

## Strategic Planning Programs for Medical Practices

As you are well aware, physicians and their practices face new and complex challenges. Among these are the repercussions from: the emphasis on reducing the cost of health care while increasing access to care, the downward pressure on fees by third party payors, the increased competition among physicians, and the movement toward strategic alliances. And those are but a few. Where practicing quality medicine once assured a practice's success, it longer does. Building, or even just maintaining, a medical practice has become more a function of the practice's business acumen than its resident medical skills. This trend can only be seen as likely to continue, and, in that they must now more than ever view themselves as a business, a practice and its managers can only be seen as wise to look to the techniques, processes, and systems that have been developed and refined by the business community at large for some time.

Formal strategic planning, by its very definition, has been one of the critical processes employed by businesses both large and small to deal with the issues of tomorrow. Changes typically occur much too quickly to allow long-term survival if you are only being reactive. By contrast, strategic planning provides a proactive, orderly, systematic review of the organization and the environment within which it is – and anticipates – operating. It involves the development of best projections of how that environment is likely to change, the identification of what external factors are most likely to drive the change, and an assessment of the conditions within the organization that may impact its ability to adapt to the change.

In the end, it is identifying goals and objectives for the practice and the physicians; working out a "game plan" to accomplish those goals and objectives, and insuring that mechanisms are in place for the measurement of progress. In short, the Strategic Planning Process is:

- § An integrated set of activities or actions aimed at developing sustainable, competitive advantages for the medical practice.
- § The orderly review of the organization in the context of the environment in which it exists, developing its best projections of how that environment will likely change, and working out a game plan for how to accomplish the goals and objectives defined by the strategic assessment.
- § When achievements are the result of carefully developed plans.
- § A commitment of financial and human resources.

### Why Strategic Planning Does Not Occur Enough

So the need is clear, as are the basic planning processes, goals, and significant potential value of such a program. So why, I've often wondered, does it seem that a number of medical groups have never conducted a strategic planning session or seemingly even thought about having one? The question leads us to what is actually an outside advisor's first step toward getting a practice on the road to real strategic planning; the recognition – if not actual understanding – of the physicians' or managers' perspective or feeling of reluctance. Consider the following sample reasons:

First, physicians and managers have numerous other issues to attend to in today's operating environment, issues they often tend to view as more pressing than something they might perceive to be just a "management exercise". This is often why things like strategic planning do not get attention until a crisis or problem occurs. Second, many physicians and their managers have a basic tendency toward being reactive by nature. (I recognize that this is a very unscientific generalization, and one for which I can't offer even

anecdotal explanation, but one nevertheless based on years of experience dealing with it). A third potential reason might be the fact that the strategic planning process requires a lot of honest self-assessment and objectivity to make the program work right; requirements which can sometimes seem to take physicians out of their comfort zone. Finally, there is to be found in some cases the attitude that strategic planning is either expensive, or even a total waste of time. Either view demonstrates both a lack of understanding of the potential benefit side of the equation that results from a properly designed and run planning program. It also highlights the need to provide – up front - some evidence and reason to believe in the effectiveness of the program you are proposing.

### **Hiring / Serving as an Outside Facilitator**

Once management understands that it is in its best interest to conduct a formal strategic planning session, the next critical step in the process is to hire an outside facilitator. Without question, a qualified facilitator will bring both independent information and perspectives to the planning process and related discussions. If properly experienced, the facilitator will concentrate on seeing that the right questions are asked, that everyone's best ideas are drawn to the forefront, that the process remains focused, and that the ideas that emerge get articulated in a way that will be most likely to make a difference for the practice. A facilitator can help overcome all of the reasons mentioned above as to why strategic planning does not occur often enough. This is one of those times when a doctor should not try to "heal thyself."

### **The Strategic Planning Process**

There are, in essence, five steps to the strategic planning process:

1. Physician and staff interviews
2. Internal environmental analysis
3. External environmental analysis
4. The strategic planning retreat
5. Creation of the Action Plan

*Physician and staff interviews* should be done with both the physicians and selected practice management, such as the practice administrator, billing manager, human resource manager, etc. These interviews can last anywhere from a half hour to a full hour each. These are of critical importance to the process and seek: to understand everyone's perceptions, to identify important issues, and to help the facilitator identify the best method for getting everyone focused in the same direction. These interviews also help articulate the key identity aspects of the practice as an organization – its unifying purposes, ambitions and values.

### **An internal environmental analysis**

This step utilizes practice operational data, legal documents and other information needed to analyze the medical practice internally. This information is then analyzed to identify specific issues that must be addressed during the planning process. For example, you would assemble financial information about the practice, extending over a number of recent years. This would include data on billing and collections, physician compensation, overhead, etc. You are looking for trends, trouble spots, etc. For example, if practice production and/or collections have been stagnating or declining over a period of time, this should be addressed at the strategic planning retreat. If overhead has been rising, or if there has been excessive

employee turnover, they, too, would be examples of points to be addressed in the course of the retreat discussions.

### The external environmental analysis

Here is where you take a detailed look at forces in the marketplace that could pose challenges to the practice's business prospects or viability. Examples would include new information on other competing groups, additional physician partners, possible formation of multi-specialty groups, changing physician/insurer relationships, changing demographics and physician/managed care network relationships. You must determine exactly what is going on in the practice's service area from an external point of analysis. For example, are groups merging? Is insurer consolidation taking place? Are certain insurers beginning to dominate the service area and what effect might this have in the future?

### The retreat

Once all the information is gathered and has been analyzed, it is important to gather everyone together in a setting outside of the distractions of the office. These meetings can be expected to take from one to three days, depending on the size of the practice and what needs to be accomplished and decided upon to make the strategic planning process successful. Solo practitioners need to get away and have an opportunity to consider fresh ideas or dialogue regarding the future of their practice. Multi-physician groups benefit from tapping the collective knowledge and combined wisdom of group members in an open but managed forum. It is as surprising as it is common that discussions such as this are quite rare within many firms. So, in addition to specific work on the new strategic plan, retreats such as this are quite effective in lessening the likelihood that vital matters are neglected because everyone thought someone else was attending to them. In short, the retreat gets everyone concurrently focused, on the same matters and issues, and in the context of a now unified strategic vision and set of plans.

It is important to add here that there should be no one-size-fits-all "cookbook" agenda for strategic planning retreats. The agenda needs to be specifically designed by the facilitator based up the interviews, internal, and external analysis. There are, however, some issues that will commonly be found to be included on a planning agenda, such as:

- § How to preserve existing patient referral patterns.
- § How to address specific competitive threats.
- § How to improve billing and collections.
- § How to improve employee morale.
- § How to improve internal communications.
- § Recruitment of new physicians or mid-level providers.
- § Development of new services and ancillary services.
- § Changes to the physician compensation plan.
- § How to address declining managed care reimbursement.
- § How to improve patient relationships.
- § Geographic expansion and new practice sites.
- § Possible merger with other practices.
- § Physician slow down or retirement from practice.

This list should certainly not be considered all inclusive and, as such, you need to keep one important thing in mind: A critical element of any successful retreat is first determining all of the areas of concern for each participating physician, and then seeing that each is addressed in the course of the meeting.

## The Action Plan

"Deliverables" are always of keen interest to clients. For this reason alone, arguably the most important step of the strategic planning process is the creation of an Action Plan. Whether it is in checklist or report format, the Action Plan makes the planning process accountable. In other words, it is a document that is used to make sure all of the issues and related decisions that were made at the planning retreat get implemented. There is little point in going through this process and not implementing the decisions. But, believe it or not, it does happen. After the retreat, everyone is typically excited and ready to get things rolling. However, as even fairly minimal time passes, this enthusiasm can wane and the decisions that need to get implemented are either put off or not made a priority. The Action Plan is something that can and must be reviewed each and every month by management until all decisions have been fully implemented.

*Reed Tinsley, CPA is a Houston-based CPA, Certified Valuation Analyst, and Certified Healthcare Business Consultant. He works closely with physicians, medical groups, and other healthcare entities with managed care contracting issues, operational and financial management, strategic planning, and growth strategies. His entire practice is concentrated in the health care industry. Please visit [www.rtacpa.com](http://www.rtacpa.com)*