**Scenario:** After 20 years of working for large medical centers and health care organizations, Margaret Harrison decided she wanted to start her own health care center. This center would focus on general practice and some minor outpatient surgery. She rented some office space, purchased and leased medical equipment, hired some younger physicians and nursing staff, and purchased the necessary consumable supplies she needed to operate the center. She decided that she would operate the center around-the-clock because that was a service that smaller centers and clinics do not support. She also decided she would operate it as a full-service center by having a pharmacy.

During the first 5 years, Margaret Harrison’s business grew substantially. She had to relocate her center twice; add additional physicians, nurses, and administrative staff; increase the number of patient rooms; and lease some extremely expensive X-ray and other specialized medical equipment.

Starting her 6th year in business, Margaret Harrison has more than 600 regular patients; a 20,000 square foot medical center; and 10 physicians, 20 nurses, and 4 administrative staff. Additionally, she services nearly 1,000 walk-in patients on average per month. Additionally, because she is a 24-hour center, she has developed her own pharmacy and has hired 2 pharmacists to staff it over the last couple of years.

The organization configuration is fairly simple. Margaret Harrison has an even number of physicians and nurses working on three shifts with one or so that float and fill in for emergencies and vacations. The pharmacists work two shifts and one is on-call for the third shift as needed. There is one administrative staff per shift and one that rotates and fills in for busy periods and vacations.

**Floor space (includes utilities, rent, water, and so forth):** $25/square foot per month lease **Medical equipment lease (X-ray, MRI, and so forth):** $12,000/month **Labor:** Nurses are paid hourly at a rate of $20/hour, and administrative staff are paid at an hourly rate of $10/hour. **Medical insurance:** $1,000 per month per physician and a general insurance rider for $500 per month **Consumables:** $5,000 per month **Pharmaceuticals:** $10,000 per month **Physician/pharmacist compensation:** An evenly distributed percentage of monthly net income

Her gross revenue is typically around $1.6 million per month. After taxes and all expenses are paid, Margaret Harrison believes she compensates her employees very well and has operated a very profitable business.

Over the past several years, more and more and quicker service clinics have been opening near Margaret Harrison's medical center. As of recently, this competition is starting to challenge her center from a cost, efficiency, quality, and the variety of medical services provided. Additionally, existing customers are starting to complain about extremely slow waiting room times, poor quality of medical treatment, and rising costs. As a result, Margaret Harrison's 600 regular patients have reduced to around 450 and walk-ins to around 800 per month. Consumable costs are rising and so are pharmaceuticals. Also, her insurance premiums have increased due to a significant rise in medical-service issues she is experiencing.

A number of the patients have personally told Margaret Harrison they are using other quicker and more reliable medical facilities. A number of them have filled out complaint forms stating the following:

* **Waiting times:** Times have gone from 10 minutes to well over 50 minutes.
* **Costs:** Prices have steadily increased (for example, flu shots were originally $10 and now cost $35).
* **Quality:** When treatment is given, it often does not remedy the problem thus requiring more visits and costs.
* **Facilities:** The waiting room is cramped, and treatment rooms are often not clean when a new patient enters.
* **People:** Nurses are unfriendly and seem to be under a lot of stress. A number of times when there is an emergency, no one has answered the phone, and a physician or nurse cannot be located.
* **Records:** The staff often cannot find patients' medical records.

Margaret Harrison is now beginning to wonder whether she should outsource certain functions and services she is offering to an organization that specializes more in a specific area or even reduce the staff or services she offers. She has thought about not offering surgical services because they have increased and comprise nearly 75% of her business. Additionally, her pharmacy has grown substantially as well as her inventory; however, she believes these are critical components of the medical center, and they still add value in being a full-service medical treatment center. Your task starts with assisting Margaret Harrison with an assessment of her current business situation. Then, you will assist her in developing an operations strategy that can be used to improve her operational performance and business profile. The overall goal of assisting Margaret Harrison is to help her assess and determine how each of these areas impact her business and recommend some solutions so she can optimize her operations and competitive profile and reduce the number of patients she is losing.