



Solving Legal and Business Problems of Health Care Providers for Over 30 Years

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Focusing on the Cost Benefit Relationship

Penny-wise and Pound-foolish

While our subtitle is overused, it too often tells the tale of doctors' attitudes concerning their practice. Physicians can truly be their own worst enemies.

Consider the group that owns its own office space, too cramped to accommodate all the scheduled hours and allow efficient patient throughput. The practice can't expand and won't move for fear of losing themselves as reliable tenants. Worse, the possibility of moving won't even cross the doctors' minds.

At best, their real estate investment might return twelve percent a year counting cash flow, equity build-up and appreciation. But increasing patient access by even one office patient per doctor per day yields substantially greater dollar returns. We have seen this scenario play out time and again with only about half of the space-strapped groups ever coming to the realization that the practice should be their top priority.

Or take, for example, a senior doctor planning an (usually unannounced) exit strategy for a few years down the road. The patient and business demands that the practice expand or acquire a new computer system, or make some other investment in its future. The senior will fight tooth and nail against any course that potentially reduces current cash flow. Maintaining outdated technology will likely cost more in support and upgrades than would loan payments on a new system. Practice personnel continue to perform tasks manually that would be automated by state-of-the-art systems. Practice revenue growth may be curtailed for lack of investment in a new physician or ancillary provider. In the worst cases, physicians resist investment in personnel or equipment because it will only help their partner's productivity and not their own, frequently overlooking the salutary effect additional revenues will have on overhead burden they pay themselves.

The Rise of the Machines

The 1990s are now remembered mostly for the stock market bubble and the dot.com mania that ended in the market's collapse at the start of the new century. Certainly for many that memory is most painful. Not a few physicians made an abrupt change in plans for retirement with the end of the boom. However, we think that in just a few years, after time has allowed some healing, the '90s will be re-evaluated as the decade when huge advances were made in technology, and ultimately, productivity for healthcare businesses.

A few of these advances have penetrated the medical practice market quickly and easily. Cell phones are ubiquitous, largely replacing beepers and pagers. Other devices and services are steadily gaining ground: practice internet access and internet insurance claim "scrubbers".

Still other technologies have barely taken hold. While practices certainly shy away from the newest gadget, for some reason they also have an aversion to some extraordinarily valuable tech stuff. We have a difficult time understanding why.

Machines are clearly productivity enhancers. For the most part they don't break, although there are probably more hand-held computers lost by physicians than those that get fried.

More importantly, machines aren't people. They usually don't develop attitude problems (although we have run into a few PCs that would advance a contrary argument). They don't have children that get sick, fail to show up when the weather is inclement, or complain about the other machines not working well with them.

Machines don't need performance reviews, don't get pay raises, and aren't entitled to benefits, unemployment insurance or workers' compensation. So why employ a human when a machine can do the job-possibly better than a person?

An Example

Let's take a real-life current example: PAM2000 is a handy piece of software that can phone and deliver a variety of standard messages to multiple recipients.

Your practice confirms appointments since you've learned that not doing so risks a no-show rate of twenty percent or more. Telephone reminders of the scheduled visit cuts the no-show rate in half - at least. However, completing telephone reminders takes your receptionist the entire afternoon since she also deals with greeting patients, in-coming calls, collecting co-pays and verifying referrals. Each of her tasks takes longer than it should since productivity is reduced by each interruption of one task for the other. Even if an employee can dedicate uninterrupted time to confirming appointments, her productivity is substantially less than the forty plus calls the computer can make in an hour.

Let's do the math: a receptionist at \$15 per hour really costs \$21 per hour with benefits, payroll taxes and so on. At \$21 per hour for two hours a day (per scheduled provider), 253 days per year equals \$10,624 per year. That's \$53,120 in five years. The PAM automated telephone messaging system costs about \$8,000 installed. The maintenance/support contract is about \$1,200 per year. Depreciating the system over five years, makes the annual costs \$2,800 (including maintenance). The annual savings is \$7,824. Therefore, the annual Return on Investment is calculated as the return (\$7,824) divided by cost (\$2,800), which is a remarkable 279% per year.

Note that we have not figured in the cost savings from reduction in no-shows and in placing other reminders for patient recall, normal lab results, requests to call with needed insurance information or collections, notices that your glasses, or allergy serum or cosmetics are ready. Further there are specialty-specific applications: for example, in cardiology, reminding pacemaker patients to call the appropriate phone number for their pacer check is efficiently handled by PAM2000 or similar technology.

Developments in Recent Years

An automated patient messaging system isn't the only technology that is available to make your practice more effective. There are significant developments from electronic posting of patient accounts to internet-based credentialing to patient-driven appointment scheduling and more. Learn to invest in these proven machines and software, and reduce your investment in people. Understand that this will not happen all at once. Nonetheless, a focused plan to adapt the best of new communication and other technology will ultimately drive down overhead and improve your bottom line results.

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