



SAVVY MAINTENANCE / OPINION

Concierge maintenance

Rethinking the business model for maintenance of GA aircraft

BY MIKE BUSCH

FOR MORE THAN a decade, my primary care physician was Dr. F. She was a wonderful doctor with a deep understanding of internal medicine and superb people skills who cared deeply for her patients. I felt fortunate to have her as my doctor. Over the years, her reputation spread, and her practice grew. The lead time for scheduling an appointment to see her became uncomfortably long. Visits to her office became an ordeal involving lengthy delays in her always-packed waiting room, after

which I would get to see the doctor for five to 10 minutes if I was lucky.

Then in 2010, Dr. F died in the crash of a Beechcraft Bonanza A36 while on a humanitarian mission in Mexico. She was a member of The Flying Samaritans, a public benefit flying organization that operated free medical clinics at 17 locations in remote areas of Baja California. She regularly volunteered to participate in these clinics.

This tragedy left me searching for a new primary care physician. After a few false

starts with doctors who didn't impress me, I was lucky enough to find a really good one.

A different approach

Dr. C had recently moved to the area, and I was fortunate to get in on the ground floor of her new practice. Dr. C had become disillusioned with the traditional insurance-subsidized fee-for-service healthcare payment model that incentivizes physicians to provide more treatments because payments are based on the quantity of care

rather than quality of outcomes. Instead, she decided to launch a “concierge practice” (sometimes called a “boutique practice”) that was limited to 200 patients, each of whom would pay a fixed quarterly fee in return for which they would receive as much primary healthcare services as they needed. Dr. C did not accept insurance or Medicare reimbursements—this was strictly an out-of-pocket arrangement.

I’ve been a patient in Dr. C’s concierge practice for 14 years now, and this by far the best healthcare I’ve experienced. Compared to Dr. F’s traditional fee-for-service practice, the difference is like night versus day. I never have difficulty scheduling an appointment when I need one. I have never spent more than three minutes in the waiting room, and most of the time the wait time is zero. My face-to-face sessions with Dr. C are never less than 30 minutes and sometimes last a full hour. In one particularly urgent situation, Dr. C drove to my home for a house call. This is the closest thing to primary healthcare utopia I’ve experienced.

Now, the scope of this arrangement is limited to primary care. If I need to see a specialist, I do so via the traditional fee-for-service system that is largely covered by Medicare. Similarly, my pharmaceutical costs are outside the scope of Dr. C’s practice and partially reimbursed by my Medicare Part D plan. Beyond these exceptions, all my scheduled and unscheduled primary healthcare needs are covered by Dr. C’s fixed quarterly fee.

Clearly Dr. C’s concierge practice model would not work for all patients. Her quarterly fee is more than low-income patients can afford, and more than most young healthy adults would be willing to pay. But for an older patient like me who is reasonably well off, this provides a primary healthcare experience vastly superior to the traditional fee-for-service approach.

How is this working for Dr. C? I’m not privy to her financial statements, but based on what I know about the number of patients in her concierge practice and the fixed fee she charges every quarter, I estimate her gross annual revenues are at least \$750,000. Subtracting her fixed costs—rent, staff compensation, etc.—I’d be surprised if her net income wasn’t somewhere around a half-million dollars. Seems like a win-win

for doctor and patients. Which got me to thinking: Could a similar concierge fixed-fee model provide aircraft owners with a superior maintenance experience?

Concierge aircraft maintenance

Imagine this: Mr. E, an enterprising aviation entrepreneur at a busy GA airport—perhaps the owner of a maintenance shop or FBO—concludes that the traditional time-and-materials business model is not serving the maintenance needs of aircraft owners very well and decides to try something outside the box. Mr. E sends an announcement to all owners of high-performance single-engine airplanes and light twins based on the field that he is launching a “concierge” maintenance shop that will provide maintenance with guaranteed availability and superior service for a maximum of (say)

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50 aircraft at a fixed annual fee, payable in quarterly installments. Perhaps the fixed annual fee would be \$20,000 for a Bonanza or Cessna Centurion or Piper Saratoga or Cirrus SR22 (billed at \$5,000 per quarter), perhaps more for a light twin and less for a Cessna 182 or Piper Cherokee 180.

Assuming the launch announcement was well-received, and Mr. E felt confident that his “practice” would be fully subscribed, he would then secure a suitable maintenance hangar and appropriate insurance, and would hire two or three experienced GA mechanics, preferably all with inspection authorizations, and an office manager who might double as a parts manager. He would offer to pay the IAs a compensation package 50 percent higher than what they were previously making working for a traditional time-and-materials shop—say \$120,000 a year plus benefits. At that level, Mr. E should have no problems staffing his enterprise.

Penciling this out, the result would be stable and predictable annual revenues of about \$1 million, expenses of about \$600,000, and pre-tax profit for Mr. E of about \$400,000 per year. The 50 aircraft owners in this concierge maintenance practice would receive all the scheduled and unscheduled maintenance they needed—including the “annual ordeal”—for a fixed annual fee. The fixed fee would cover all mechanic labor and the cost of routine parts like oil filters, gaskets, and fasteners. The owners would be responsible for the costs of non-routine parts like cylinders, and also for “extraordinary items” like engine and propeller overhauls, prop strike repairs, and structural repairs covered by insurance.

Unlike a traditional time-and-materials shop where the economic incentives are biased toward maintenance maximalism, Mr. E’s concierge shop would have a strong incentive to be maintenance minimalists, and to perform only the maintenance that was demonstrably necessary to make the aircraft safe, reliable, and legal. Such a minimalist philosophy would help keep fees reasonable and the enterprise profitable.

I am convinced such an enterprise could provide aircraft owners with a vastly improved maintenance experience compared with what they presently receive from traditional time-and-materials shops, just as concierge medical practices do compared to traditional fee-for-service ones. I believe this would also provide a superior business model for enterprise owners like Mr. E.

What’s wrong with this idea?

I’ve discussed this concierge maintenance idea with nearly a dozen owners of traditional time-and-materials shops and received essentially the same response from each of them: “That would never work for GA maintenance,” they say, “because the cost of maintaining these airplanes is just too variable and unpredictable.” I’ve yet to meet one shop or FBO owner who was interested in pursuing the concept.

This rationale for rejecting the concierge maintenance concept is totally wrongheaded. While it’s true that the cost of maintaining a GA airplane is highly variable and unpredictable, it’s certainly no more so than the cost of maintaining the health of a human being, particularly

the seniors who comprise the majority of patients in concierge medical practices. Yet concierge medical practices are almost always fully subscribed and successful, both for the patients and the providers. I see no reason concierge maintenance practices wouldn't be equally successful for GA.

I suspect these shop owners are rejecting the concierge idea in part because they think, "The traditional time-and-materials concept has been working fine for me, why should I mess with success?" This ignores the fact that the time-and-materials model is increasingly unsatisfactory for their aircraft-owner clientele, for whom jammed shop schedules, long wait times, and decreasing access to maintenance is fast becoming an existential threat for owner-flown GA. It also ignores the fact that most GA shops are experiencing shrinking revenues, not because of a lack of demand but rather lack of technicians to do the work. Every GA shop I know of is desperately trying to hire additional A&Ps but finding it nearly impossible to compete with the airlines, the automotive industry, and other industrial employers that offer higher wages, better benefits, and even signing bonuses.

I think another reason shop owners are reluctant to consider the concierge model is fear that a fixed-fee model would result in losing money on some of their clients' aircraft that turn out to need lots of work to make them airworthy. Getting underwater on a client's aircraft is anathema under the traditional time-and-materials model but is inevitable under the fixed-fee model. My company serves roughly 6,500 paid clients, all of them on fixed-fee subscriptions. The work we do on behalf of each of those clients is highly variable and unpredictable, so during any given year we take a bath on perhaps 1,000 of them. But we don't mind so long as the company remains adequately profitable in the aggregate, which has always been the case in the 16 years we've been in business. The owner of a fixed-fee concierge maintenance business needs to accept the fact that they will lose money on some clients, make a killing on others, and break even on others. The important thing is for the business to hit its overall profit target each year. If it doesn't, then the fee structure needs to be tweaked accordingly.

A cooperative approach

I'm not holding my breath until owners of traditional time-and-materials shops start launching concierge maintenance operations. Maybe some courageous entrepreneurs like our fictitious Mr. E might see the light and give the model a try. But there's another alternative: a co-op.

Imagine a group of, say, 20 or 30 aircraft owners based at a busy GA airport who are unhappy with the local maintenance infrastructure and looking for something better. Imagine they band together to create an entity—perhaps a nonprofit corporation—for the purpose of launching a fixed-fee concierge maintenance operation, essentially a co-op owned and operated by the aircraft owners themselves. The co-op would need to secure a maintenance hangar, hire at least one A&P/IA (at a salary 50 percent more than he could make working for a traditional shop), and secure insurance and the blessing of the local airport authorities.

Although such a co-op could work with as few as 20 to 30 members, one goal would be to recruit additional members and hire additional mechanics and administrative staff to make the operation more actuarially sound and stable. Since the co-op is organized as a nonprofit, it would structure its fees to achieve at least break even every year. Any profit could be placed in a contingency fund or distributed back to the members.

The current GA maintenance infrastructure is failing us, and I'm convinced that by adopting a new fixed-fee paradigm we can do a much better job of meeting the needs of aircraft owners who desire a premium quality maintenance experience and are willing to pay a premium fixed fee to get it. I encourage interested entrepreneurs or aircraft owner groups to contact me. I'd love to help you get started. ■

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