

SUNK COST BIAS



Eliminate blind spots to ensure peak practice performance.

BY JOE CASPER, MBA, COE

don't mean to brag or boast, but I am a relatively intelligent, savvy professional. I parlayed a bachelor's degree and a Master of Business Administration into a successful business career. Despite my credentials and experience, I know how it feels to suffer from what is termed *sunk cost bias*, a phenomenon in which your past monetary and emotional investment in a decision paralyzes your ability to make informed course corrections.

SUNK STOCK BIAS

Years ago, I purchased many shares in a company that experts envisioned going from around \$225 to more than \$300. I bought the shares in the mid-\$100s. The company was fundamentally sound—it had good management, and its product development portfolio appeared robust. I was excited (and anxious) to ride the stock to riches.

Several regulatory and compliance issues emerged, and the stock lost value. I, however, refused to believe it. I had a blind spot for the stock. I just *knew* the setbacks were temporary and the stock would bounce back and blast its way to the numbers the experts had predicted. Of course, the stock never bounced back and eventually slipped below my original purchase price. I lost a significant amount of money, both in principle and expected profit. In this case, my sunk cost bias was a sunk stock bias.

PATIENT RECAPTURE BIAS

Many practices use automated patient recall systems to send patients appointment reminders via text and email as an adjunct to their practice management software. It's easy to believe that setting up an automated system is a sufficient way to keep patients in the practice. Such a mindset

allows the practice's sunk cost bias to affect patients' vision and the practice's performance.

The data science team (see *What Is Data Science?*) at my company, Brevium, evaluated a 14-provider ophthalmology practice for lost patients (ie, patients in the practice who had no appointment scheduled and had not been cared for in more than 12 months; Figure). About 30% of these patients had no email address or cell phone contact information listed in the practice management system. Sending reminders via email and text only inevitably leaves some patients behind.

Finding a large blind spot can create a moment of pause for many practices to consider first the care gaps and then the lost revenue. The 14-provider practice has invested resources to solve the problem of lost patients, but sunk cost bias is still in the way. In the 2020 Analysis of Lost, Overdue, High-risk, Absentee Patients (ALOHA) Study that looked at 102 ophthalmology practices and 100,000 reactivated patients over a 12-month period, each recaptured patient was seen for 2.2 visits and generated \$458 in revenue.¹ If we apply these numbers to the 14-provider practice, the practice should be able both to save patients' vision and to yield more than \$1.2 million in revenue by recapturing a conservative number of lost patients over 12 months. Practice leaders must question current approaches and incorporate data science into decision-making.

OUTSOURCING SERVICES BIAS

Finding the right person for your practice's telephone, surgical counseling, or billing team in the current environment is frustrating and futile. I have been told by many practice managers that they would not outsource their answering services, prior authorizations, or discussions with surgical candidates. This is most often because they fear that either contract workers won't be able to grasp the complexities of ophthalmology and the inner workings of their practice or patients won't be able to understand the contract workers. Outsourcing work is an example of how a blind spot of a health care leader's own creation can hamper operational performance.

A six-location ophthalmology practice in Massachusetts outsourced its telephone team to a dedicated call center in Lebanon. As a result, patients went from having to hold for several minutes to interacting with a live person within

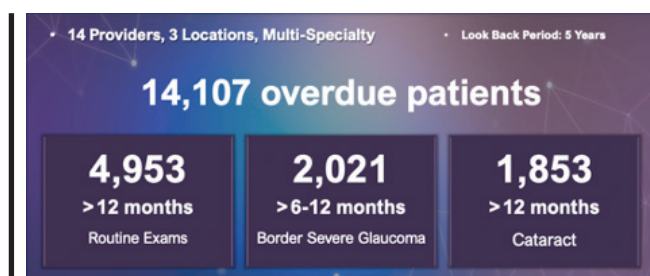


Figure. A breakdown of patients lost to follow-up in a large multispecialty practice.

WHAT IS DATA SCIENCE?

Data science uses complex machine learning algorithms to build predictive models.



Uses vast
**VOLUMES OF
DATA**



To find
**UNSEEN
PATTERNS**



Derive
**MEANINGFUL
INFORMATION**



And make
**GOOD
DECISIONS**

5 seconds. Not only are the call center agents intelligible, but they are also kind and can efficiently book patients into the correct scheduling slots. The offshore surgical counselor books the highest number of qualified in-office consultations. Because the practice was open to new possibilities and consistently verifying opportunities through data science, it now has a competitive advantage.

LESSON LEARNED

I learned a valuable life lesson about sunk cost bias with my stock mishap: I should have made my own decisions regardless of my financial and business background. I acted in a vacuum instead of leaning on more objective, independent data

science and expertise to make a sound business decision. My blind spot cost me big time. Don't let your blind spot cause you to miss out on a practice performance accelerator because of patient recapture or outsourcing biases. ■

1. Gottfredson S, Gerlach B, Johnson C, Davis C, Cutler D. Effectiveness of long-term and multi-method contact strategies in overdue patient reactivation. The ALOHA (Analysis of Lost, Overdue, High-risk, Absentee Patients) Study. White Paper (electronic reprint). 2020. Accessed January 25, 2023. https://www.medaxiom.com/clientuploads/CorporatePartners/docs/Brevium_ALOHA_white_paper_Brevium_focused_FINAL.pdf

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