Dr. Christoph Sahm directs the Schweinfurt site of Fresenius Medical Care—and has costs under control. A trained physicist, he wants to find precisely the right measure to meet the increasing demand for dialysis machines.
THE HEALTH CARE SECTOR CONTINUES TO SUFFER FROM A SHORTAGE OF FUNDS.

This can generate enormous pressure on prices for medical equipment manufacturers like Fresenius Medical Care. To reduce costs, this specialized corporation is turning to clever methods. At the same time, it is expanding and seeking to strengthen its leading position on the world market.

“Eighty-seven thousand people in Germany have dialysis on a regular basis,” says Dr. Christoph Sahm, who directs the Schweinfurt site of Fresenius Medical Care (FMC). Listed on the Frankfurt Stock Exchange, the corporation is the leading supplier of products and services for people with chronic renal disease. Half of all the dialysis equipment in the world comes from Schweinfurt. Around 1,200 employees develop and build these special devices—from tubal systems to complete machines for hemodialysis or peritoneal dialysis. “Of the 2.6 million dialysis patients around the world, more than 50 percent are treated with our...”
equipment,” notes Sahm, who has a doctorate in physics. The number of people who require dialysis is rising, which means that ever more dialysis machines are needed. In newly developed countries, people want better medical care—and access to dialysis. China, for example, has set itself the goal of providing dialysis to everyone in the country who needs it by 2020. It is the largest growth market for FMC.

At the same time, cost pressures are rising in the health care sector. Dialysis needs to be done three times a week, and each session lasts five hours. There are associated expenditures for hospital stays and ambulance transport. Dialysis patients are expensive for national health care systems, which are strapped for cash. Intensive efforts are therefore being made to reduce the cost of treatment. “At this point, sometimes all it takes is a ministerial decision to cut reimbursement rates to manufacturers by ten percent,” says Sahm. “That has a direct effect on our revenue and profit.”

Taking the USA as an example, expenditures for dialysis were cut by ten percent over the medium term, despite President Obama’s health care reform. That squeezed the margins for equipment manufacturer Fresenius Medical Care. In addition, price wars have broken out among medical equipment makers. New manufacturers are entering the market—from Asia, for example—some of whom simply copy the equipment made by competitors.

Health comes first—and that includes financial health. All of this presents a major challenge to Fresenius Medical Care. In order to meet the growing need for dialysis equipment worldwide, the FMC plant in Schweinfurt wants to double its production volume by 2020. At the same time, it wants to reduce the indirect costs per dialysis machine by half in order to accommodate the languishing budgets of its buyers. To attain this ambitious aim, FMC invited the experts from Porsche Consulting on board.

In addition to production and logistics, the consultants paid special attention to indirect areas such as IT, personnel, purchasing, and customer service. Indirect costs represent a major item on the expenditure side. When production increases, these areas have to grow too, or that at least is the received wisdom. For the Porsche team, however, there is nothing that cannot be questioned. How much do the indirect units really have to grow? Where is it possible to work more effectively?
Dialysis machines are a matter of life and death, which is why they are tested comprehensively. No machine leaves the plant without going through a 48-hour run-in phase.

When production increases, the need for personnel in support areas such as purchasing, human resources, and service does not have to automatically increase at the same rate. Numerous factors play a role in the level of capacity that is actually required. The simulation model calculates future requirements for each indirect area, taking account of central parameters such as market position, wage costs, and product lifecycles. Scenarios are developed from the worst possible to the ideal case, allowing solid planning for the actual course of development—in order to invest or save at the right points.
model that functions like a crash barrier on the freeway. It enables Fresenius Medical Care to calculate different scenarios leading up to the year 2020—including the best possible trajectory, more modest ones, and the least favorable alternative. It incorporates factors such as wage increases, currency and price fluctuations, and the actual production figures for the machines.

This model will help FMC remain on course whatever may happen. Based on the market situation and how production figures develop, the corporation can respond in a flexible manner. “We can now see precisely when we need to expand or reduce our workforce or transfer people from one area to another in order to handle our growth,” explains Sahm. “This transparency enables Fresenius Medical Care to place its skilled employees in the indirect areas where they are needed.” In different cultures and ages, kidneys have variously been considered the seat of our reflection, conscience, logic, emotion, and judgment. As such, and inspired by the focus of its work, FMC in Schweinfurt is showing a fine sense for the right balance in its quest for growth.

“The doubling of the production volume by 2020 is an ambitious target. We are now in a superb position to do so, and know exactly where we have to act in order to keep costs under control.”

Rolf Nader is COO at Fresenius Medical Care in Schweinfurt.
MORE CULTURE FOR MANAGERS

Fresenius Medical Care had managers train on the job—and is now benefiting doubly from this approach. A mentoring system based on actual practice has created a vibrant culture of improvement throughout all levels of the company hierarchy and all divisions of the organization. And the improvements put into practice thus far are already paying off.

As soon as production finishes, maintenance kicks in. Fresenius Medical Care (FMC), the world’s leading supplier of dialysis systems, places an especially high premium on first-class service and technical support. Well over 1,000 field service engineers visit customers in Europe, the Middle East and Africa—in 40 country organizations—alone to configure and maintain the equipment at dialysis clinics, reports FMC department manager Marco Gräfe. The technical operations department—which is responsible for all of the services that customers need to operate their systems—performed more than 450,000 service jobs on dialysis machines in 2014 alone.

The cost pressures exerted on Fresenius Medical Care by health care systems worldwide can be felt in this part of the company as well. As such, managers at the technical operations department face the same challenges as their counterparts in development and production. As Gräfe observes, “We need greater efficiency at lower cost.”

To identify potential savings, FMC commissioned experts from the Porsche Consulting Academy to train 24 FMC managers using ten tangible projects. Of special note here is that this further training is not a purely theoretical affair with flip charts and PowerPoint presentations. Instead, the Academy’s approach consists of “training on the job.” Its practice-based mentoring system teaches the managers not only to reflect more productively on their own actions and to eliminate drawn-out routines. It also puts them in a position to train others in projects that optimize technical processes, thus establishing something like a sustainable “culture of improvement” throughout the entire team.

The training campaign is also backed by solid figures. FMC could succeed in cutting as much as 30 percent of the time needed before a new dialysis system can start operation by the user, as significant means of speeding up the process have been identified. Time needed by the user in other areas—such as processing ultra-pure dialysis water—has even been reduced by 50 percent. “We’re already seeing signs that the revenue from improved processes clearly exceeds the expenditures for consulting,” says Gräfe. His conclusion: training for management personnel does not have to be a cost factor.