

How to Grow Profit When You Are “Booked Solid”



Fewer patients can lead to more efficiency and better care.

BY JON A. HULTMAN, DPM, MBA

The fundamental economic goal of all industries is to maximize profit and optimize volume. Maximizing volume should never be the goal because as a practice nears capacity, operational efficiency and profit decline. When at maximum capacity, a practice has difficulty accommodating random, hourly and daily volume fluctuations, and inefficiencies develop at an accelerated rate. This all results in disproportionately high costs, lost revenues, low quality, and dissatisfied patients. As a company or practice nears maximum volume, its decision-makers must decide what future action will be more profitable—adding capacity (space, and/or staff) or “selectively” reducing volume. The solution to this dilemma will be different for each business within the same industry.

A useful maxim to keep in mind when adopting new pathways that will affect patient volume is one used in the consulting industry. Simply stated, this proposes: as volume reaches capacity, one must be prepared to give up the bottom 15% of business in order to increase revenue. Eliminating this bottom 15% will create *capacity for new busi-*

ness—business that for medical practices can be in focused areas—ones in which the provider is especially skilled and/or has greatest interest in. Because a practice’s bottom 15% of revenue is frequently generated

A practice that has not yet reached capacity and has doctor(s) and staff with significant idle time may not have a bottom 15% to give up. In these cases, reducing volume (even low-paying volume) will likely

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by a disproportionately high number of patients, a greater capacity than might be expected will be “freed up” for revenue growth when this 15% of treatment is eliminated. Opportunities for reducing the costs associated with this excess capacity can also be achieved.

This maxim can be applied to medical practices in multiple ways. Two situations to which it is relevant are: (1) the bottom 15% of a practice’s revenue is likely to be generated by the lowest paying third-party-payer currently under consideration for discontinuation by the practice, or (2) the bottom 15% of revenue may be generated by specific diagnoses or types of services.

reduce profit. On the other hand, a doctor who is near capacity has the options of increasing efficiency or turning a lower paying business over to new associates who are unlikely to be practicing at capacity. It is important to consider the impact that any decision will have on referral sources and profit. Remember, there is no “one size fits all” solution.

Low reimbursement rates for a specific contract or across-the-board low rates for specific procedures can create areas of low revenue. In addition to reimbursement rates, an equally significant factor to consider when making a decision to keep, or give up, a segment of patients’ treat-

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ments or a specific contract is whether or not this bottom 15% of revenue is generated by a type of work that is satisfying for the practitioner. Low fees are only one aspect of consideration. Many doctors volunteer time in “free clinics” and foreign lands simply because they enjoy treating certain conditions and/or patients.

If the type of work covered by a particular contract is satisfying, or enjoyable, it is more profitable treating these patients in the practice than volunteering time for free. The point is that if a doctor dislikes providing a specific type of service, or finds working under a specific contract aggravating, low fees are only one reason for giving up that contract or specific service. The patients being “given up” can either be referred out or seen by another doctor within the same practice who

building a more profitable practice in a more enjoyable work environment. If the only problem you have with a contract is that it is low paying, simply realizing that you can walk away from it without losing income will put you in a much stronger, more

If you want a useful benchmark for comparing yourself with your peers—in this area of treating secondary complaints, know that you are probably not following up on these complaints and have an opportunity for improvement if your ratio

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confident position if you decide to negotiate a new, fairer rate for that contract.

After decreasing patient volume, you will have more time to treat patients. This additional time opens the opportunity to increase your number of services per patient. Typically, a doctor seeing a high number of patients is rushed, giving him/her only enough time to focus on

of CPT codes billed, per patient visit, is closer to 1.0 than to 2.0. Large groups have a unique opportunity open to them for increasing their number of services—that of offering ancillary services. This works particularly well for larger groups because these services typically require a high patient volume to support the additional fixed overhead generated by the ancillaries. Once that fixed overhead has been covered, the marginal cost of each additional patient treated is substantially lower than the average cost per patient, making these ancillaries highly profitable for larger groups.

If your practice is nearing capacity, profit growth is flat, access for new patients is delayed, and patients are experiencing long waits upon arrival, you should analyze your current contracts and ICD treatment codes to determine if there are any that account for only 15% of your third-party payments while accounting for a percentage of your volume that is significantly higher than 15%. If you find any, a strategy to consider is to drop those contracts or discontinue offering certain services. The end result could be a win-win—an increase in patient satisfaction as well as in profit. **PM**

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is more adept at, or enjoys treating, their specific conditions. Increased patient satisfaction and higher profit result from taking this kind of action. One reason for this is that, once a doctor eliminates this 15% of work, s/he now has more time to focus on the things that s/he prefers treating and is best at.

If you are “booked solid” and contemplating opting out of a specific contract to “free up” more treatment time, it is a worthwhile exercise to examine all your sources of revenue and determine that you have identified the “bottom 15%” before making a final decision. Once you know what work accounts for this bottom 15%, you can make an informed decision—one that will lead to optimized volume and greater patient satisfaction while, at the same time,

“fixing” each patient’s chief concern—often overlooking, or putting off until “later,” the examination and treatment of secondary complaints. This results in the delivery of fewer services per patient and, hence, lost revenue. It also leads to a drop in patient satisfaction because it is quite common that a patient’s secondary complaint is actually a chronic problem which s/he has been putting off for some time. Often, it is only the development of a more acute problem that finally motivates the patient to schedule an appointment. Any new “found time” created by decreased patient volume offers the doctor an opportunity to discuss and schedule appropriate treatment for these “secondary” concerns—resulting in truly satisfied patients and superior outcomes.



Dr. Hultman is Executive Director, California Podiatric Medical Association, President, Medical Business Advisors, specializing in practice evaluations, valuations, and mergers. He is the author of *Reengineering*

the Medical Practice and Medical Practitioner’s Survival Handbook