7	2.6	2.6	4.1
Teaching/Research	2.4	1.9	2.6	2.9
Autopsy	2.0	2.1	2.0	1.7
Other	3.5	3.1	3.1	2.1
<i>Total</i>	<i>48.7</i>	<i>48.2</i>	<i>48.0</i>	<i>48.5</i>

(a) 2002 Practice Characteristics Survey Report, College of American Pathologists

## Industry Characteristics (cont'd)

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*As a result of the diversity of pathology group practices in the United States today, there does not exist a simple, objective, “one size fits all” method for measuring pathologist productivity.*

# *“Bottom Line”* Approach to Measuring Productivity

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- Compensation dollars are common denominator
- Utilize high quality survey data available in the CAP’s Practice Characteristics Survey report
- Practices can self-evaluate and develop a \$-weighted productivity measure based upon compensation
- Compensation is defined as “pathologist net income, after expenses and before taxes.” Pathologist net income includes contributions to pension plans or deferred compensation plans, but excludes income not related to the practice of pathology.

# *“Bottom Line”* Approach to Measuring Productivity (cont’d)

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- Information may be tailored, to a limited degree, to your practice’s characteristics:
  - By pathologist age
  - By CMS region
  - By type of practice
  - By group practice site
  - By size of practice

## “Bottom Line” Approach to Measuring Productivity (cont’d)

- Mean, median, 25th, 75th, and 90th percentile net income levels are available for most of the aforementioned practice characteristics
- Net income data available from the past ten years enabling trend analysis
- Actual hours worked per week by pathologists in the subject practice must be compared to historical average hours worked per week to develop an adjustment factor

# *“Bottom Line”* Approach to Measuring Productivity (cont’d)

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Pathologist Net Income (in thousands of dollars) After Expenses and Before Taxes, by Reporting Year and Age Group

<u>Age Group</u>	<b>Median Net Income</b>				
	<u>1993</u>	<u>1995</u>	<u>1997</u>	<u>1999</u>	<u>2001</u>
All pathologists	190.0	200.0	200.0	220.0	235.0
Less than 40 years	134.8	165.1	156.0	180.0	177.0
40 - 49 years	200.0	200.0	220.0	230.0	250.0
50 - 59 years	200.0	210.0	207.8	250.0	250.0
60 years or older	200.0	200.0	205.0	200.0	220.0

# *“Bottom Line”* Approach to Measuring Productivity (cont’d)

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Pathologist Net Income (in thousands of dollars) After Expenses and Before Taxes, by Percentile and Age Group, 2001\*

<u>Age Group</u>	Net Income			
	<u>25th Percentile</u>	<u>Median</u>	<u>75th Percentile</u>	<u>90th Percentile</u>
All pathologists	165.0	235.0	330.0	500.0
Less than 40 years	125.0	177.0	260.0	367.4
40 - 49 years	168.0	250.0	350.0	500.0
50 - 59 years	190.0	250.0	350.0	500.0
60 years or older	160.0	220.0	305.0	405.4

\* Net income includes contributions to deferred compensation plans.

# *“Bottom Line”* Approach to Measuring Productivity (cont’d)

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Pathologist Median Net Income (in thousands of dollars) After Expenses and Before Taxes, by Reporting Year and CMS Region

<u>CMS Region</u>	<b>Median Net Income</b>				
	<u>1993</u>	<u>1995</u>	<u>1997</u>	<u>1999</u>	<u>2001</u>
I & II (Boston - New York)	160.0	175.0	183.0	183.2	200.0
III & IV (Philadelphia - Atlanta)	190.0	200.0	200.0	225.0	250.0
V & VI (Chicago - Dallas)	200.0	220.0	220.0	244.0	250.0
VII & VIII (Kansas City - Denver)	200.0	200.0	214.0	250.0	250.0
IX & X (San Francisco - Seattle)	185.0	200.0	200.0	214.0	210.0

# *“Bottom Line” Approach to Measuring Productivity (cont’d)*

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Pathologist Net Income (in thousands of dollars) After Expenses and Before Taxes, by Type of Practice, 2001

<u>Type of Practice</u>	Net Income		
	<u>25th Percentile</u>	<u>Median</u>	<u>75th Percentile</u>
Solo	100.0	200.0	300.0
Pathology-only group practice	200.0	280.0	392.0
University / medical school	130.0	170.0	210.0
Other	160.0	210.0	275.0

# *“Bottom Line” Approach to Measuring Productivity (cont’d)*

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Pathologist Net Income (in thousands of dollars) After Expenses and Before Taxes, by Group Practice Site, 2001

<u>Group Practice Site</u>	Net Income		
	<u>25th Percentile</u>	<u>Median</u>	<u>75th Percentile</u>
Hospital only	170.0	250.0	330.0
Independent lab and other	185.0	260.0	400.0
University only	120.0	154.0	195.0
All other	150.0	200.0	280.0

# *“Bottom Line” Approach to Measuring Productivity (cont’d)*

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Pathologist Net Income (in thousands of dollars) After Expenses and Before Taxes, by Size of Practice, 2001

<u>Size of Practice</u>	<b>Net Income</b>		
	<u>25th Percentile</u>	<u>Median</u>	<u>75th Percentile</u>
1 - 3 pathologists	170.0	230.0	315.0
4 - 5 pathologists	170.0	250.0	350.0
6 - 10 pathologists	180.0	250.0	360.0
11 or more pathologists	180.0	222.0	330.0

# “Bottom Line” Approach to Measuring Productivity (cont’d)

## Summary of “Best” Practice Characteristics:

- 40 to 60 years old
- CMS Regions III through VIII
- Pathology – only group practice
- Practice site including an owned independent laboratory
- Practice size 4 to 10 pathologists

# The CAP's PathFocus (SM) Pathology Practice Activity and Staffing Program

- “...designed to assist pathology practices in objectively assessing their group's activities and staffing needs related to other groups of *similar complexity*.”
- Not a program to measure the productivity of individual pathologists.
- Based upon practice profile, the program generates practice peer groups and provides benchmark data on staffing levels within these groups.
- The “Fingerprint Cluster” (patent pending) is a key component of the PathFocus Program.

# The CAP's Path*Focus* (SM) Pathology Practice Activity and Staffing Program

- **Fingerprint Clustering** - control unmanageable characteristics so that more of the variability among survey data is explained by manageable aspects of practice and operations.
- There are three components of fingerprint clustering:
  - Determining fingerprint weights
  - Constructing fingerprints
  - Matching fingerprints to form clusters
- A practice's fingerprint is based on the presence or absence of specific characteristics, including:
  - The volume levels of specific CPT codes, and
  - Individual complexity characteristics
- A cluster is constructed individually for each pathology practice and includes the 10 participants with fingerprints that most closely match one another

# The CAP's Path*Focus* (SM) Pathology Practice Activity and Staffing Program

**Pathologist Activities Form - time sheet where pathologists specify the number of hours per average week in each activity**

### Anatomic Pathology

- Surgical Pathology
- Cytopathology
- Autopsy Pathology

### Clinical Pathology

- Consultation / Interpretation
- QA / QI
- Practice Management
- Medical Management
- Lab Admin. & Management
- Informatics

### Scholarly Pursuits

- Research
- Personal Education

### Other Miscellaneous

- Travel (between work sites)
- Waiting Time
- Scheduled On-Call Time
- Patient-Focused Conferences
- Hospital / Organization Committees
- Communications with Physicians about Patients

### Teaching and Education

- CME Conferences
- Community Education
- Medical Student, Resident, Graduate Student Activities
- Allied Health
- Non-CME Professional Society

# The CAP's Path*Focus* (SM) Pathology Practice Activity and Staffing Program

- Customized peer groups may be constructed by selecting up to five characteristics from a master list.
- Quarterly reporting of results
- Annual summary reports
- Cost of participating in Path*Focus*:
  - \$425 for CAP members (per group)
  - \$650 for non-members (per group)

## **Haverford Healthcare Advisors**

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**Haverford Healthcare Advisors specializes in providing valuation, merger and acquisition, and corporate finance advisory services to healthcare companies, with a specific focus on pathology practices and clinical laboratories. We assist physicians and other healthcare company owners in resolving practice transition issues. We also represent owners during the process of selling their practices, during the process of merging or partnering with other practices or companies, or during the process of growing through acquisition. We also provide practice valuation services.**

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