

# What Podiatry Can Learn About Efficiency from Manufacturing

It's time to re-evaluate your processes to maximize productivity.

BY JON A. HULTMAN, DPM, MBA

Let's face it, medicine is a business, and that business is changing fast—very, very fast. The “tried and true” is no longer working and could fail completely by tomorrow. In this competitive climate, lower reimbursement rates and higher costs have combined to reduce both profitability and the quality of care. To thrive in this high volume, low fee environment, we will need to employ methods proven to maintain quality and profitability that have been successfully utilized in other industries. We also need to follow manufacturing's lead and redesign our processes.

The good news is that addressing this challenge does not require the mastery of complex science. It will, however, require a willingness to change the way we do things. Other industries, when faced with similar competitive environments, have adapted successfully. The bad news is that while many industries have made this transition, competing corporations that did not “keep up” failed along the way. The sound business practices employed by businesses that succeeded in the corporate arena can be adapted to work in our medical offices and clinics. As the practice of medicine and the entire healthcare industry evolves, the skills that have worked so well for us in the past must be augmented with proven business skills that were designed to improve efficiency in a way that increases quality and lowers costs.

In every industry, the most successful companies make the most profit, and the highest profits are achieved by those that are able to adapt to change and deliver (in the least costly way) a high volume of the quality features that customers value the most. The type of change necessary for succeeding is demonstrated by an issue faced by Ford Motor Company in the early 1980s. At the time, Ford employed 500 people in

ly different—not simply an improved version of Ford's. A new “species” of accounts payable had been realized through analysis of workflow with the introduction of industrial engineering principles espoused by W. Edwards Deming. This process led to the creation of greater efficiency. It was clear to Ford that until they too made radical changes, they would not be able to charge a premium price compared to

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its accounts payable department—an excessive number. Managers realized that cutting costs in this department would enable them to better compete with foreign imports. To address this inefficient process, the company planned to install a new computer system with the goal of reducing its accounts payable head count by twenty per cent. They were thinking too conservatively and soon realized that this would not be enough.

Compare Ford's hoped-for outcome to the reality of Mazda's accounts payable department which, at this same time, consisted of only five people! Upon inspection, they realized that Mazda's process was obviously entire-

Mazda's. What Ford learned was that they not only needed to find a way to spend less paying their bills, they needed to utilize the same industrial engineering concepts to redesign each of their processes in order to duplicate the same quality and cost structure of their direct competitors—starting with the re-design of their manufacturing and quality control processes.

There is also a clear trend in most medical specialties of building large, multi-location group practices. This further magnifies the negative impact of process inefficiencies on both cost and quality. The more effective these processes can be made, the higher quality

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# THE LAST WORD IN PRACTICE ECONOMICS

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and profitability will be. Because not every task within a process should be centralized, particularly in large group practices, it needs to be determined

cesses are designed. When creating a group practice through acquisitions and mergers, rather than simply connecting inefficient processes already in place in each individual office, most will need to be re-designed from scratch.

business processes (such as billing, collections, appointment scheduling, and charting) become more complex, they are subject to errors, and their management often requires more staff. Similarly, clinical processes such as patient movement, treatment procedures, and even preparing rooms for patient treatment become more complex. Because this all increases costs, lowers productivity, and creates potential for medical errors, we in healthcare need to re-evaluate our processes just as the Ford Motor Company has done. This will be a challenging undertaking, but well worth the effort. **PM**

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which tasks in the process are best performed in a centralized business office and which are best decentralized to doctors and staff at the practice level. At the end of the day, success will depend on where the tasks in the process are performed and how well the pro-

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