

Top 10 Questions to Address in a Strategic Plan

By Barbra Riegel, MBA

Much of the uncertainty that may have delayed a hospital in tackling their strategic plan last year (e.g., the Supreme Court ruling on the ACA or the presidential election results) has been resolved, and now is the time to decide what is critical to an organization's long-term viability. While the future may be hard to predict exactly, there are definite trends that indicate the direction healthcare is headed and the key questions that leadership needs to ask while reconsidering an organization's strategic plan. Here are the top 10 questions to address in a strategic plan:

1. What is the potential financial impact of the anticipated changes on the organization over the next one, three, and five years? In light of these changes, what are the financial goals for the organization? The multitude of anticipated changes outlined in the reform law or through budget decisions are numerous. Begin by looking at the financial impact of four main areas:

Costs increasing faster than revenue/unit:

The pressure to keep rate increases minimal (or even negative in some cases) while there is no relief from operating expenses is causing margins to narrow at an increasing rate. Track revenue increases compared to the anticipated inflation in expenses. Some organizations will lose millions of dollars in margin each year under a status quo just from this trend alone.

One time funding cuts: The list of funding cuts goes on and on – from penalties for readmissions and Disproportionate Share funding cuts to

implications from state and federal budget cuts. It is important to understand the magnitude to which the organization's finances could change over the next few years as a key initial step.

Capital needs: The third financial area in which to consider is the organization's capital needs and cash/debt capacity. With declining margins, organizations are finding they may have more restricted debt capacity than previously available.

Volume: With the move to population health and value, the focus will increasingly be on reducing avoidable days (length-of-stay), admissions, readmissions and ER visits. Consider the effect of these negative changes coupled with the results of the organization's growth strategies to determine the net impact of volume changes on financial performance.

Once there is an estimation of the anticipated needs and financial outlook, determine the financial targets for the hospital (e.g., maintain an A rating, five percent operating margin) based on the needs for long-term viability. Setting a target based on the gap between anticipated under status quo and what is needed for long-term viability will frame the magnitude of changes needed from the strategies.

2. How can operating costs be reduced? Once the anticipated gap is established, consider how operating costs can be reduced. How much of the gap can be filled through streamlining care and tightening expenses? Consider eliminating

Top 10 Questions to Address in a Strategic Plan (Cont'd)

programs, consolidating with others to gain economies of scale, and outsourcing. Many initiatives, such as benchmarking of staffing levels, skill mix, and supply management have become ongoing activities in hospitals. Learning to work with physicians to redesign care to be more efficient through co-management or other initiatives can bring an additional level of cost improvement.

3. Where is growth possible? After answering the first two questions, the gap will still most likely be significant which begs the question, where is growth possible? Look at growth from many aspects:

- Growth from existing geography and services (same store/increased market share)
- Growth from expanding geography and access points
- New service development – vertical and horizontal service expansion

4. Does the organization have an attractive model that will allow for the continued recruitment and retention of physicians in the community?

Growth and retention of services and capabilities is largely dependent on the physicians who perform these services at the hospital. As the population is aging, so is the medical staff. Younger physicians have different expectations and desires for their medical career, which frequently does not include running a private practice. Having an attractive model that enables the continued recruitment and retention of physicians in the community is becoming a table stake. If the organization is further along on this path, consider how to increasingly utilize this base of physicians to clinically integrate and partner in achieving high value (e.g., quality, patient experience, and low cost).

5. How does the organization perform on quality and patient experience and what goals should be set? In a world that is becoming more and more transparent, focusing on delivering high quality care and outstanding patient experience becomes increasingly important. Understanding how

patients see the organization both overall and in key service lines online in comparison to competitors and state and national benchmarks will affect the perception of the organization's quality. In addition, payment will increasingly be tied to these metrics. Have conversations about the role of quality in the hospital's strategy and set goals (e.g., at or above national average, top five percent performance) that are in line with the strategic direction. Consider the level of quality needed to compete in order to differentiate. For example, a center of excellence will need to achieve outstanding quality in comparison to competitors in order to attract volume from patients and payers. If quality results do not match the organization's strategy, consider ways to boost the metrics including affiliations, joint ventures, or, if necessary, eliminating the service.

6. Where is the organization in terms of clinical integration/population health readiness?

Healthcare (and payments) is moving from volume-based to population-based. In order to be successful in this area, organizations need many new capabilities such as:

- **Information technology** (e.g., electronic health records and integration of records across continuum, data warehouse, analytics and reporting that can be used for population health management, disease registry, patient and physician portals)
- **Robust care management along the continuum for population health** (e.g., evidence-based guidelines/protocols, care plans, interdisciplinary teams, use of hospitalists, intensivists, SNFists in conjunction with coordinated care managers, performance metrics)
- **Payer contracts that reward population management and savings in overall per capital cost**
- **Infrastructure** (i.e., the ability to administer claims and distribute under the new payment structure)
- **Network of clinically integrated services along the continuum either owned and/or contracted**

Top 10 Questions to Address in a Strategic Plan (Cont'd)

- **Strong physician leadership.** Population management and clinical integration must be physician led, and strong physician leadership is critical to success.

Knowing the organization's current capabilities/gaps and the priority areas for development is an important aspect of today's strategic plan.

7. What are the needs of the population? Is there a segment in which the organization could pilot or expand new care and payment models? Once the gaps have been identified, the next important question to consider is where could the organization gain experience piloting these skills (if they are new skills to the organization)? The first place to consider is the hospital's own employee population. If the organization has more experience in this area, prioritize each market segment (e.g., Medicare, Medicaid, commercial) and develop strategies for each segment. Identify CMMI, CMS, and state initiatives in which to participate or payers and other providers with whom to partner to expand new care models.

8. How can the organization differentiate itself? What is the vision for the future? Once inventory has been taken of what the organization does well and areas for improvement, as well as a list of goals based on what needs to be achieved, ask what currently or could potentially differentiate the organization? Set a vision for the organization that is motivational, clear, and inspiring. Finding the area of focus that sets the organization apart is a crucial part of strategic planning process.

9. What are the critical success factors and gaps to achieve the needs and vision of the organization? Once the critical questions above have been asked and answered, summarize what is needed and the organization's current capabilities versus gaps. Discuss how simple or difficult it will be to build or fill the gaps. Assess whether there are partnerships or affiliation partners available for each area...which will lead to the last question...

10. Can the organization remain independent? Should it? It will be difficult for many organizations to remain independent. Before deciding, understanding the organization's needs and assessing where a partner is necessary or beneficial is an important first step. This will ensure, if the organization decides to affiliate, partner or merge, that it selects the best partner to meet its needs and expectations.

For more information on strategic planning capabilities, please contact Barbra Riegel at 310.320.3990, x3954 or briegel@thecamden.com