

WHERE HAVE ALL THE MILES GONE?

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There are many ways to come at the challenge of improving the bottom line. While growing the business certainly brings the most kudos from corporate management, boards and investors, trimming costs without sacrificing quality can often be quicker and more predictable.

Where to look and how to make changes? How about mileage expense? Why? If an agency pays mileage as a separate line item, it is likely one of the biggest expenses after labor cost. As the cost of gas skyrockets and the allowable reimbursement set by the IRS increases—it's currently at 50.5 cents/mi—the issue of mileage reimbursement becomes a big one for staff retention. And although agencies are experiencing cost increases for just about everything because of fuel increases, there is no additional reimbursement from payers to offset that cost. If your vendors increase their charges to you because of their increased costs, it's hard to walk away to another vendor with lower costs when you're unsure of the quality of service you'll receive. Besides, that kind of change takes time to implement. Relatively quickly, you CAN begin to analyze your employee mileage expense to see if there are some areas where cost reduction can be swift and relatively painless without compromising care and services to patients.

Don't think there are dollars to be saved in your agency? In a recent comment to myhomehealth-1, a list service of DecisionHealth, Elizabeth Ours said that she has been using a GPS navigator for months and "It has cut my mileage by about 50%, taking me the shortest distance from place to place that I would not have known about." If someone who did her best to calculate mileage correctly and plan shortest distances could eke out 50% savings, it seems likely there are ways for agency management to also save.

Short of purchasing GPS Navigators for all your staff, there are at least 5 other places to look for potential savings:

--**The intentional overcalculator:** let's deal with this one first. In our experience, 90-95% of the staff in most agencies fall within a 3-5% margin of error when calculating mileage. In other words, there aren't many who are outright falsifying their mileage. But those that do need to be dealt with because this is the start of some big savings.

--**The individual who is calculating mileage from home at beginning of day to home at end of day:** maybe they didn't understand what you said in orientation, or maybe someone told them this is the way they were supposed to do it, but most agencies allow mileage expense only from 1st stop to last stop. We have found that, despite what you've told your employees and what your policy is, there are more of these folks than you might think who start calculating their mileage from home, believing that is what they are supposed to do.

-- **The folks who regularly come into the office at the beginning or end of the day, thereby making at least one additional “stop” per day.** Some of your staff may be doing this BECAUSE they live closer to the office than to their first or last stop, and this is a way to reduce their own “commuter” mileage by wrapping this stop into mileage that can be charged to the agency. You may also have an agency norm that has set this stop as an expectation. Review your policies and check with your clinical managers to see if this practice exists at the team or agency level and whether the number of stops can be reduced.

--**Staff whose method of scheduling their visits each day does not take into account the most economical means of getting everyone seen with reduced travel time and distance.** If staff are assigned patients but work out their own schedules for how they will cover those patients each day, there may be some who are zigzagging across their territory needlessly. There will always be those patients who need to be seen at certain times, but many are flexible as long as they know when to expect a visit.

--**Clinical managers who could take into account driving time and distance when assigning cases to staff.** Perhaps assignments could be made in a more geographically condensed area so that driving times and distances between visits could be reduced.

The fact is that improvements in any one of these areas might not save very much, but taken together, there might be quite a few dollars saved. Perhaps there is even enough to pay the salary of an additional clinical staff member if your census is high enough to warrant that more staff positions, and if there are enough small improvements that you haven't yet taken advantage of.

Here's a suggestion on how to get the ball rolling:

1. Create a report by employee of the amount of payment they've received for mileage expense over the last 3-4 payroll periods. If possible, get this information by team and by discipline so you can compare apples to apples.
2. Review company policy and expectations with managers regarding how mileage is to be calculated, how many times per week staff are expected to be in the office, any guidelines for how to assign and schedule visits, etc.
3. Have each manager who approves mileage expense review his/her staff mileage expense and pick out those employees whose mileage seems out of sync with the rest.
4. Take one week's visit itinerary and Mapquest each of the selected employees' visits that week to determine if there is a significant discrepancy between the Mapquest mileage, company policy and reported mileage.
5. If you determine that there are either individual or organizational changes that could be made that would decrease mileage expense without compromising care quality, develop a plan for doing so.

Let's take one example: The Jones Agency has 2 Patient Care Teams and an average daily census of 100 patients. The geographic area served is 40 miles long by 25 miles wide with the office right in the middle of the territory. There are about 25 admission visits at hospitals and client homes and 575 clinical visits per week. Of those, 160 are nursing visits, 280 are CHHA visits, 45 are PT visits (and 45 are MSW visits, 30 are chaplain visits, if you are a hospice.). The clinical team consists of 8 RN FTEs, 14 CNA FTEs, 3 MSWs, 2 Chaplains and 3 FTE contract Physical Therapists. The hospital admission visits are done by 2 RNs assigned solely to that task.

If the Team RNs and CNAs drive an average of 8 miles between visits and complete an average of 4 visits per day, their weekly mileage expense @ \$.50/mi. is \$60 each or \$1320 for all of them. (Remember—if you're calculating first stop to last stop, you're only driving 8 miles between visits 1 and 2, 2 and 3, and 3 and 4, so that's 24 miles per day, not 32!) In hospice agencies, the Chaplains and Social Workers are likely driving much longer distances because they are assigned to more patients and see each less frequently. Let's say each drives an average of 15 miles between visits and completes an average of 3 visits per day. For all 5, their mileage is \$375 for one week. The PTs and Admission RNs are assigned each day based on where they're needed, and they report an average of 25 miles between visits, 2 or 3 visits per day. Their combined total mileage reimbursement is \$500 per week. This means mileage reimbursement, without additional reimbursement for tolls, is \$2,195 per week or \$114,000 per year.

If each of the two teams has a weekly team meeting that all but the 3 therapists and 2 Admissions RNs attend, and if this increases each team member's mileage by the same average miles for each visit, the annual mileage expense increases by \$6,500.

If all staff (including therapists and admissions RNs) come into the office 3 times per week, this increases the mileage reimbursement by almost \$20,000 per year!

If two staff intentionally overcalculate mileage by 10 miles per day and they work 230 days per year, this increases mileage reimbursement by \$2,300 per year. If three other staff start their mileage calculation from home and this increases their mileage by 16 miles for each day worked, this increases the mileage reimbursement by \$5,520 per year.

If staff assignments to patients and daily visit schedules are not being managed with mileage costs in mind and everyone is averaging 1 extra mile visit, this increases mileage by \$11,000 per year.

If you'd like to see how we arrived at the calculations in our Jones Agency example, please email Barbara Gray at bgray@bethcarpenterandassociates.com for more information.

Factors Contributing to Mileage Expense

