'Work Smarter, Not Harder' to Save Your Practice Money

When this family practice learned how to delegate, make wise use of technology and trim its staff, it gained $200,000 per year.

Gregory J. Mertz, MBA, FACMPE

The dynamics of today's health care environment make it increasingly complicated to ensure adequate physician incomes while running a high-quality medical practice. Physicians and managers are faced with increasing overhead, discounted fees, a shortage of qualified and motivated staff, and growing service expectations from their patients. Efficient practice operations often elude even the most talented leaders, in part because tasks are performed out of habit rather than as a result of planning, and years of routine have institutionalized inefficiencies. For many practices, it may be time to step back a bit and take an objective view of operations, asking whether the right people are doing the right things and in the right way to optimize quality, efficiency and revenue.

Recently, our health care management consulting firm did just that when we were asked to review the operations of a network of primary care practices affiliated with a suburban community hospital. One of the largest and busiest of these was Timberwood Family Practice. Its physicians were productive and successful before joining the hospital-owned network three years earlier, and they had maintained their full schedules since affiliating with the hospital. Unfortunately, the practice had begun to lose money, and our team was asked to develop a strategy that would return it to profitability. The experience taught us that the principle of "working smarter, not harder" is the key to a successful medical practice. In fact, it gained Timberwood Family Practice $200,000 per year.

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Three steps

The process we used to revitalize Timberwood Family Practice's finances is one any family practice can replicate. It involved essentially three steps:

1. The first step was to understand the practice's performance in several key areas, such as ambulatory encounters per full-time-equivalent (FTE) physician, gross revenue per physician, FTE staff per provider, expenses

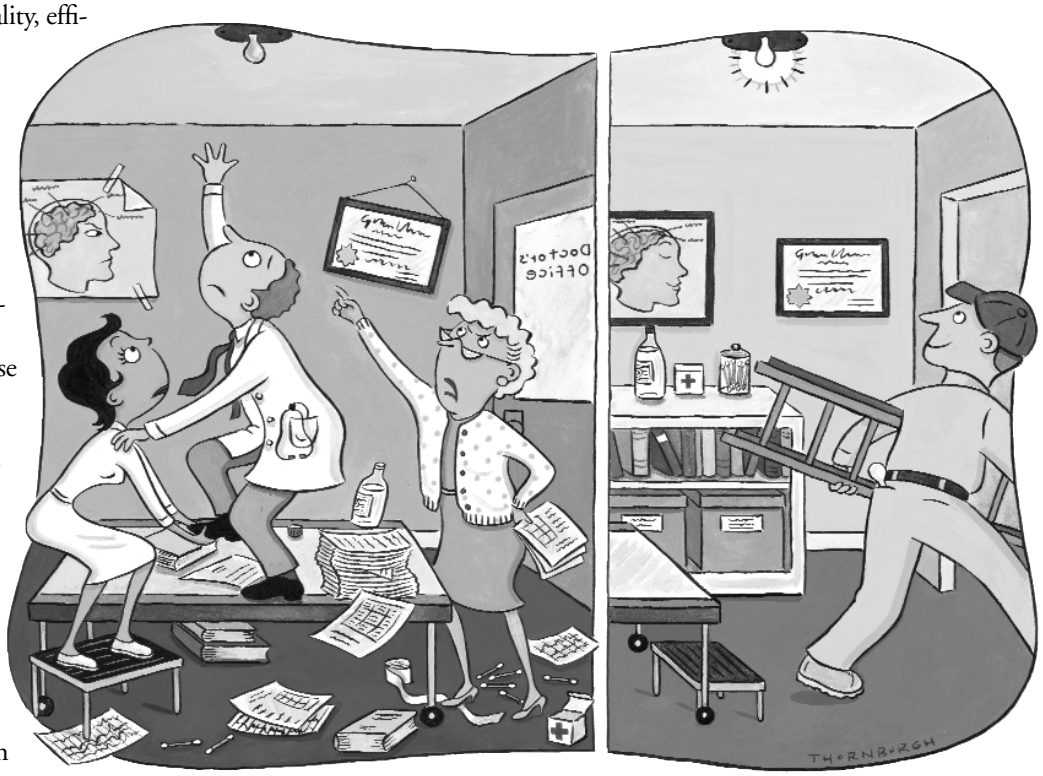

ILLUSTRATION BY BETHANN THORNBURGH

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Many medical practices are struggling with increased overhead, discounted fees, a shortage of qualified and motivated staff, and more demanding patients.

To succeed in this environment, practices may need to break with routine and find smarter ways of operating.

Practices should begin by examining their performance in key areas and comparing it against specialty benchmarks.

The next step is to observe the practice's operations firsthand and look for inefficiencies.

as a percentage of practice revenue and physician income as a percentage of charges. Once we collected this data, we compared it against specialty norms provided by the Medical Group Management Association and looked for areas that seemed to be out of sync. (See the benchmarks on the next page.)

The data revealed that practice overhead had recently become too high, due mostly to a high number of support staff. More than a dozen full- and part-time nurses supported four physicians and a nurse practitioner, six assistants staffed the front desk, and an office manager and clinical supervisor managed the staff. It became clear that adding staff had been the answer to every office problem. In addition, we found the physicians' compensation arrangement was overly generous, something they actually admitted and agreed to change, bringing pay levels in line with productivity.

2. Our next step was simply to observe the practice's operations. To begin, we interviewed each employee and developed an inventory of the tasks each person performs. We then compared these results against position descriptions to assess whether staff were actually performing the tasks management intended and whether tasks were appropriately divided among staff. We also observed the staff over a one- to two-day period to verify that what they actually did was consistent with what they reported. Finally, we monitored patients from check-in to check-out to identify bottlenecks and inefficiencies.

These observations revealed that the office was not using its staff members efficiently. In particular, nurses were spending too much time performing administrative tasks, some of which could be eliminated altogether with only minor changes in office operations. In addition, the practice was spending too much time on tasks technology could handle for them.

3. Once our data and observations were complete, we made our recommendations, which revolved around three general principles the practice would need to adopt to be successful:

• Delegate appropriately. The time of the most expensive staff members should be filled with tasks only they can perform. All other tasks should be assigned to less expensive staff members. For example, clinical assistants should perform only direct patient care duties, preparing patients so that physician time is fully productive.

• Use technology advantageously. In situations where technology can accomplish a task more efficiently than people without compromising quality, the practice must be willing to make the leap, so that staff will be able to interact more with patients and less with paper.

The time of the most expensive staff members should be filled with tasks only they can perform.

• Minimize staff expenses. Staffing should generally be lean (e.g., no more than one clinical assistant per provider) unless the practice has identified specific advantages for exceeding standard staffing levels. Many practices are staffed for their busiest days and, as a result, carry excess staff during "normal" times.

KEY POINTS

- Years of routine can institutionalize inefficiencies and prove costly to a medical practice.
- Practices should re-examine their staff and their processes, looking for smarter ways to operate.
- Three important habits are learning how to delegate, using technology advantageously and keeping an eye on staffing levels.

$200,000 gained

Following the above principles, Timberwood Family Practice made several changes to its operations. While relatively simple, these changes reduced the practice's costs by over $180,000 per year and increased its revenues by almost $20,000.

Nursing issues. One area of inefficiency the practice needed to address involved pre- and post-visit work done by the nurses. To help patients obtain required lab work, nurses would review each patient chart and contact those who needed lab work, requesting that they come in early on the day of their appointments. Frequently during this process, the nurses brought questions to the physicians, which interrupted them as well. Once the lab results were received, the nurses would then call the patients to inform them that everything was normal or that

they needed further follow-up care. Of the 12 to 14 calls they made each day, only four or five were to patients who needed further evaluation or follow-up.

To improve this process, we encouraged the practice to develop visit protocols that indicated which patients would need routine laboratory studies. Patients were simply informed at the time of their appointments that their doctors would like them to have their lab work done before their next visit so that results could be discussed and factored into the care plan. Patients were happy to come in a few days early for this, knowing it would ultimately improve their care. This procedural change eliminated the pre-visit chart review, allowed lab findings to be available to the physicians at the time of the visit, and eliminated the need for nurses to call patients with results. As a result of this simple change in process, one FTE nursing position was eliminated at a savings of nearly $35,000 per year.

Prescription refills were another area of inefficiency involving nurses. Physicians typically scheduled three-month return visits for patients with chronic problems so their progress could be monitored; however, their medications were authorized for one-month periods. This resulted in at least two extra calls for prescription renewals and required the nurses to obtain and review charts before bringing the renewal requests to the physicians. Again, the solution was fairly simple. By coordinating medication orders with return visit dates, the practice eliminated hundreds of phone calls, avoided hundreds of chart pulls, and saved hours of staff and physician time. While this did not directly result in a staffing reduction, it freed up time for the nurses to spend on more critical tasks.

Finally, nursing staff were being used to process patient referrals to outside specialists, diagnostic facilities and the hospital. This too was an inefficient use of their time. Most of the clinical information required for referrals could easily be relayed by a trained administrative staff person, as long as that person had access to a clinically trained resource for those few tough questions. This change resulted in the elimination of a nursing position and the addition of an administrative position. The salary differential saved the practice another $13,000.

Scheduling. At Timberwood Family Practice, each physician had a half-day off per week, yet it was not coordinated with the support staff's schedules. At times, then, all of the physicians and the nurse practitioner would be in the office, creating a shortage of exam rooms and a high demand for clinical assistants. Other times, two or more providers would be out of the office and support staff would have little to do. The solution was simply to ensure that no two providers were absent on the same half day. This eliminated all clinical assistant overtime, since nurses could go home when their provider was off. Even when appointments ran late, each nurse's work week did not exceed 40 hours.

A second scheduling issue was that the practice

PERFORMANCE BENCHMARKS

By understanding your practice's performance in a variety of key areas and then comparing that data to industry benchmarks, you can often get a hint about where problems may exist.

Following are benchmarks provided by the Medical Group Management Association (MGMA) for the key areas studied in the author's project. The MGMA can provide data for a variety of practice settings (e.g., multispecialty groups, hospital-owned groups); data in this example are drawn from single-specialty family practices. To purchase the full data, contact the MGMA order department at 877-275-6462 or visit www.mgma.org/surveys. Other professional societies, such as the AMA, can provide similar statistics.

Measure	Median
Ambulatory encounters per FTE family physician (w/o OB) per year	4,455
Gross revenue per FTE physician	$443,706
Net revenue per FTE physician	$178,699
FTE support staff per FTE physician	5.03
Expenses as a percentage of practice revenue	58.7%
Physician costs (compensation and benefits) as a percentage of practice revenue	38.3%

Sources: *Cost Survey: 2000 Report Based on 1999 Data* and *Physician Compensation and Production Survey: 2000 Report Based on 1999 Data*. Englewood, Colo: Medical Group Management Association; 2000.

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Practices must learn to delegate appropriately; for example, clinical assistants should perform only direct patient care duties, not office duties.

Technology can streamline many office tasks, enabling staff to interact more with patients and less with paper.

Staffing should generally be lean, unless the practice has a specific reason for adding staff.

By improving the process for completing patients' lab work and communicating results, the practice was able to save $35,000 per year.

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By relieving nurses from the task of processing patient referrals, the practice saved $13,000 per year.

Coordinating nurses' time off with that of the physicians eliminated nurse overtime and the need for one FTE float nurse.

A chaotic filing system was costing the practice $20,000, the equivalent of one FTE staff person consumed by the daily hunt for charts.

A computerized telephone reminder system reduced staff costs an additional $9,000.

never coordinated the nurses' vacations with the physicians' time off. This resulted in the employment of a "float nurse" who assisted physicians when their normal clinical assistants were not available. To eliminate the need for this position, the physicians simply needed to pre-plan their vacations so their nurses could plan to be on vacation as well. The savings was $35,000 in salary for the float nurse and approximately $25,000 in overtime. This change required a year to fully implement since some vacations had already been planned. The concept was generally well-accepted by staff, especially when it became clear that the physicians were behind the concept.

Front desk. A chaotic filing system in the front office resulted in a daily hunt for misplaced charts. In fact, when we calculated the total amount of staff time spent tracking charts to physician offices, the lab and transcription and billing staff, we found that the equivalent of one FTE staff member was consumed by the hunt. This convinced the practice to install a computer-based medical record tracking system. (The system they chose was created by REMCO Business Systems. For more information, call 800-394-5544.) At the same time, the charts were converted to well-organized folders with defined sections so that data could be located quickly. The $8,000 tracking system eliminated the FTE "hunter," and visits were a few minutes shorter because charts were better organized. This allowed each doctor to add one appointment slot per day. In all, the practice saved $20,000 in staff costs and gained the opportunity to generate more than $20,000 per year from the new appointments.

Another key front-office change came when the practice realized it no longer needed an office manager. The primary role of the office manager was to help solve problems such as the huge volume of phone calls, the search for lost charts and the need for adequate staff coverage. Thanks to improvements in these and other areas, the practice was able to combine its nursing supervisor position with that of the office manager. The

THE BOTTOM LINE

Following is a summary of the changes made by Timberwood Family Practice and the resulting dollar amounts gained. In all, the practice cut approximately $180,000 in expenses and generated an additional $20,000 in revenue.

Change	Result	Dollar amount gained
Streamlined the process for initiating pre-visit lab work and communicating results	Reduced pre-visit chart review and phone calls by nurses; eliminated the need for one FTE nursing position	$35,000
Coordinated chronic disease checkups with prescription renewals	Reduced patient phone calls; freed up nurses' time for more important tasks	N/A
Created an administrative position to process patient referrals, a task formerly done by nurses	Eliminated the need for one FTE nursing position; created one FTE office position	$13,000
Coordinated physician and nurse time off	Eliminated clinical assistant overtime; eliminated the need for one FTE float nurse	$60,000
Installed a computer-based medical record tracking system	Eliminated the need for one FTE office person	$20,000
Reorganized patient charts to make them more usable	Improved physician efficiency, creating additional appointment slots to generate income	$20,000
Combined the roles of nursing supervisor and office manager into one position	Eliminated the need for one FTE office manager	$45,000
Implemented an automatic phone dialer to remind patients of appointments	Eliminated the need for one part-time clerk; added $2,000 per year in system costs	$7,000
		Net gain: $200,000 per year

manager retired after 25 years of loyal service, saving the practice another $45,000.

To streamline the process of reminding patients about their appointments, the entire network of practices invested in an automatic phone dialer, a computer tied to the appointment system that would initiate reminder phone calls. (For more information on how these products work, visit www.phonetree.com and www.teleminder.com.) Most of the practices already made these calls manually to patients, so there was not a substantial decrease in no-show rates, but each site did experience a decline in staff time spent in the process. Originally, Timberwood had a part-time clerk make these calls each day. Once the computer took over, the practice was able to eliminate the position. Staff costs were reduced by $9,000; the system costs about $2,000 per year. These costs were associated with some added phone lines and the annual support costs for the equipment.

The appointment reminder system and the chart tracking system introduced the physicians to the role and value of technology in a nonthreatening way. In fact, the positive outcomes of both projects have made the physicians willing to explore the use of electronic medical records that would feed encounter data directly into the billing system. This would eliminate data-entry responsibilities (and the associated staff) and would improve the accuracy of patient information.

Infinite rewards

Perhaps the best news of all in this project is that the physicians were able to improve the financial performance of their practice without having to work more hours. In addition, because staff were less harried, the general office environment became more patient-friendly, resulting in higher scores on the practice's routine patient satisfaction surveys. Also, because the practice had an employee bonus system tied to its patient satisfaction scores, even the staff reaped the rewards of this project.

The case of Timberwood Family Practice demonstrates well that dramatic financial results are possible when physicians and staff are willing to break with routine and rethink their operations. FPM

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In all, the physicians were able to gain $200,000 per year without having to work more hours.

This project demonstrates that, when physicians and staff are willing to rethink their operations, the results can be dramatic.