CAPACITY

Efficiency is the most powerful tool for increasing capacity.

BY JON A. HULTMAN, DPM, MBA

Medical practices are similar to manufacturing companies in that the ability to provide their "product"—patient care—is ultimately limited by the capacity of their facilities. A practice's maximum capacity is the greatest number of patients that can be treated on any one day given the resources available at its location. It is essential that a doctor be aware of his/her practice's capacity and maintain it at an adequate level because as successful practices grow, this growth might ultimately be limited by a lack of capacity. As a practice nears peak capacity, costs tend to increase and efficiency declines, leading to issues such as patients waiting longer to obtain appointments, longer waits upon arrival at the office, and doctors who are "rushed" during visits—all of which tend to reduce patient satisfaction and—ultimately—growth.

This undesirable outcome of "success" can be summarized by Yogi Berra in which he describes a popular restaurant, noting, "Nobody goes there anymore. It's too crowded." The solution to this success-related issue is to increase capacity. The difficulty in undertaking this challenge is determining which of the many pathways will be most effective in achieving this goal. Some

pathways are less expensive and/or less difficult to implement than others. Let's take a look at several of these options.

Increasing Facility Size

Doctors attempting to increase capacity commonly turn to enlarging their facilities. Clearly, if one doctor is working out of two treatment rooms and adds a third, capacity will increase significantly. The same

is true in a multi-doctor office in which each doctor begins working out of three rooms instead of two. Sometimes additional rooms can be carved out of existing space, and sometimes what is required is adding space or moving to a new facility. As more and more treatment rooms are added, returns on those investments tend to diminish. It is, however, better to be under capacity and have room to grow patient volume or add another doctor to a practice than to be at full capaci-

ty. With sufficient excess capacity, merging another practice into that extra space can be a powerful strategy. One complaint rarely heard from a doctor is wishing that s/he had less space.

Adding Staff/Physician Extenders

If you were to visit 100 practices with equal numbers of treatment rooms and staff, you would see tremendous variation in their

productivity and the number of patients that they treat. Some are "fully booked" at 20 patients a day while others can easily manage 50. Similar to adding treatment rooms, increasing the number of staff will definitely increase capacity—up to an optimum point. Beyond this optimum, adding more staff creates diminishing marginal returns. The most important analysis to make before adding staff is to determine that any new hires can 1) increase

> **This undesirable outcome of "success" can be summarized by Yogi Berra in which he describes a popular restaurant, noting, "Nobody goes there anymore. It's too crowded."**

Capacity (from page 127)

productivity in the clinical area by serving as physician extenders or 2) increase the collection ratio by speeding up the billing process and following up on unpaid, or under-paid, claims.

These first two options—enlarging a facility and adding staff—are not your only ones for increasing capacity, and either can come at a steep price. Before considering these more expensive options, you should consider others which do not require major financial investment. These do, however, require a substantial investment of time.

Increasing Doctor Productivity

Up to a point, the doctor is the primary factor limiting a practice's capacity. If you were to spend a day observing a multi-doctor office, you would find a significant variation among those doctors in terms of maximum patient volume treated and productivity per patient—even though they are working at the same facility, and supported by the same

> **Similar to adding treatment rooms, increasing the number of staff will definitely increase capacity— up to an optimum point.**

staff. Becoming faster or more efficient at seeing patients is something that can be learned. We all have different ways of "wasting" time. It is important to identify just where and when we waste time because a few minutes here and a few there of non-productive time quickly add up. Observing and learning from others can help to solve this problem. If you are in a multi-doctor group, spend a day following the busiest doctor in your group. If you do not have this option, spend a day at the practice of another busy doctor.

One common barrier to increasing patient volume is that many doctors have a fixed number of patient visits in mind that, to them, represents being "fully booked." This number then becomes imparted

to and ingrained in staff. Once this number is "hit" each day, patients are turned away. This arbitrary number puts a lid on growth. Seeing even a few more patients a day can create a significant difference in profitability because the only costs of seeing

these additional patients are those for supplies. The fixed costs for these "extra" visits are already covered.

Extending Staff Training

Back in the "old days," when a physician started a private practice s/he typically had one employee who performed all duties. In many cases, that staff person was the doctor's spouse. As the practice grew, a second staff person was added, and specialization began—one person worked in the front office and one in the back. As a third, and then a fourth, were added, one became a

biller and one an appointment scheduler. As more staff were added, each became even more specialized. The most valuable member of this new "specialized" staff was the one who knew how to do everything and could cover any position in a pinch. Most importantly, this person was aware of the way in which all staff positions were "connected," making the practice run more smoothly. It is never too late to cross-train staff so that all become "the most valuable"—a strategy that increases capacity, productivity, and job satisfaction. With information technology located "everywhere" in today's practices, the ability of temporarily idled, cross-trained staff to assist back-ups in other areas of the practice are greatly expanded.

Better Management of the Appointment "Book"

The appointment "book" is one of the biggest constraints to capacity in most practices. Patients are typically scheduled for too much, or too little, time. The scheduler

> **The appointment "book" is one of the biggest constraints to capacity in most practices.**
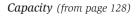
often has limited clinical knowledge; so, to be safe, s/he pads appointments with extra time. Appointment books often hardwire the aforementioned mistaken belief that there is a fixed number of daily patients representing a "fully booked" practice. Since technology is now located in treatment rooms to accommodate electronic medical records, return appointments can now be made by clinical personnel at those points of care. Back office staff know why patients are returning and, more precisely, how much time each visit will require. Exiting patients no longer need to interrupt the receptionist at the front desk to make return appointments as they leave the office. This frees up receptionist time for effectively answering the phone, appointing new patients, and checking patients into the office.

Executing Effective Inventory Management and Equipment Maintenance

While effective inventory management and equipment maintenance do not increase capacity, having glitches in these areas can decrease capacity. Running out of certain supplies impedes patient care, and having a power chair out of commission can eliminate the use of an entire treatment room. Having a good relationship with vendors is helpful when these issues arise. A good relationship leads to better service—e.g., gaining quick access to supplies that are running low or are in high demand, or quickly getting a repair person on site to fix a chair when it is not working.

Capacity (from page 128)

Improving Efficiency

Efficiency is the most powerful tool for increasing capacity. In fact, the impact of its application can be far greater than adding treatment rooms and/or staff. Everything done in a practice is accomplished through some multi-step process. In time, steps tend to be added to processes. They accumulate over time with many added "on the fly" to solve problems. As processes become longer, more complex, and less efficient, back-ups become more frequent and most individuals working in a specific process have little understanding as to how their work connects with that of others. Cross-training staff, analyzing and redesigning processes to incorporate industrial engineering workflow principles, and employing technology to simplify processes all help to smooth the workflow along with a better understanding of that workflow. All of these are difficult to implement, but rewarding, projects. All the time invested to change and make processes more effective are well worth the effort.

The typical growth curve for successful practices is one of continued increase that eventually plateaus. As capacity continues to move towards maximum, the growth curve begins to slow and can, eventually, begin to decline. This is when ways must be found to increase capacity. When this point is reached, it is important to remember that although a practice can be moved to a larger facility or staff can be added to increase capacity, there are many other effective, less expensive, alternatives that can be enacted. **PM**

> **The typical growth curve for successful practices is one of continued increase that eventually plateaus.**

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.*