Managing from the flight deck

It might be a stretch at first, but I believe there are interesting parallels between increased government regulation of the healthcare industry and the changes prompted by deregulation of the airline industry.

In 1978, the U.S. airline industry faced major changes, thanks to deregulation. Before then, airlines were only allowed to serve direct routes as mandated by the Civil Aeronautics Board, established in 1938. After deregulation, new business models emerged, like the hub-and-spoke system, and consolidation and competition put the industry in rapid change mode.

Unlike the airline industry of the late ’70s, today’s healthcare industry faces significant change because of increased government regulation. Oddly enough, though, it finds itself in a similar situation to the airline industry. No matter what type of practice you’re in, there are lessons to be learned from the airlines in the 34 years since deregulation. The key is to apply those lessons to your situation today.

In the hub-and-spoke model that emerged after deregulation, an airline sets up a central hub at one airport (or several at different airports), and all flights travel through that hub to allow an airline to serve more cities with fewer routes. For example, any time you fly with Delta Airlines, you most likely fly through Atlanta, Cincinnati or Salt Lake City on your way to your final destination. In healthcare, an integrated delivery system (IDS) operates under a similar model by offering care at multiple locations to handle a gamut of ailments. This model has the added benefit of centralized operations and staffing to afford operational efficiencies. For airlines, this equates to an operational savings of 15 percent to 20 percent over direct-route carriers. In medical group practice, the operational savings can be even greater. The median operating cost per full-time-equivalent (FTE) physician for non-hospital/IDS-owned multispecialty practices was $521,548 versus $364,106 for hospital/IDS-owned multispecialty practices — nearly 30 percent less, according to the MGMA Cost Survey for Multispecialty Practices: 2011 Report Based on 2010 Data.

As important as the centralized business structure of hub-and-spoke and IDS models have been to their respective industries, remember that five of the 10 largest airlines, all hub-and-spoke models, filed for bankruptcy in the past 15 years. The one consistently profitable airline since deregulation has been direct-route carrier Southwest Airlines, which recorded its 33rd consecutive profitable year in 2005, according to the Pandora Group, a consulting firm in Claremont, Calif. And, interestingly enough, many medical groups that have remained independent also continue to thrive.

This proves that it’s not just your business model that matters; operational successes and failures contribute to a successful practice.

For example, in 2007, Alaska Airlines ranked among the lowest in customer service among its peers, but with some thoughtful operational changes, it made the top of the list in 2011. The company created a 50-point checklist that outlined service timelines and collected data on each point. The list calls for:

- Flight attendants to be on board 45 minutes before scheduled departure
- Customer-service agents to board the first passenger 40 minutes before departure
- 90 percent of passengers to be boarded 10 minutes before departure

By virtue of tracking these metrics, Alaska Airlines gained visibility and

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importance, and it was able to go from worst to first in only four years.

If you are looking to improve operations in your practice, identify metrics that are important to the industry, your organization and your patients. These can include wait times, accounts receivable aging and patient satisfaction, among others. Once you’ve established those metrics, track where you are, benchmark against your peers, identify ways to improve your operations and service, and then start the process again to see if any measurable improvements were made.

It is interesting to note the operational components to what makes Southwest Airlines successful. Even though the company doesn’t have the operational and service advantages of a centralized system, the company is able to make it up with value-adds, such as “bags fly free.” Despite the fact that Southwest Airlines had the second-highest rate of mishandled bags in the industry, its customer satisfaction scores continue to outpace its peers’. This shows that if you give your patients what they perceive as value, they will continue to be satisfied — even when performance isn’t optimal. This doesn’t mean that you can make up for leaving Grandpa in the exam room all day by having a wider selection of magazines in the waiting room, but it does point to the fact that focusing on the right metrics, what your patients view as valuable, is a good place to start.

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