“Lean (service provision) is a holistic, action-based, management and implementation system to provide enhanced customer value”

Wikipedia

“Lean is a growth strategy, a survival strategy, and an improvement strategy. The goal of lean is, first and foremost, to provide value to the patient/customer, and in so doing eliminate the delays, overcrowding, and frustration associated with the existing care delivery system.”

Thomas Zidel

Frugal Innovation

Background
Ambulatory health care is on the cusp of profound economic transitions. Ophthalmic practices are closer to the “cusp” because of their high dependency on Medicare entitlement spending.

Allowable Medicare fees, under even the rosiest scenarios, are slated for a 15% drop based on current negotiations between America’s surgical specialty societies and congressional committee members.

For the typical general ophthalmologist with a 40% profit margin today, a 15% Medicare fee reduction along with even mild inflation will result in a 25+% pay cut.

I’ve launched a collaborative study with several clients on opportunities for ‘Frugal Innovation.’ This short paper is the initial result. We’re doing this on the assumption that profit enhancement—one almost entirely dependent on revenue gains—must now simultaneously turn to a material reduction in the cost to serve each patient.

It now costs the typical general ophthalmology practice well over $100 to transit a single patient visit, including about $50 in lay labor, and $10 in rent and utilities. As fees erode, one or more of three variables must change to sustain and grow physician income:
- Practice operating costs must fall
- Practice patient volumes must rise
- The revenue per average patient visit must grow
On the hit list will be things we never fussed with before. Things like having regular employees handle routine office cleaning throughout the course of the week. Or switching from the sharply creased cotton lab coats the doctors really like, to polyester ones, because the docs can take them home and throw them in the washer instead of paying for dry cleaning. In the future environment, these picayunish savings, when added up, will be meaningful.

Are we being unduly alarming? There have been so many 11th-hour delays of slated fee cuts. Can’t this go on forever? Probably not.

Under any politically feasible scenario, federal debt will continue to rise sharply. Because of this, the nation’s debt as a percent of GDP will keep sailing well past the 100% “red line,” and reach levels which briskly elevate our borrowing costs. As borrowing costs rise, interest payments will edge out funds available for the entitlement spending which supports 60% or more of the typical ophthalmology practice.

Political gridlock will likely continue to delay sustainable entitlement reform, so fee adjustments when they come will be further delayed, yes, but more likely be abrupt rather than gradual.

Frugal Innovation
“Frugal Innovation” arose from one English translation for the Hindi term Jugaad, which means an improvised arrangement or work-around obliged by a lack of resources. In India, Jugaad is also the name for a kind of cobbled-together rural vehicle made from a wagon and a repurposed diesel irrigation pump. Crude, but effective.

Frugal innovation is of course, just another verbal handle…jargon to help drive forward important concepts of doing more, faster, more accurately and consistently, with fewer resources. Many of these code words and associated management frameworks have arisen through the years:

- **Value Engineering**…launched at General Electric during WW-II to overcome shortages of labor and raw materials. In this setting (as in ophthalmology’s likely future) necessity was the mother of invention.
- **Kaizen**…After WW-II, American consultants in Japan produced a training film “Improvement (Kaizen) in Four Steps.” The term stuck, and was re-imported to America.
- **Just-in-time Production**…JIT is generally associated with the "Toyota Production System." It was a tactic borne of necessity: Toyota’s president said, ‘Catch up to America within three years or Japan’s auto industry will not survive.’ (Sound like ophthalmology?)
- **Lean Manufacturing**… Also originated with Japanese manufacturing, and first cited by a MIT student in 1988 in his master's thesis.
• **Six Sigma**… Developed at Motorola in 1986, and became widely known after being applied at General Electric a decade later. Strives to reduce waste by embedding Six Sigma certified efficiency experts within an organization.

• **Best Practice**… Broadly adopted by business, government and NGOs to accredit the best—or at least a “good”—way of doing things. The AAO’s Preferred Practice Patterns are an example.

• **5S**… Perhaps among all of the variously named concepts within the spectrum of Frugal Innovation, 5S is most immediately applicable to eye care. 5S is yet another workplace organization method developed in Japan, and refers to a list of 5 actions beginning with the letter “S.” As abstracted in Wikipedia, “The list describes how to organize a workspace for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order. The decision-making process usually comes from a staff dialogue about standardization, which builds understanding among employees of how they should do their work.”
  
  o **Sorting** Eliminate all unnecessary instruments, drops, equipment and protocols. Go through every inch of your office and remove what is not required. Materials you need most often (eg: forceps and Volk lenses) should be closest at hand.
  
  o **Straightening Out** Find a place for everything…and that place should be clearly labeled. In an exam room, every drawer and desk-top space is segmented and labeled, making it easy to see what’s missing or out of place.
  
  o **Standardizing** All work stations for a particular job should be identical. All employees doing the same job should be able to work in any station with the same tools that are in the same location in every station. How does this compare to the standards you keep in your clinical suite of rooms?
  
  o **Shining** Tidy up the workplace periodically and at the end of the day.
  
  o **Sustaining the Practice** Finally, sustain and continuously improve the new standards you have adopted. Don’t allow a gradual decline back to your old standards.

**Every Business Sector is Now Pursuing Frugal Innovation**

• You now pour your own soda at most fast-food restaurants
• Technical support is handled overseas 24/7
• We now commonly scan and bag our own groceries
• Toyota now assembles a whole car with just 30 hours of labor (it still takes most practices 3 hours of staff labor to transit a single patient visit!)
• My travel agent used to hand-deliver my airline tickets, not anymore

**Ophthalmology has been at this for awhile, too**

• Changing from a $20 cataract brochure to a few factsheets
• Changing from free patient limo rides to bus token for indigent patients
• Changing from $50 post-op “get well” flowers to a $3 mug
• Charging up to $95 for a refraction, which was once a bundled fee

• In the future, our patients will:
  o Self-appoint on-line
  o Self-register at a kiosk
  o Get an e-ticket directing them to special testing stations 3, 7 and 11
  o Walk themselves from station to station
  o Or they may just step into a local kiosk at the mall, and get examined by a doctor in the Philippines
  o Or they may refract themselves using an iPhone app
Beyond Management Slogans: Adopting a Frugally Innovative Mindset

Commercial enterprises—including the smallest ophthalmic practices—as they grow, get more complex and costly to run. Bureaucracy and waste creep in by degrees and has to be periodically eliminated. Business leaders, advisors and academicians have been rediscovering and revising frugal innovation for generations now.

Overall profit enhancement is derived from a balance between cost containment and revenue enhancement. If anything, profit enhancement is still more a matter of revenue enhancement than cost containment. It’s much easier to find a way to see three more patients per clinic day, which has the same financial result as terminating two or three staff members.

Revise your practice culture.
Which of these describes the present culture of your practice?

A. Too Fat. We buy/hire whatever we need. We really don’t think about or discuss cost-saving alternatives.

B. Too Lean. We go too far in focusing on cost savings…our doctors are obsessive to the point of missing out on good investments for the practice…we would be a better practice if we balanced cost containment with revenue enhancement.

C. Just Right. We actively look for opportunities to spare costs…it’s on the top of everyone’s mind here, but we balance that with efforts to boost throughput.

Tactics and Tools to Get Started

1. Consider your provider’s sentiments carefully. Most doctors, when they are thinking like business owners, are all for frugality. But when confronted with the behaviors they might have to personally change—working differently and harder, accepting trade-offs in technology adoption—most doctors will resist change. Solicit your doctors to be part of a “Frugal Innovation Task Force.” Have them champion the plan. Use positive incentives initially (eg: “You will share in our savings on surgical materials” and penalties later on (eg: “If you continue to use high-cost items, this will be charged to you directly.”)

2. Your foremost mandate is to use doctor time efficiently. Doctor time is the most costly resource in your practice.
   - $1mm annual revenue divided by 2080 hours = $481 = $8 per minute
   - With that in mind should a doctor:
     o Spend 5 extra minutes with a patient to teach them about the details of their upcoming cataract surgery when the clinic is running behind?
     o Go to his office and read emails when he has an open room and could jump in to start a patient?
     o Go to the sidelines and meet socially with a pharma rep for 20 minutes?

3. Make sure that one key person in your practice clearly “owns” the mission of spearheading frugal innovation. Don’t just put out blanket dictums to “Please watch our costs…” In a large practice this will be the CFO; in a mid-sized practice, the office manager or administrator; and in the smallest offices, the doctor-owner.

4. Be as Objective and Measurable in Your Efforts as Possible.
   - Budgeting…and especially zero-base budgeting
   - Monthly financial statements (rather than quarterly or annual ones)
   - An annual evaluation grid for every vendor:
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Score (1-10)</th>
<th>Next Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jones Plumbing &amp; Heating</td>
<td>5...on our last service call, their technician took 5 hours to solve a simple problem</td>
<td>Try Smith Plumbing at the time of the next service call, and if satisfactory, negotiate a 10% hourly fee discount</td>
</tr>
<tr>
<td>Ruth’s cleaning service</td>
<td>9+...consistently meets or exceeds expectations</td>
<td>Letter of commendation from the board, and a small holiday gift.</td>
</tr>
</tbody>
</table>

- Checklists to make sure all work is completed
- Collateral duty lists...so staff with a few minutes on their hands can accountably turn to other work
- Requisition forms...which force staff and doctors to think about costs and benefits before buying

5. Make sure managers and doctors understand the in-the-trenches basics of your practice
   - Very few surgeons have ever watched their techs work up a patient or their billing staff post and submit a charge.
   - While most mid-level managers come up through the ranks and know how to do the jobs of the people they supervise, the administrators of larger practices are frequency separated from life on the assembly line.

6. It doesn’t take much innovative thinking to realize that a core determinant of ophthalmic practice output and profitability is simply the tempo of staff and providers. Brisk, purposeful movement throughout the day simply gets more work done. Here are some pearls courtesy of Psychologist Craig Piso.
   - It’s important that you recruit hard-working people at the outset, rather than trying to get naturally slow people to work more briskly.
   - Select people who have already proven themselves in high-tempo settings: other high-volume clinics, restaurants and similar high-traffic service settings.
   - Performance is always an interplay of individual work aptitudes and management effectiveness. While it's tempting to blame slow work on the individual worker, there is usually room for improvement in management’s efforts to bring forth more speed.
   - Thoroughbreds love to run unencumbered, but they also need a jockey in the form of effective supervision to get out of the starting gate and stay on track. Empowerment is the key tool for managing those with an aptitude toward high paced, high quality performance.
   - High-energy all-stars always want to be challenged to go to the next level of performance, so keep raising the bar and rewarding performance along the way.

7. Shift Your Frame of Reference
   - Imagine your employees as independent venders, selling you their time by the hour...would you keep all of them, or try out a few new vendors?
   - If you currently employ a problematic physician, and had an opportunity to hire them again, would you do so? If the answer is “No,” then why are they still in your practice?
   - Although you are trained as a clinician to help everyone who comes your way, are there patients you should dismiss because of their low reimbursement, non-compliance or misbehavior in your office?
   - If you work in multiple offices, calculate the net profit per hour you make in each setting (inclusive of travel time). Based on this, are there any satellites you should abandon or at least redouble efforts to turn around?
8. Avoid “Service Wastes” Some of the best known, early rules on avoiding industrial waste were laid down by Taiichi Ohno, the father of the Toyota Production System. Ohno’s statements have been refined for service entities by Bicheno and Holweg, academics, consultants, and co-authors of “The Lean Toolbox”:

- **Delay** on the part of customers waiting for services.
- **Duplication.** Having to re-enter data, repeat details on forms, copy information across platforms, or having to answer queries from several parties within the same organization.
- **Unnecessary Movement.** Standing in unnecessary lines; poor ergonomics in the service encounter.
- **Unclear communication,** and the compounding waste of seeking clarification.
- **Incorrect inventory.** Being out-of-stock, unable to get exactly what was required.
- **An opportunity lost to retain or win customers,** a failure to establish rapport, ignoring customers, unfriendliness, and rudeness.
- **Errors in the service transaction…defects in the service or product-service bundle,** lost or damaged goods.

**Practical Applications**

Here are 102 frugal innovations divided into five basic dimensions (spelling out the word, “ASPEN”)

- **A**dd
- **S**ubstitute
- **P**ostpone
- **E**liminate/Reduce
- **N**egotiate

If you work in the typical practice, many of these basic frugal innovations are already in place. In the most vanguard setting, you’ve moved beyond these basic tactics. As you review this starter checklist of profit and efficiency enhancements make a note of new items that could be applicable in your practice that you are not yet using.

**Add**

1. Although “frugal” connotes cut-backs, greater profit may actually come with looser purse strings: adding a tech allow you to see more patients, going to a weekend course to learn a new procedure, or elevating one receptionist to “front desk lead” to better coordinate the check-in process.

2. Do the work than change requires. Don’t take shortcuts when you see a process or policy that needs to change. Call together all of the involved parties. Agree on the problem and the best revision. Put one person in charge of writing up and implementing the change. Audit for compliance and to assure that the change is actually working.
3. If you see 60 visits a day, and have only one visual field machine, this probably represents a chokepoint in patient flow. “Debottleneck” your practice by buying a second field machine (and put it in the same room—it’s possible for one tech to run two field exams at a time.) Alternately, schedule local patients to return on another day, less-busy day.

4. The typical eye care office is open 40 hours per week or less. If patient demand is sufficient, expand office hours to evening and weekends, bringing in supplemental providers and staff to extract more value from your fixed overhead costs.

5. Every ophthalmic practice is filled with lots of delicate, expensive equipment that will last longer if given regular service and cleaning. It’s easy for all of these service intervals to be forgotten, until a costly repair is required. Keep a master calendar noting all of the major service intervals. Include mundane smoke alarms and external emergency generators, as well as delicate testing and treatment equipment.

6. Replace your current one-sided printer/copier with a duplex printer to enable printing on both sides of the page.

7. If storage permits, buy in bulk. (But don’t spend a dollar on storage used to save a nickel on bulk purchases.)

8. Most practices market very poorly, or internally, and their failure to thrive is often marketing-based. The most usual marketing sin is to starve opportunities to stimulate patient-to-patient referrals, reach out to referral sources and harness the power of testimonial ads. Before slashing costs, ask, “Should I really be spending more, not less, on marketing?”

9. Your practice is your home…and like your real home it’s easy for doctors and staff to overlook how shopworn it has become when seen through your patient’s eyes. Make a field trip to several eye and non-eye offices in your service area. Then return to your office. Is it time for a facelift? It’s false economy to not freshen up from time to time.

10. The regulatory bar is rising each year, and the audit horror stories are mounting. If you have been holding off on staff and doctor compliance training, or on mock audits by professionals in this area, this is something that should be added immediately.

Substitute

1. If your accounting firm is still generating your monthly financial statements, shift these in-house (it’s a snap with QuickBooks) and reserve accounting fees for things you can’t do yourself.

2. Over time or more abruptly if conditions warrant, replace staff whose life circumstances oblige them to work 40 hours each week with more flexible workers who are happy to taper their hours during slow periods, but who can also work 40 hours—even overtime—during your peak season. Beyond the labor flexibility, you will increase the proportion of your staff that work part-time and reduce benefits costs.
3. Outsource billing if annual collections are under $1mm, or you if have repeatedly failed to manage this function cost-effectively in-house. Conversely, if you currently outsource billing and fees or performance are unsatisfactory, change vendors or bring this function back in-house.

4. Have a physician take over administrative duties, which empirically can work in a practice with up to about $4 million, strong mid-level managers and a committed doctor.

5. Use one office manager to run two or three small offices.

6. Reshuffle how doctors take vacation time…you may lose less production, and some doctors may stay more refreshed with long-weekends rather than longer, multi-week absences.

7. Shift 5% or more of every staff member’s compensation to a pay-for-performance arrangement instead of a guaranteed wage.

8. Labor Substitution….Are you thinking about adding a new member to the team? If you think it’s time to add a surgeon, investigate if an optometrist would be more appropriate. Think you need a COT-level tech? Ask, “Would a trainee suffice?” This goes all the way down the food chain: Think you need someone new in medical records for routine filing? Would an after-hours high school student be able to get the job done for less?

9. Encourage your patients to use portals in your PM system for self-appointing.

10. Make all possible payments with cash-back or travel-point credit cards.

11. Examine all consumer marketing executions at least annually:
   - Spend no external dollars until internal marketing is optimized
     - Customer service
     - Recall and continuity of care
     - Referral acknowledgment
     - Cross-selling to auxiliary services
   - Study lead sourcing more deeply than is typical
   - Snuff the least effective tactic and replace with an experiment you think may work better based on the experience of sister practices
   - Sharply taper Yellow Pages placements in most markets
   - Generally shift “old media” dollars to “new media” dollars, but don’t abandon DTC advertising which is working
   - Generally eschew community and team sponsorships
   - Shift from printed brochures to inexpensive factsheets and web-based patient education
   - If your media advertising budget is over $100,000 per year, get input from a media placement service to improve your placement and pricing
   - Don’t scrimp on signage, referral source outreach, community screenings and related efforts which are generally highly effective

12. Use space to its highest/best purpose. If you can gain new revenue-producing clinical space, shift storage, billing and similar business functions to less costly, nearby space.
13. Find out if you can relinquish part of your existing space to your landlord, or sub-lease it out to a compatible user.

14. Built-in cabinetry work is beautiful, but IKEA may be able to satisfy your needs at a fraction of the cost.

15. The next time you have to replace carpeting, bid out other materials such as bamboo and ceramic tile. These can be slightly more expensive at the outset, but cost much less in replacement and cleaning over time.

16. Open-concept work areas with flexible cubicles are much more sparing of floor space, and better for communication than private offices.

17. Turn all but two private doctor’s offices into exam or testing rooms, leaving one private office for the managing partner and creating a bull-pen office with study carrels for all other providers.

18. The next time you hire a technician, aim for someone who is handy doing minor repairs around the office, which can save the time and cost of outside repairs.

19. If you have a multi-office practice, use the phone and online collaboration tools instead of meeting face to face to reduce travel costs and time for group meetings.

20. Organize a group of auxiliary volunteers (like a hospital’s ladies and gents auxiliary) to escort patients, help them fill out their paperwork and offer refreshments when the clinic backs up.

21. Rather than mailing out consult letters to referring doctors, send an email. And rather than dictating exquisite (but rarely read) treatises, send a copy of your e-chart notes and a brief cover note. Use the voice-recognition software Dragon to reduce transcription costs. Compare the cost of in-sourcing vs. out-sourcing dictation.

22. Provide referring doctors the option of sending patient referrals electronically.

23. Outsource large copy jobs such as forms, staff manuals and workshop materials for optometric education.

24. E-fax to decrease paper fax use; departments and people receive faxes and directly in their email in-box. Click on www.efax.com.

25. Before executing any major loan or lease, confer with your accountant, if you can afford the cash flow differential, it may make sense to buy rather than lease.

26. Consolidate loans to lock in better terms and potentially ease cash flow constraints. Pay off revolving credit cards monthly, or if credit card debt has ballooned, consolidate and shift to your practice’s line of credit to reduce interest costs.

27. Airlines, hotels and rental car companies swap their best-buy rankings from market to market and over time. Even if you have favorite vendors, use on-line search engines to comparison shop.
28. It now typically costs $25,000 per hire for the services of a physician headhunter. This is money well spent for difficult hires in far-flung rural markets, but is generally not necessary if you practice in an urban or coastal setting.

29. Rather than relying on live, often one-on-one new employee orientation, develop videos and written documents for new employee orientation. Do the same with ongoing staff training units...record a presentation the first time it's given, allowing future staff and those wanting a refresher course immediate access to the material.

30. As the saying goes, “Train the trainer” and educate your technicians and business in-house rather than at national or regional conventions.

31. Use durable coffee table books (bought for a few dollars each on sale) in lieu of magazine subscriptions. (And if still use magazines, avoid news magazines like Time and Newsweek, which are universally negative and can put patients in the wrong mood to consider elective services.

32. Buy business E-books/ e-subscription instead of hard copies for your management staff.

33. Hand out occasional taxi and bus passes, instead of running a patient transport van.

34. Use a spare room or garage space at home, instead of a commercial storage unit

35. Add motion-sensitive lights in patient lavatories instead of leaving the lights on all day.

36. Having the doctors and administrator share a “unit clerk” or executive assistant instead of using valuable tech time for routine errands.

37. Put every provider and staff member into the same color scrubs, which you order in bulk. The economics of scrubs vs. street clothes for the typical male provider:

<table>
<thead>
<tr>
<th>Street clothes for a year</th>
<th>Scrubs for a year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 suits $1200</td>
<td>4 sets of scrubs $120</td>
</tr>
<tr>
<td>6 dress shirts $300</td>
<td>1 pair crocs $30</td>
</tr>
<tr>
<td>2 ties $80</td>
<td>Home laundering $50</td>
</tr>
<tr>
<td>1 pair dress shoes $150</td>
<td>Shopping time: 0 minutes $0</td>
</tr>
<tr>
<td>Professional laundry $1000</td>
<td>Total: $200 (pre-tax)</td>
</tr>
<tr>
<td>Shopping time: :50 minutes or less $400 (male doctor)</td>
<td></td>
</tr>
<tr>
<td>Total: $3130 (after-tax)</td>
<td>Clinic days worked: 200</td>
</tr>
<tr>
<td>$5200 (pre-tax)</td>
<td>Cost per day: $1</td>
</tr>
<tr>
<td>Clinic days worked: 200</td>
<td></td>
</tr>
<tr>
<td>Cost per day: $26</td>
<td></td>
</tr>
</tbody>
</table>

38. Replace ornate, thirsty office landscaping with xeriscaping. Use silk plants instead of live ones to reduce staff time or plant service costs.
39. Have staff and providers sharing unisex bathrooms, instead of larger, gender-designated ones.

40. Refer patients out to colleagues in other settings to provide special tests or surgical care that you don’t do enough of to substantiate the time, learning curve, liability and equipment costs. This is increasingly common in the Lasik arena.

41. Use vinyl and leather seating surfaces in lieu of harder-to-clean cloth and wood.

42. Replace free soda/coffee in the staff break room with break-even charges to cover costs.

Postpone

1. Delay non-essential repairs and maintenance. Patients probably won’t notice if you paint the building every 5 years or every 7 years, but over a 30-year practice span, you’ll save 28%.

2. Rather than moving into larger office space, hire an ophthalmic space planner to re-purpose your existing quarters. Shrink exam rooms. Re-purpose your chart room now that you use EHR.

3. Avoid or delay entry into service segments shown to be problematic in many cases:
   - Dispensing hearing aids
   - Selling vitamins or pharmaceuticals
   - Providing skin resurfacing and similar medi-spa services with high up-front capital equipment commitments
   - Lasik, unless you are in the right market and are very well-capitalized

4. Raise the bar for larger, less-than-essential purchases with a purchase requisition system which obliges that the person making the order research alternative options (making do with existing materials, reconditioned rather than new equipment, leased, sharing with other offices or departments, etc.)

5. Enforce a “cooling-off” period for all capital equipment and new hire requests, even requests made by physician-owners.

6. Delay hiring another doctor for the practice…find a way for the existing doctors to absorb the growing practice volume.

7. Hold off on developing a satellite office until the full potential of your existing office/s has been realized.

8. Postpone taking on a low-paying managed care contract until it’s clear that your profit per owner-physician hour will increase by doing so.

9. If you are not entirely pleased by your current administrator, and think it may be time to change practice leaders, ask:
   - “Do I have unreasonable expectations? Am I as likely to be disappointed in my next manager?”
   - “Am I judging a recent incident too harshly, and not evaluating my administrator’s performance globally?”
• “Are we at some critical juncture in the practice, where changing managers could set us back unduly?”
• “Have I exerted all reasonable efforts to boost my administrator’s performance?”

10. In most settings, postpone permanently any thought of bonusing staff based on practice performance over which they have no direct control. It’s quite reasonable to bonus opticians on their personal sales, or PIOL surgical counselors based on their personal conversion rates. It makes no sense to bonus techs or receptionists based on visit volumes.

**Eliminate/Reduce**

1. Frugal Innovation is more often a matter of subtraction than addition:
   - On what patients can we omit some exam elements?
   - What is the very least we can put in a cataract surgical tray?
   - Can we simplify and combine office forms?
   - Are there management reports we run that are no longer used to make business decisions?
   - Can we sell, donate or discard unused equipment and other assets?
   - Are there any memberships we can give up?

2. In the literal sense, get rid of all the junk lying around your office…unused equipment, old brochures you will never use, all the fiddly bits and pieces that accumulate over the years. Rent a dumpster…chances are you’re going to need it every few years.

3. Reduce Lay Staffing Overhead…Payroll is the Number One cost in every practice, and is generally fat-laden, even in otherwise well-managed practices. Have the discipline to keep fully burdened lay labor costs under 30% of cash flow in a general practice; under 28% in most others:
   - Use periodic/discretionary bonuses in lieu of base salary raises
   - Limit over-time to not more than 3-5% of total payroll hours.
   - Overtime should be prospectively approved in advance rather than retrospectively approved after it has already been taken.
   - Revise the common standard that 40 hours per week are guaranteed
   - Taper health insurance benefits…the typical practice now pays c. 70% of staff premiums and 0% of dependent premiums
   - Taper pensions, subject to input from your pension consultant, who should balance staff benefit goals with physician-owner tax benefits

4. Don’t be the kind of practice administrator or CFO who says, “We spent $120,000 on marketing last year; let’s make it $130,000 in next year’s budget to keep up with inflation.” Start out with $0 on the marketing line, and only add tactics which have a proven value to your practice.

5. Stop listing 800 toll-free numbers in your marketing, and cancel them with traffic diminishes.

6. Skip out on all but the smallest Yellow Pages ads.
7. Eliminate staffing satellite offices during down-time when doctors and patients are not present; roll the phones over to the main office.

8. If you don’t need it, shrink your office space at the time of your next lease renewal, or move offices to a smaller space if growth is not expected.

9. If you have expanded facilities too quickly, or your practice has shrunk due to local market conditions, and you find yourself with excess debt, renegotiate or repudiate your loans…it’s better for you, your staff and your patients for your practice to go through a structured bankruptcy and survive, than to dwindle to the point of no return. They don’t give out prizes for going broke slowly.

10. Don’t buy things you don’t need and won’t use. Remember: Anything more than you need is wasted.
   - Redundant equipment
   - Software upgrades that don’t boost functionality or access to support (and may actually be less stable)
   - Service warranties for equipment that is unlikely to break down and can be cheaply replaced (like off-the-shelf printers)
   - Professional advice that you are not prepared to implement
   - Annual or monthly fees that can be replaced by an on-call service by the hour or by the project

11. Don’t buy things that can be had for free, like water (unless your local water is toxic…in which case buy an Brita filter).

12. Review all the ways you use and store paper and look for efficiencies:
   - Don’t print out emails unless essential
   - Even after the shift to so-called “paperless” EHR systems, examine your residual paper trail. It’s common to find, even many years after a conversion, practices with electronic records which also make duplicate paper charts, “Because the doctors are still not comfortable searching for patient information on a screen.” Stop making hard copies of the e-chart for doctors and they will adjust and learn to maneuver through their notes on the monitor
   - Some practices will have clinic patients on EHR, but still use paper records in optical and at the ASC.
   - Turn clean, non-confidential waste paper into scratch pads
   - Learn how to scan expense reports, vendor invoices and similar essentials into a readily accessible database
   - Use less-expensive copier paper and disposable towels
   - Use bulk copier paper on a clip board instead of bound yellow pads
   - Take e-notes on your laptop computer during meetings, and reading from an agenda on the screen rather than from hard copies

13. Constantly evaluate optical and contact lens goods costs, which should be <40% and <50% respectively. If you have an in-house lab, count all of the costs, including labor, supervision and floor space when comparing to the cost-effectiveness of outsourcing.

14. Wherever doctor preferences and standing orders oblige divergent protocols or materials for essentially the same purpose, oblige the providers to meet and come up with one
agreed, best choice. By eliminating customization, staff training is faster, accuracy increases and material costs fall when you can lock in bulk orders.

15. Do your utmost to reduce no-shows. This starts with making sure you are looking at no-show patients with the appropriate level of alarm. The typical no-show rate in general ophthalmic practices today is under 3-4% in stalwart, rural America and about 5% in urban settings. Just three excess no-show patients a day claw about $100,000 from the bottom line.

16. Examine associate provider compensation. The market rate today for a better-than-average optometrist working full-time in an ophthalmology practice is $150,000 or under, before benefits and taxes. I commonly see doctors with average levels of productivity earning more than $200,000. It is obviously a very delicate task to re-set anyone’s wages and not be made to feel like an ogre. But that’s what has to be done in the present circumstances.

17. Now and in the future, we are not just running into economic constraints, but also time constraints. The typical manager and managing partner have to ration their time carefully for staff meetings, vendor drop-ins and training. Before you commit your time, ask:
   • Will this meeting time be more valuable than the time I am giving up to attend it?
   • Can someone more junior attend this meeting in my stead, and synopsize the meeting for me?
   • Is there a more efficient way to accomplish the goals of this meeting, such as a memo, if the main purpose is just to pass along information?

18. Reduce Staff Turnover
   • The normal turnover rate in ophthalmology is to have c. 25% of your staff leave each year; in superior settings, this is commonly down around 15%
   • The typical staff departure has direct and indirect costs of about half a year’s wages
   • A practice team of 20 workers with a 35% turnover (rather than a “normal” 25% rate) is losing about $45,000 per year in excess turnover costs
   • Doctor-employers being personally kind to staff is frugality in action. Remember that people work for a combination of love and money…if you don’t love your staff, it costs much more to employ them
   • Kindness also reduces absenteeism and boosts staff morale performance

19. In most practices, most staffers are terrific, of course. But in every practice, there can be a “pot-stirrer” or two who agitate others and reduce morale. Such individuals should be removed at the earliest possible moment, even if their skills are critical and they are seemingly holding you hostage.

20. Facility Development is a Rich Environment for Frugal Innovation
   • You can do with fewer exam rooms and less equipment if you turn each room faster
   • Exam rooms have been shrinking in size for years…visit the offices of more frugal colleagues to see what you may be able to get away with
   • A private toilet for each physician is a luxury of the past. (Based on build-out and maintenance costs, and dividing by daily utilization, a surgeon’s trip to his or her personal lavatory costs the company about $3…plus another $12 for every minute off the clinic floor…so hurry-hurry!)
21. Teach your staff and doctors how to reduce expensive damage to delicate equipment...how to gently clean instruments, and how to lightly rotate a slit lamp rather than flinging it to one side, bashing it into the wall.

22. Don’t have new tech hires shadow three different techs, “To see how different techs do things here.” Develop one agreed best way to tech, and train to that one protocol.

23. Don’t be the kind of medical director who says, “We have six doctors here, they should each be able to tell their techs how they want to have their glaucoma suspect patients worked up.” Instead, lead your colleagues through a process toward agreement on one best work-up.

24. When you’re the head tech, and you see your staff hanging around with little to do, don’t be shy about engaging them in a direct conversation about how the clinic could better use their talents.

25. Eliminate excess travel reimbursement costs by obliging that staff carpool between satellite offices, and by not paying for travel when a staff member drives directly from their home to a satellite office that is the same distance away as their accustomed morning commute to the main office.

26. Meetings are important, but…
   - If you are the typical practice with 2 doctors and 15 staff, every hour-long staff meeting costs about $1,300 in wages plus lost doctor production.
   - If you’re meeting monthly now, you will probably get as much accomplished in a meeting every two months, supplanted with a brief weekly bulletin from the office manager and doctors to keep everyone in the loop…and save $7800 per year.

27. Reduce the frequency of cleaning services from daily to as little as weekly. Have staff spend the last few minutes of each day tidying up their workspace and common areas, and taking out the trash. Provide supplemental wages to a staffer willing to stay after for an hour and clean up high-traffic public areas. Back this up with periodic professional cleaning.

28. If your practice has reached a plateau and you are unlikely (because of a competitive market or time-limited doctor) to be gaining any more patients, compress the clinic day or week. For example, most general practices working the typical 3.5 clinic days per week and one surgical day, find it feasible to squeeze the half clinic day out of the schedule and still see the same number of patients each week by working a bit more intensely. In a solo practice with 6 staff, this can save about $20,000 per year in wage costs. If you can find a compatible guest doctor to use your office when your practice is closed on the 5th day of the week, so much the better.

29. Obtain prior authorization for probable procedures and tests on subspecialty clinic days. By being able to work procedures and tests into the current day’s schedule we free up capacity on future days.

30. To the extent your local fire marshal will permit, remove exam room and hallway doors...traffic flow will improve, and it will be easier for staff to keep an eye on patients and each other.
31. Subject to input from your labor attorney, taper or eliminate the allowance for employee uniforms.

32. Go on an energy diet overall. Have your local utility company send out a free energy auditor: boost insulation, replace inefficient old appliances, turn off all stand-by power strips and equipment overnight and on weekends, get a more efficient thermostat. Turn down the wattage of your office lighting…you’ll save electricity, reduce air conditioning costs and create a calmer mood in the office. (At the same time, worn carpet and furnishings will be less noticeable.)

**Negotiate**

1. Most eye surgeons hate confrontation, and they create in turn practice business cultures that avoid negotiating like the plague. It’s time to change your mind set in this area, because the ability to negotiate fairly and firmly and with a win-win approach will be a core practice survival skill in the years ahead. It’s time to get comfortable with the mild confrontations that will yield you lower price for the same value, or more value for the same price.

2. How do you feel, at your core, about negotiating with vendors? Do you enjoy it and do it well? If not, Read “Getting More” by Stuart Diamond or any of the hundreds of great texts on negotiating, which all boil down to the same basic tenets:
   - Believe that you will get what you ask for
   - Ask fearlessly…don’t involve your ego in the outcome
   - Create a win-win for both sides
   - Know in advance what is fair and reasonable, and the outcome you seek
   - Be fair…win-lose outcomes will hurt you in the long run
   - Be pleasant but persistent
   - Stop short of creating conflict
   - Have a fallback position if you lose the negotiation

3. Periodically re-bid all vendor contracts as a matter of good corporate hygiene:
   - Postage meters
   - Insurance
   - Credit card processing
   - Office cleaning
   - Accounting and tax preparation
   - Marketing communications and ad agencies

4. If you can turn around repairs and construction work faster, and get your facilities up and running more quickly, you’ll be dollars ahead. So when you sign off on a work order, include a completion date and a performance kicker. “I’ll accept your $12,000 bid to outfit two new lanes for us, providing that if you don’t get it completed by December 15th, the price will drop to $10,500.”

5. Harness co-op marketing money from optical vendors.

6. Make longer-term commitments to whittle down enduring costs
   - Life and disability insurance renewability periods
• Magazine subscription periods
• Ask every service vendor you are happy with and will likely use for many years if they would extend a discount (or augmented services) to you for a longer commitment

7. Is it time to share? If you practice in an urban or suburban setting, there are probably at least five practices just like yours within a short drive. Each of these practices has an administrator, a computer system, a full battery of special testing equipment…as well as lots of non-overlapping subspecialty interests. Sit down with your colleagues and negotiate changes that could help all of you.
• Coordinate your RFPs for a new practice management or EHR system
• Collaborate to co-hire one retinal surgeon to cover two or three practices
• If the administrator of your practice is about to retire, could the high-energy manager of a friendly neighboring practice take over and run both practices part time?
• Make frame and lens buys jointly to lock in lower costs
• Jointly promote community vision screening events
• Bundle and bid out printing jobs
• Share staff expertise…have their billing manager consult with you on collections, while your head tech gives their staff a refresher course on refracting

8. Don’t be shy to barter with patients who are tradesmen and business owners with services and products you need and would be purchasing anyway.

Closing Points

Challenges to the “industrialization” and lean engineering in Eye Care:
• It obliges a cultural shift, which must start at the top
• It’s hard to break a patient visit or surgical case into stations on an assembly line
• Treating a patient’s eye involves a kind of “custom manufacturing”
• A tech or doctor generally applies a narrow subset of their broad skills to help any one patient…unlike a factory worker, they must cross-train and keep the full range of their skills sharp
• In industry, capital equipment (eg: robotics) replaces labor…
• …in ophthalmology, when we buy new capital equipment in eye care, it is generally labor-neural (autorefractor) or labor-consumptive (special testing equipment)
• Many practices launch efficiency efforts…few make it frugal innovation an embedded value

Ask these supplemental questions:
• Walk through your entire clinic with a notepad with the challenge to find as many cost savings as you can. How many did you come up with? If implemented, what would their value be?
• When you see an example of waste or under-utilized resources, how does that make you feel?
• How well have we communicated to staff, in constructive, practical, non-fear-engendering ways, about the likelihood of fee cuts and the importance of cost containment?
• When was the last time you rewarded staff for their cost-containment ideas? At what level are these rewards handed out…just to senior managers or to workers on the front
lines (who often have creative ideas for cost containment overlooked by owners and managers).

**Values are nice, but behaviors are more measurable.**
Honeywell launched a company-wide training program to instill the following behaviors for all staff at all levels in the company…here are four of their behaviors that are particularly applicable to any ophthalmic clinic:

- **Growth and Customer Focus**…recognize that we need to think differently in order to grow. The customer is the cornerstone of our success.
- **Leadership Impact**…think like a leader regardless of your job, delivering on commitments, and being a role model for others. Leaders demonstrate passion for their work and care about the people in the organization.
- **Champions Change**…Drive continuous improvement and foster a mindset to make decisions that are in the best interests of customers, shareowners, and the organization.
- **Technical/Functional Excellence**…be capable and effective in a particular area of expertise. Remain aware of advances and current thinking in your field and look for ways to apply the latest technologies to your work.

**Don’t Get “Frugaled” by Taking Frugal Too Far**

- Preserve strong economic incentives for top producers in the practice
- Foster creativity and experimentation; don’t beat staff into an impression that, “There’s no use bringing that up…the board would never approve it.”
- Buy high-quality, durable instruments
- Complete maintenance that will help avoid higher repair costs in the future
- Great social dinners out with partners to boost cohesion
- Drive a large car for safety (Remember: the most expensive resource is the doctor)
- Even as you taper excess resources, build in enough of a “shock-absorber” to take on peak workloads or new opportunities
- Get a second and third opinion on all critical practice decisions

**Resources:**
- [http://www.leanhealthcareexchange.com](http://www.leanhealthcareexchange.com)
- [http://asq.org/healthcaresixsigma](http://asq.org/healthcaresixsigma)
- [http://leanhealthcareperformance.com](http://leanhealthcareperformance.com)

The Lean Healthcare Pocket Guide by Debra Hadfield and Shelagh Holmes

Health Care Lean by Lawrence M. Miller

A Lean Guide to Transforming Healthcare: How to Implement Lean Principles in Hospitals, Medical Offices, Clinics, and Other Healthcare Organizations by Thomas Zidel