

GUAM DOCTORS CLINIC: A CASE STUDY ON OPERATIONS MANAGEMENT

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ABSTRACT

This paper looks at the issue of staffing and correct staffing number and organizational pattern at the Guam Doctors Clinic. The operation is experiencing operational issues and wants to examine these functional areas as a starting point in an effort to determine the underlying problems that may be causing the difficulties in the company's operation. The objective is to formulate appropriate business practices to create the highest level of efficiency within the company, which is the essence of the study of operations management.

Daniels et al, (2011, pg. 752) noted that: "The relationship between superior HRM and high productivity, competitive advantage, and shareholder value confirms the value of people to performance". As also noted by Daft (2012), most businesses attribute their success to the right people and their failure (or catastrophes) to the wrong people. By determining the proper structure, number and functionality of staff, the clinic can maximize the efficiency of labor and increase the profits of the company. Observation, benchmarking, and buy or make analysis (using employees or contracting out) are the main tools used to arrive at the conclusion.

INTRODUCTION

Business Overview

Guam Doctors Clinic (name changed to protect identity) began operating independently in 1998 after severing ties with a bigger medical clinic. Guam Doctors Clinic, or GDC, formed a privately-held corporation with its doctors as stockholders of the firm. There are seven physicians on the board, but only six of them are currently working at the clinic.

Mission Statement

GDC's mission statement is to provide compassionate medical care delivered by qualified health care professionals and caring staff. They seek to build lasting relationships with patients and employees. The firm is committed to continuous quality improvement and highest ethical standards.

Staffing

GDC is a multi-specialty group practice to include family and internal medicine as well as podiatry. The clinic offers drug testing, medical review officer services, x-rays, mammogram and ultrasound, physical examinations, stress test, in-house laboratory, and in-house pharmacy. As of July 2011, GDC has six doctors and one part-time physician assistant. Primary clinic MD to non-MD staff ratio is 1:2.31. Corporate MD to non-MD corporate office staff is 1:2.54. Overall, MD to non-MD ratio is 1:4.85. Ratio of payroll expenses to sales is 1:2.

The clinical executive committee meets once a month. Current organizational chart points to doctors heading different departments such as executive, facilities management, fiscal affairs, medical records, and clinical operations. There is a concentration of 20 employees including doctors, physician assistants, and clinic staff in the clinical operations department under 1 doctor who has 6% ownership, while the corporate staff of 12 fall under the fiscal affairs department, and report to the doctor with 49% ownership. Three doctors are in-charge of three other departments with 1 to 3 staff each. One of the doctors is not assigned any department to oversee. The radiology department did not have any staff.

The executive office has one HR/Executive Assistant in this department. GDC has not filled the COO position for over one year, which is the position that the HR/Executive Assistant is supposed to report to. Facilities management and Management Information Systems (MIS) departments are under an owner who is a Podiatrist, with 3 staff. The fiscal affairs division includes accounting, payroll, and billing. The Interim Controller is the staff lead. The medical records division is overseen by the second largest owner, with 2 receivable clerks in the staff. Clinical operation is where all the MDs, physician assistant, nurses, medical receptionist and other clerks fall under. This is the largest department in the clinic. The Clinic Manager (also an RN) leads the staff. The Clinic Manager is the spouse of the doctor who is not assigned any departments to oversee.

STATEMENT OF THE PROBLEM

Right-sizing

GDC identified staffing to be a potential problem in their operations. They are not certain if they employ the optimum number of personnel, if they are compensated correctly, or if they are functioning efficiently. One-third of their staff is in the fiscal affairs division, including 9 in the billing and collection department, one payroll clerk, one staff accountant, and a controller. Collections is identified as an ongoing problem.

Daily Operations

Doctors are assigned administrative duties in different departments. Combined functions create efficiency problems because it dilutes the ability to focus on and finish a task. When a healthcare professional must choose between a patient for consultation and a leaking roof, the choice is obvious. There is a conflict of functions.

Lack of A Strategic Plan

The future is uncertain for the company when doctor-owners retire. There is no succession plan, and this is a concern because all six doctors are 60 to 70 years old. Their current organizational structure points to an Operations Manager as the lead, and yet the position remains vacant.

STUDY FOCUS

This study focuses on the operations aspect of GDC. Although human resources, accounting, marketing, and clinic operations may fall under operations management, this paper does not specifically address those areas of study. The goal is to identify problem areas in operations with regards to human capital and present options to alleviate them; ultimately to deliver the best value for GDC.

Operations are what must be done internally in order to deliver value to the customer, whether in goods or services. (M. Davis, 2007) It is the conversion process that transforms inputs such as raw material and labor into outputs in the form of finished goods and services. From an organizational perspective, operations management may be defined as the management of direct resources required to produce and deliver value. All functions in the organization, from marketing, finance and accounting, production, purchasing, or human resource, adds value to the customer.

Related Studies

Higher staff ratio leads to more efficiency

In the article, “How much staff should a doctor have?” by Rosemarie Nelson, she responds “it depends.” The concept of lean staffing as presented in business administration textbooks has attracted business owners because of its promise of lower personnel costs. But often in the real world, the expectations for lean staff are too high or the practice is simply understaffed. For example, when there is no nurse to accompany a male doctor in a urology exam for a female patient, the exam cannot be performed. This leads to wasted time because it cannot be billed. Both the physician and patient are idle because there is no nurse available.

According to the table from “Performances and Practices of Successful Medical Groups: 2009 Report Based on 2008 Data” published by the Medical Group Management Association (MGMA) and included in Nelson’s article, more profitable practices generally have more staff per full-time equivalent (FTE) physician. It demonstrates the consistently higher ratio of support staff to physicians in better performing practices.

	Staff FTEs per FTE MD Better Performers	Staff FTEs per FTE MD Other Practices
Multispecialty	5.24	4.43
Orthopedic surgery	7.7	5.49
Cardiology	6.86	5.41
Primary Care - Single Specialties	4.56	3.5
Surgical - Single Specialties	5.95	3.54
Medicine - Single Specialties exc. General Med.	5.61	3.09

From: <http://www.kevinmd.com/blog/2010/10/staff-doctor.html>

Guam Survey of Wages and Salaries

From the company website <http://www.guamemployers.org/about.html>, The Employers Council, Inc. is a source for comprehensive information and support regarding various Human Resources issues in the U.S. Territory of Guam and in the Western Pacific. It was established in 1966 and has continued to be the prominent source of information and advice for employers regarding workplace standards and issues.

In September to November 2009, The Employers Council compiled and prepared the 2009 Survey of Wages and Salaries among selected jobs and organizations on Guam. The report contains job title, incumbents, lowest to highest hourly wage, average wage, median, and standard deviation. When there are less than three respondents to a job title, the wages are not published. This survey is the basis for comparative analysis with GDC’s payroll.

METHODOLOGY

The data in this case study were gathered to analyze underlying problems in GDC’s operations. The following methods were used:

Data collection

A face-to-face interview of the client was performed, as well as interview of industry representatives and comparative firms. Textbooks, internet, survey and other secondary research materials were also consulted.

Buy or make decision

Buy or make decision is a business decision that compares the costs and benefits of manufacturing a product or product component against purchasing it. If the purchase price is higher than what it would cost the manufacturer to make it, or if the manufacturer has excess capacity that could be used for that product, or the manufacturer's suppliers are unreliable, then the manufacturer may choose to make the product. For this study we will look at the cost of accounts receivable collection (contracted services) versus the cost of wages and benefits for Billing and Collection Clerks (employing staff). There are 8.5 full-time personnel in this position, and one supervisor. For purposes of comparability, the wage of one staff with additional responsibilities was reduced by the amount allocated to duties other than billing.

Benchmarking

Benchmarking is the process of comparing the firm's business processes and performance metrics to same industry bests. This data can be compiled through various public sources, but gathering data for small and private industries may be a challenge. High performing firms set the targets for the industry. This way, other firms learn how well the targets perform and, more importantly, the business processes that explain why these firms are successful.

Percentages

A percentage is a way of expressing a number as a fraction of 100. Percentages are used to express how large or small one quantity is relative to another quantity. The first quantity in this study is the actual wage that GDC paid for the job title, shown as a change from the second quantity based on The Employers Council, Inc.'s survey. For example, an excess of \$5.07 GDC wage from industry lowest wage of \$7.25 divided by industry lowest wage gives a percent increase of 70%. This means that GDC wage is 70% higher than industry lowest wage. When GDC wage falls below industry wage, the percent is negative. To illustrate the GDC's position with respect to industry, three wage points were analyzed: lowest, average, and median.

ANALYSIS

Current staffing levels and pay rates

After reviewing and comparing staffing levels and pay rates for the administrative staff, it appears that the rates being paid by the clinic are comparable to other locally staffed medical clinics. Moreover, the average tenure of the current staff is 14 years. The clinic is not experiencing a high and rapid turnover rate which might lend itself to inefficiency. The staffing

levels and staffing guide appear to be comparable other medical clinics with the same number of physicians.

In the report published by MGMA, the multispecialty practice benchmark ratio of MD to Staff is 1:5.24 while all other practices ratio is 1:4.43. GDC is at 1:4.85 so they fall within the normal range. A summary table follows:

	Staff FTEs per FTE MD GDC	Staff FTEs per FTE MD Better Performers	Staff FTEs per FTE MD Other Practices
Multispecialty	4.85	5.24	4.43

Field research on a comparable firm was performed. According to a representative of the comparable firm, they have 9 Physicians, one Clinic/ Operations Manager, and 10 Billing and Collection Clerks. There is no significant variation in staffing between the two comparable firms. Below is a summary of relevant statistics:

Job Title	Incumbents	
	GDC	Comparable Firm
FTE Physicians	6	9
Operations Manager	VACANT	0
RN/ Clinic Manager	1	0
Clinic/ Operations Manager	not combined	1
Head Nurse	combined	1
Billing/Collection Supervisor	1	unknown
Billing/Collection Clerk	8.5	10

A comparative analysis with The Employers Council's published survey of wages and salaries on Guam (2009) showed that based on 10 identical job titles in GDC employee roster, their wages are 31% higher than the industry's lowest wage paid, wages are 23% lower than the island average, and 20% lower than the median wages for the positions on the island. Other job titles with combined duties were not included in this comparison.

Employers Council Job Title	GDC Job Title	Lowest	Average	Median
STOCK CLERK	Supply Clerk	70%	15%	30%
EXECUTIVE SECRETARY	HR/Executive Assistant	50%	-14%	-15%
LICENSED PRACTICAL NURSE	LPN-Screening Nurse	44%	-13%	-7%
CONTROLLER	Interim Controller	47%	-32%	-27%
MEDICAL RECORDS CLERK	Medical Records Clerk	2%	-30%	-23%
MEDICAL RECEPTIONIST	Receptionist	1%	-29%	-26%
INSURANCE CLERK (Health Care)	Billing/Collection	15%	-30%	-34%
REGISTERED NURSE	RN/ Clinic Manager	60%	-27%	-24%
CASHIER (Health Care)	Cashier	0%	-34%	-32%
ACCOUNTANT I	Staff Accountant	19%	-38%	-37%
		31%	-23%	-20%

Current staffing structure

Currently the clinic is operating without an operations manager. Administrative tasks are still a requirement of the business, thus, the physicians have undertaken the functions in conjunction with their duties as doctors. The clinic is a privately held corporation, with the physicians playing the roles of oversight as board members as well performing the job duties of employees. This organizational structure may make for difficulties in role definition and responsibilities.

Billing and collection outsourcing can increase the efficiency in collections department. Based on the estimated ratio of payroll expenses to sales of 1:2 as well as the employee roster provided by GDC's representative, the billing and collection payroll expense is 6% of sales. Field research showed that standard on-island rates for billing and collection services would cost 7% - 8% of the total collected (8% used for conservative estimate).

GDC CURRENT PRACTICE		OUTSOURCE OPTION	
	Common-size		Common-size
Sales	100%	Sales	100%
Payroll			
Billing/Collection Clerks	5%	Payroll - all other	44%
Billing/Collection Supervisor	1%	Collection expense - outsource	8%
All other	44%		

Succession Planning

The clinic will need to consider future long-term plans for the business. Should one of the goals be continuation of the business for the next 10 years, a plan needs to be developed for the future of the organization.

RECOMMENDATIONS AND CONCLUSION

After a thorough review of the research and comparative analysis of the organizational structure of similar size organizations located locally, the following conclusions and recommendations can be made.

Recommendations

Collections and Outsourcing Options

The clinic currently has their collections function in-house. One of the issues mentioned as needing to be addressed is the collection function and improving the collection rate. Other similar size medical clinics researched yielded mixed results as to this function being in-house or outsourced. A similar sized medical clinic also maintained the collections function in-house, with approximately the same level of staffing as the GDC group. Because this comparative group was privately held, the rate of collections and success of the collection function was unavailable.

Another recommendation is to consider outsourcing the billing and collection function. This option is available utilizing both on-island and off-island billing and collection agencies. In field research, several medical clinics use the on-island billing and collection agencies because should there be issue with collections, or a dispute, the issue will be resolved within the Guam legal system.

Standard on-island rates for billing and collection services would cost 7% - 8% of the total collected. With this type of fee structure, the billing and collection service is incentivized to maximize collections.

A more detailed cost analysis of having the billing and collection function in-house versus outsourcing needs to be conducted, considering the rate of successful collection currently versus the projected rate of collection that could be achieved by outsourcing.

The outsourcing option offers benefits and drawbacks. Benefits include the ability for the clinic to focus on providing medical services versus the business administration function. A drawback is lessening of control over the function.

Explore the Possibility of Hiring an Operations Manager

The clinic is in the business of providing medical services. There is a need for someone to lead the business, set the targets and manage the daily operations of the clinic. This role is currently being filled by the physicians who are trying to fulfill this role while at the same time caring for the needs of the patients.

The administrative staff also needs someone to oversee them in their daily tasks.

Succession and Business Planning

The owners need to meet to develop and 5 and 10 year strategic plan for the company, including projected needs for staffing and methods to meet those needs. A plan for growth or sustainment for the company needs to be developed, executed, reviewed and maintained.

CONCLUSION

The clinic has been in business on Guam for many years, and has a long-standing reputation as a quality medical care provider for the island and region. In order to continue to be able to fulfill their role, the business needs to reassess their structure and determine if the current organizational structure meets their current and future needs and will allow them to meet their future goals.

Strategic planning for the future, including growth and sustainability needs to be undertaken, while at the same time actions need to be taken to ensure that they have the business and operational expertise on board to make the operations and daily business administrative decisions that are necessary to ensure success.

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