

The 80/20 Rule and the Healthcare Profession



This well-known economic principle has multiple applications for podiatric practice management.

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The Pareto principle, also known as the 80/20 rule, or the Law of the Vital, few states that for many events and activities, roughly 80% of the effects come from 20% of the causes. The principle is named after Italian economist Vilfredo Pareto, who published a paper in 1896 that showed that approximately 80% of the land in Italy was owned by 20% of the population. He developed the principle further by observing that 20% of the peapods in his garden contained 80% of the peas.

It is a common rule of thumb in business: 80% of your sales come from 20% of your clients. So how does the 80/20 rule apply to the healthcare profession?

Twenty percent of physicians will be responsible for 80% of your referred patients. Suppose your database contains 50 doctors who refer patients to you on a regular basis. It is statistically probable that 10 of these physicians (20%) will be responsible for 80% of all of your referrals. You can use your electronic medical records to identify those 10 most frequently referring physicians and make sure that they receive timely letters that identify the

diagnoses and findings on the physical examinations of patients, as well as laboratory and imaging studies, a list of the medications you prescribed, and the treatment plan.

Make sure these 10 physicians receive that letter within 24 hours after you see their patients. That way, if a patient calls the referring doctor about his or her visit to your office, that re-

the employees. Every practice has highly performing employees, but usually only 20% are the most productive and contribute the greatest work effort. You should identify those 20% and, at a minimum, compliment them on their efforts and be sure that they know that they are very appreciated. If the other 80% are not carrying their fair share of the load, then it is time to evaluate their

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ferring doctor is informed and can function as the captain of the patient's healthcare ship. Nothing could be worse than to have one of the referring doctor's patients call him or her with a question regarding your care when that doctor has not been informed about the diagnosis, medications prescribed, or treatment plan. Similarly, if a patient of one of those frequently referring physicians has a significant problem, is going to be admitted to the hospital, or had a complication during surgery, you should consider calling that referring physician and alert him or her to the status of that patient.

Problems with Staff

Eighty percent of problems with your staff can be attributed to 20% of

performance and consider changing their job description, or even terminating those employees who aren't good contributors to the effort of caring for the patients.

Insurance Plans

Eighty percent of patients will come from 20% of the insurance plans you accept. Therefore, it is imperative to identify those 20% of the plans that have the best reimbursements. These "goldmines" should be coddled and catered to. Be certain that clean claims are sent to these payers. Make certain that not only are the codes properly submitted but all of the necessary documentation that is required is included with the claims. Then if your

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practice is full and you have a long waiting list for new patients to gain access to the practice, consider dropping those from the 80% of insurance plans that are poor payers, are slow to make payments, or consistently deny claims, thereby holding up the compensation that you have earned.

Procedures

The greatest profit will come from 20% of the procedures you perform. For example, if you receive \$350 for an ingrown nail procedure that you can do in 15 to 20 minutes compared with \$1,000 for a radical bunionectomy that takes three to four hours in the operating room, then you might consider “outsourcing” your radical bunionectomies to other podiatric surgeons and concentrate on doing additional ingrown nail procedures.

that time for seeing patients or performing procedures. Then use the late afternoons for paperwork, patient callbacks, or answering e-mails that don’t require as much concentration. However, if you are an afternoon per-

are satisfied with the care that they receive in a medical practice. However, it is impossible to satisfy everyone, even if that were to be your chief objective. If you have patients who constantly appear to be dissat-

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son, you may want to reverse that schedule, using the morning for mundane office activities and starting surgery or patient appointments at noon. It is unlikely that you will be at your best in both the morning and the afternoon. Therefore, identify that 20% of the day where you are most productive and use that time wisely.

isfied, are chronic complainers, or are taking an inordinate amount of staff time to resolve insurance issues or obtain authorizations for care and prescriptions, or are potentially litigious, give strong consideration to terminating those patients and advising them to seek podiatric care elsewhere.

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Bottom Line: It would be nice to be efficient and productive 100% of the time. Unfortunately, for most of us, that is difficult or impossible to do. Therefore, it is imperative to focus on those 20% of activities that are the most effective and productive. This analysis and subsequent action steps are vital to the success of the contemporary medical practice. **PM**

Prescriptions

Eighty percent of the prescriptions you write are for 20% of the drugs on your formulary. No doctor can use every drug listed in the Physician’s Desk Reference. Most specialists use only 15 to 20 drugs 80% of the time, and primary care doctors may use only 30 drugs 80% of the time. Therefore, you will probably want to limit the pharmaceutical representatives that you see to those 20% who represent the manufacturers of the products you use most of the time and not spend time with the other 80% of the pharmaceutical representatives whose products you rarely use.

Marketing

Twenty percent of your marketing efforts will generate 80% of your return on your marketing investment. The department store magnate John Wanamaker said, “Half the money I spend on advertising (marketing) is wasted; the trouble is I don’t know which half.”¹ The truth is that it is only 20% of your marketing that will produce the most results. The only way to identify that 20% is to track your marketing responses. If you conduct patient seminars and send newsletters to your patients, you have to measure which of those activities generates the greatest return on the invested time. The reality is that you can’t do it all. You have to look for the 20% that is the most successful and drop the other marketing activities.

Reference

¹ Wanamaker J, Hubbard E, Conwell RH. *Maxims of Life & Business*. Tremendous Life Books, Mechanicsburg, PA: 2004.

Time

Eighty percent of your productivity will come from 20% of the time you spend in your practice. It is imperative to identify which time of day is most productive for you and maximize the use of that time. If you are like most physicians, you are a morning person and will want to use

Complaints

Eighty percent of all the complaints you receive will come from 20% of your patients. Most patients



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