



remarks

A Battle Plan Strategic planning is as important for a medical practice as any other business. To be competitive, you'll need a clear picture of where your practice is going and how to get it there. A strategic plan can give you that picture.

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Having a strategic plan can give you a competitive advantage for the long-term

success of your practice. Even solo practitioners should have at least an informal strategic plan that will enable the practice to maintain or increase its current market share, productivity, or income level. By completing a strategic plan, the practice will obtain a clear picture of the current environment and unveil potential strengths, weaknesses, opportunities, and threats (SWOT) for the

practice and its potential competitors. Competitors and threats can include the economy, payers, other physicians (both those in the same specialty and those who should be referring to your practice), friendly and unfriendly hospitals, and any less-than-positive changes in the demographic profile of the patients you serve. If nothing else, having a plan will leave the practice less vul-

nerable to attack by outside forces. Vulnerability is but one of the risks minimized or mitigated by understanding the market and what others are doing around you.

Strategic planning is part 'war gaming.' You have to protect your flanks, outwit your potential opponents, and win. It is generally not necessary to take a hard-nosed, tough-guy approach to win; you can win by being

nice, but be aware. Forewarned is forearmed.

You don't need to be an expert in strategic planning to create a plan, but you do need to have a firm grasp of where you want to go and know what it will take to get there. Although you may not have done a formal analysis of where you want to be or how to maintain what you have, most of the elements in a strategic plan have probably crossed your mind. Every firm, even in health care, that does not have at least some formal strategic planning effort is at risk of potential disaster. The formal plan provides the list of action items, resources, and timelines

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needed to successfully execute a successful path.

Medical staff planning

To support the strategic direction of your practice, you will need either a formal or informal medical staff development plan (MSDP). The two go hand-in-hand. A medical staff development plan provides you with two major data sets. First, a situational analysis—how many physicians there are, where they are, in what specialty, their referral patterns, if they are friend or foe, how busy they are, and how valuable a specific physician practice or hospital

might be to your practice. Second, based on this data about physicians, the plan outlines how many physicians are needed in the marketplace, what the specialty distribution should be, how many physicians you need to secure your desired market share or to neutralize potential threats, where new physicians should be located, and a justification to support your hypothesis. A plan also will uncover new opportunities that can be included in your strategic vision. You will likely find that this medical staff information will determine much of the strategic direction of your practice.

A small group may not have the resources to develop its own medical staff plan. Your hospital will most likely provide you with a copy of their medical staff development plan, or at least those portions which pertain to your specialty. This, along with your own informal research, can serve as your medical staff plan.

Hospitals generally review and update their medical staff development plans every two to four years and so should you. Many hospital organizations understand the value of having the medical staff participate in such an analysis and try to involve key medical staff members. Since it would be impossible to include every member of the staff, it is very important that your practice invite itself to participate or at least have a resource that can keep you updated as to the direction of the plan as it is being created. This way you can take action if you hear something that might affect your practice, as well as have an inside source for the hospital's information.

The hospital's position

Your hospital's MSDP also will be an important factor in your strategic plan. Hospitals compete for market share just as any other industry. The strongest competition is usually between two or three prominent hospitals in a single market. The most important area of competition is securing the loyalty of physicians. Physicians are linked to every area of service a hospital provides. As such, many practices and even solo practitioners are very valuable to the hospital, so hospital administrators try to maintain the highest possible level of patient and physician satisfaction. Although hospitals ultimately exist to provide services to the patients,

Trends to watch

A number of trends in the industry will affect the ability of your practice to grow and thrive. Consider the following trends and weigh their relevance to your specific situation as you develop your strategic plan.

- Physicians today generally prefer joining private practices.
- Physicians, particularly residents, are looking for positions.
- Solo practice has declined dramatically in the past ten years.
- Solo practitioners and small practices are banding together as IPAs and MSOs.
- Hospitals are moving toward integration and partnering vs. employing physicians and are no longer (or are rarely) buying practices. This factor has made selling a practice very difficult.
- Reimbursement to hospitals and physicians is a constant concern.
- Specialists (cardiologists, surgeons, etc.) are in heavy demand again.
- Managed care has changed referral patterns.
- Many physicians and hospital administrators are not motivated to change.
- Can your practice make timely decisions?
- Do area hospitals provide practice management services for physicians? Are the costs reasonable and do they bring value to your practice?
- Is there a successful retention program in place within your practice and from area hospitals?
- Are you offering physicians in your practice the type and structure of financial packages required for successful competitive growth?
- Does your hospital provide support in compliance with OIG, IRS, and other regulations?
- Should physician extenders be considered as additions to the practice?
- Is there friction between allopathic and osteopathic physicians?
- Are foreign medical graduates well received in your area?

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patients won't come to the hospital if the physician suggests otherwise.

Hospitals use the MSDP to anticipate the needs for loyal physicians that can help them in their strategic initiatives. If for some reason, your hospital will not share its medical staff development plan with you, you may wonder what they're hiding. Try to find out how your practice fits in the hospital's plan. The hospital's medical staff needs can have a dramatic impact on your practice. You may have to play politics to ensure you are getting the support you need from the hospital. This can obviously be even more complicated if your practice covers more than one hospital.

Growth. The hospital's needs may aid your planning initiatives or they might compromise or threaten your goals.

Retrenchment. Their plan might help you enforce your market share or it may create new competition.

Benefit from their plans. If you are seen as an asset or potential asset you might be able to negotiate for financial support, equipment purchase, or other items.

Position yourself as a community rainmaker. Again, a little politicking might be useful here. If you are considered someone of influence over local business leaders, patients, and other physicians, use that to your advantage.

Creating your plan

Strategic thinking is the application of judgment and intuition to problem solving. In strategic planning, this kind of thinking can result in an integrated perspective of the organization and a vision of direction that is not too precisely articulated. Strategic planning aids the process of strategic thinking by forcing you, the physician, to take the

time to analyze important information and then ask the right questions. It is not necessarily finding the right answers. It is a way to open complex issues for thoughtful consideration without closing them down prematurely with snap decisions.

There are generally two approaches to strategic planning: intuition and formal team planning. The intuitive approach is usually done by one person who genuinely has imagination, thoroughly understands the market and the products or services his organization provides, and is a visionary. Albert Einstein once said, "I believe in intuition and inspiration.... At times I feel certain that I am right while not knowing the reason.... Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution. It is, strictly speaking, a real factor in scientific research."

The formal planning approach follows a set procedural guideline for a team to complete. Each team member has a specific responsibility in developing the strategic plan. Very large organizations well into their business lifecycles usually do best with this formal planning approach.

As you're developing your plan, you'll need full support from the members of your practice. Failure to have the key decision makers in your practice "buy off" on the strategic plan at an early stage can jeopardize the planning process by requiring frequent mid-process changes in the plan. This situation can be avoided if the medical staff development plan is driving the strategic plan. If the data in the medical staff development plan indicates that your practice has an opportunity to grow, the physicians in the

practice must first agree that bringing new physicians on board is the group's goal. Whether you are growing for offensive or defensive reasons, having a plan will identify and minimize your risk exposure.

To determine ways in which you might want to grow, ask yourself:

- Does your practice have excess capacity? If so, find out why.
- Are there others in the market providing similar services? Are they better or more efficient at it than you?
 - Are there other services you can provide in order to become the market leader?

Still more intelligence gathering is required. You will need the following information:

- **GROWTH.** Keep track of the growth in your community or in your draw area. Keep the golden rule of 10 percent in mind: If more than 10 percent of your practice revenue is generated from one source or market area, take steps to anchor that business or change your mix.
- **PRODUCTIVITY.** This is a combination of efficiency and volume. Everyone in your practice should be at least in median range. If someone is below national standards in his specialty, he should have a logical reason
- **VOLUME.** How busy are the members of your practice? How busy are other physicians in your market?
- **COLLECTION ABILITY.** Payer and demographic analysis are indicators of the collection ability in your market or prospective market.
- **DEMOGRAPHIC ANALYSIS.** How is the population you serve changing?
- **COMPETITION.** How fierce is the competition in your specialty or niche?
- **HOSPITAL DESIRES.** How are the hospitals helping and why?

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Evaluate patient migration patterns of your practice. If you draw patients from more than a 20 to 30 minute drive to your office and if that volume represents more than 10 percent of your revenue, keep an eye on potential competitors entering that market.

Parts of a plan

Now it's time to put all that information into a plan that will work for you. Successful planning requires that you know what your needs are for the next two to five years. A plan can be as short as a page or two or very comprehensive if it is for a large group. Listed below are key development components of a strategic plan.

1. Practice mission A statement on basic service, primary market, principal technology, philosophy, public image, place within operating community, and social responsibility

2. Practice goals Practice benchmarks for marketing, finance and accounting, operations, personnel, and the organization of general management

To find these, you'll need the answers to: "What business are we in?" "What customers do we serve?" and "Why does this organization exist?" These questions will help you decide if you have a particular niche, for example.

3. Practice profile Conduct a systematic objective analysis of your own practice using the same standards as you would on a competitor. This analysis will include determining other services that may set your practice apart from its competitors. You will also analyze how much business you have, how your collections are doing, and whether your staff levels are appropriate.

4. Industry and service area analysis This is an evaluation of the threat of new entrants, the bargaining power of payers, the bargaining power of

suppliers, the threat of substitute services, and an assessment of current competitors.

5. Strengths, weaknesses, opportunities, and threats Focus on the factors that have the potential for a major impact on the practice.

6. Opportunity map This should highlight areas of growth opportunity particularly suited for your practice.

7. Long-term objectives Outlines results to be achieved over the next three to five years in areas such as profitability, productivity, competitive position, employee development, employee relations, technological leadership, and public responsibility.

You will want to ensure that the objectives you establish are acceptable, flexible, measurable over time, motivating, suitable, understandable, secondary strategy.

8. Formulation of strategic alternatives You should have a number of strategic options which are compatible with your practice and recommendations for when to use them.

9. Strategic choice Here you define your selection of a primary strategy and alternative secondary strategy and identify the critical parameters that would signal the need to switch to the secondary strategy.

10. Develop annual objectives Prioritize objectives for each year and describe functional strategies for each objective.

This implementation phase identifies measurable and mutually determined annual objectives which translate the strategic plan into strategic action.

Again, forewarned is forearmed. Health care is very competitive. You have to be able to control as much of your business environment as possible

or someone else will do it for you. Their desires do not necessarily synchronize well with your needs. Plan your own destiny by having the facts about your marketplace and your competitors. Take the time to create your own strategic plan. ■

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