



OPEN MINDS Strategic Planning Workshop:

Finding & Navigating A Successful &
Sustainable Path For Your Organization In
A Turbulent Market

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Sustainability = The Ability To Endure

Sustainability = the ability of an organization to secure and manage sufficient resources to enable it to fulfill its mission effectively and consistently over time without excessive dependence on any single funding source, including maintaining its ability to continue offering quality services and having an impact. . . .

Sustainability is all about resources – getting needed resources and using them effectively



Four Key Competencies For Future Sustainability

1. **A market-oriented strategic plan and market positioning for an increasingly competitive market**
 - Organizational identify-vision; mission; values; branding; messaging; strong leadership
 - Long-range strategic planning - goals; objectives; benchmarks
2. A marketing and fundraising plan that is 'up for the task' in today's competitive economic climate
3. A structured plan for innovation - the design and implementation of new service lines
4. Enhanced effectiveness and efficiency through adoption of best practices in operational excellence and financial management
 - Annual operational plan - objectives, activities and timelines; staffing; program needs; committed resources
 - Financial management system - billing; cash flow analysis; compliance; audit; IRS reporting
 - Board development plan - needs assessment; evaluation; recruitment; orientation; maintenance/team building
 - Staff development plan - needs assessment; competency development; evaluation and review; training; team building

What Is Strategic Planning?

Strategic planning is your organization's process of continually assessing its internal capabilities and the external environment

- in order to determine how best to use its limited resources
- to meet your strategic objectives



Value Of Planning For Your Organization

1. Interprets the mission and vision, providing clear direction for the short-term and for the future
2. Provides clarity from the board regarding organizational priorities and performance expectations
3. Establishes strategic priorities for the executive team
4. Serves as a formal process to allocate limited resources – and the development of organizational infrastructure and operating plan
5. Establishes the basis for on-going performance reporting on organizational status provided by the chief executive officer to the board

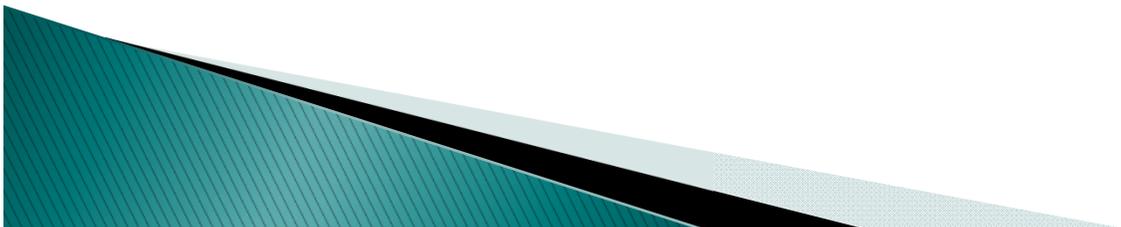


Strategic Management Process

1. Develop vision of future competitive advantage and market positioning
2. Scenario-based strategic plan incorporating alternate future positioning options
3. Detailed plans – marketing, financial, operational, capital, HR, etc. – to implement strategy and future vision
4. Key performance metrics and metrics-based management to track strategy implementation (and allow mid-course adjustments)
5. Optimization of current operations to keep current programs as competitive (and profitable) as possible as long as possible
6. New service model development to support future vision
7. Collaborations as needed to facilitate new market vision



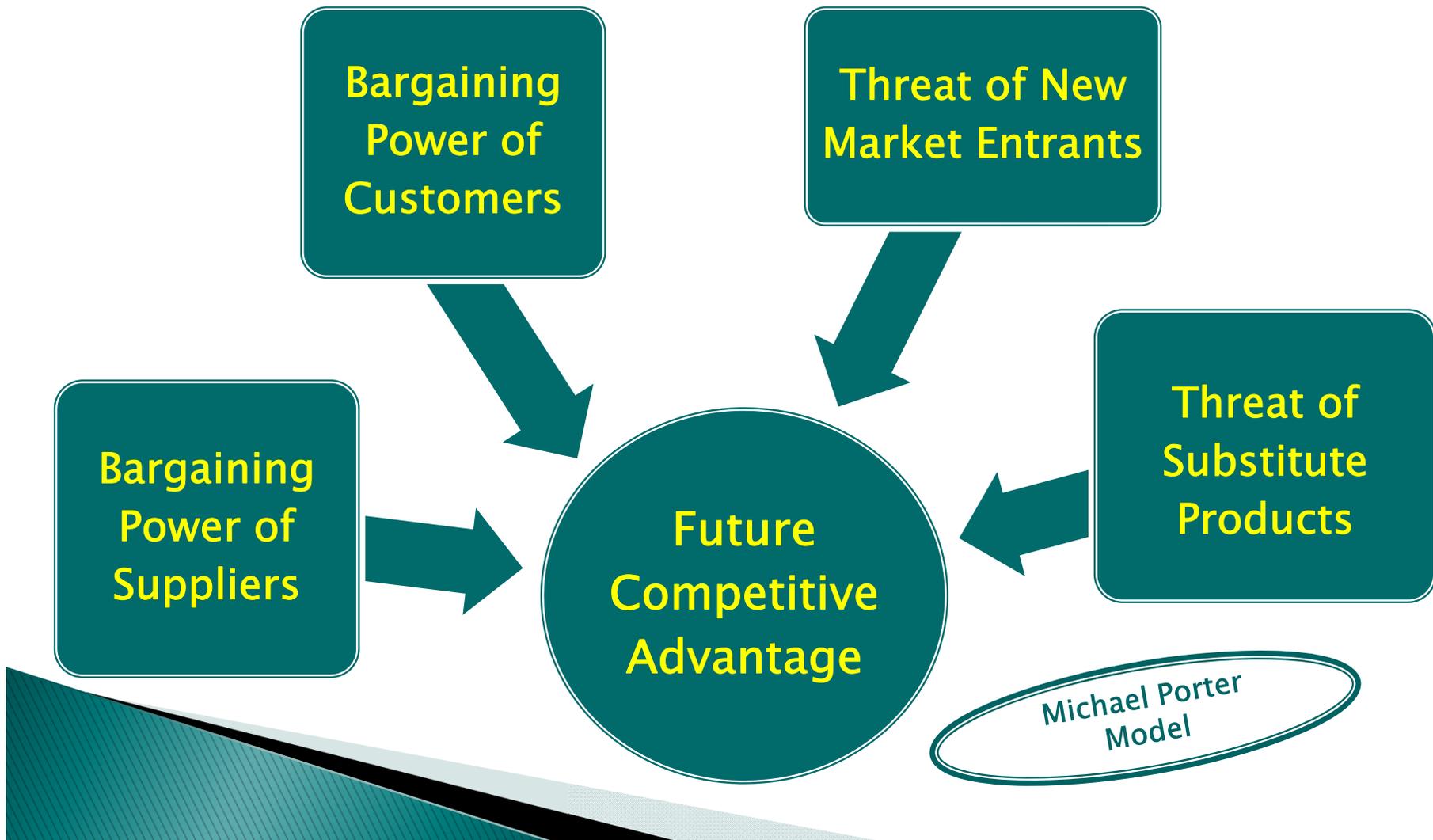
**#1: Develop
Vision Of
Future
Competitive
Advantage &
Market
Position**



Identifying Future Competitive Advantage



Anticipating & Responding To Disruptive Innovations Key To Maintaining Competitive Advantage



The Sustainability Issue

Finding Alignment In Three Domains

The challenge?
Creating service program models – and an organizational management model -- for financial sustainability in new environment

Programmatic offering for service delivery and positioning of services (horizontal)

Financing options

Role in care management and structural positioning (vertical)

Balancing these three elements is key to specialist organization market positioning

How To Maintain Competitive Advantage & Financial Sustainability?

Address Three Strategic Questions

1. What is your organization's "vertical strategy" to engage emerging consumer care coordination organizations?
2. What is your "next generation" service line?
3. How does your organization create that "next generation" service line and stay a market leader?



Question #1: What Is Your Organization's "Vertical Strategy" To Engage Emerging Patient Care Coordination Organizations?

Structural Positioning Options	Reimbursement Options
ACO/MCO Partner (FFS P4P Or Risk-based)	FFS, FFS with P4P, Case Rate, Episodic/Bundled Payment, Capitation
Specialty ACO/MCO Provider Or Partner	FFS, FFS with P4P, Case Rate, Episodic/Bundled Payment, Capitation
Medical/Health Home Provider	FFS, FFS with P4P, Case Rate, Capitation
Medical/Health Home Partner	FFS, FFS with P4P
Case Rate-Reimbursed Specialty Program (By Population)	Case Rate, Episodic/Bundled Payment,
High-Performing Network Provider And/Or "Center Of Excellence"	FFS, FFS with P4P, Case Rate, Episodic/Bundled Payment,
Network Provider	FFS

Question #2: What Is Your “Next Generation” Service Line?

Characteristics Of The “Next Generation”

Demonstrate better outcomes and reduced resource use – to support competitive value proposition and marketing

“Plug into” patient care coordination initiatives – to increase reimbursable consumer population

Accept value-based reimbursement: risk-based and/or P4P – to attract payer

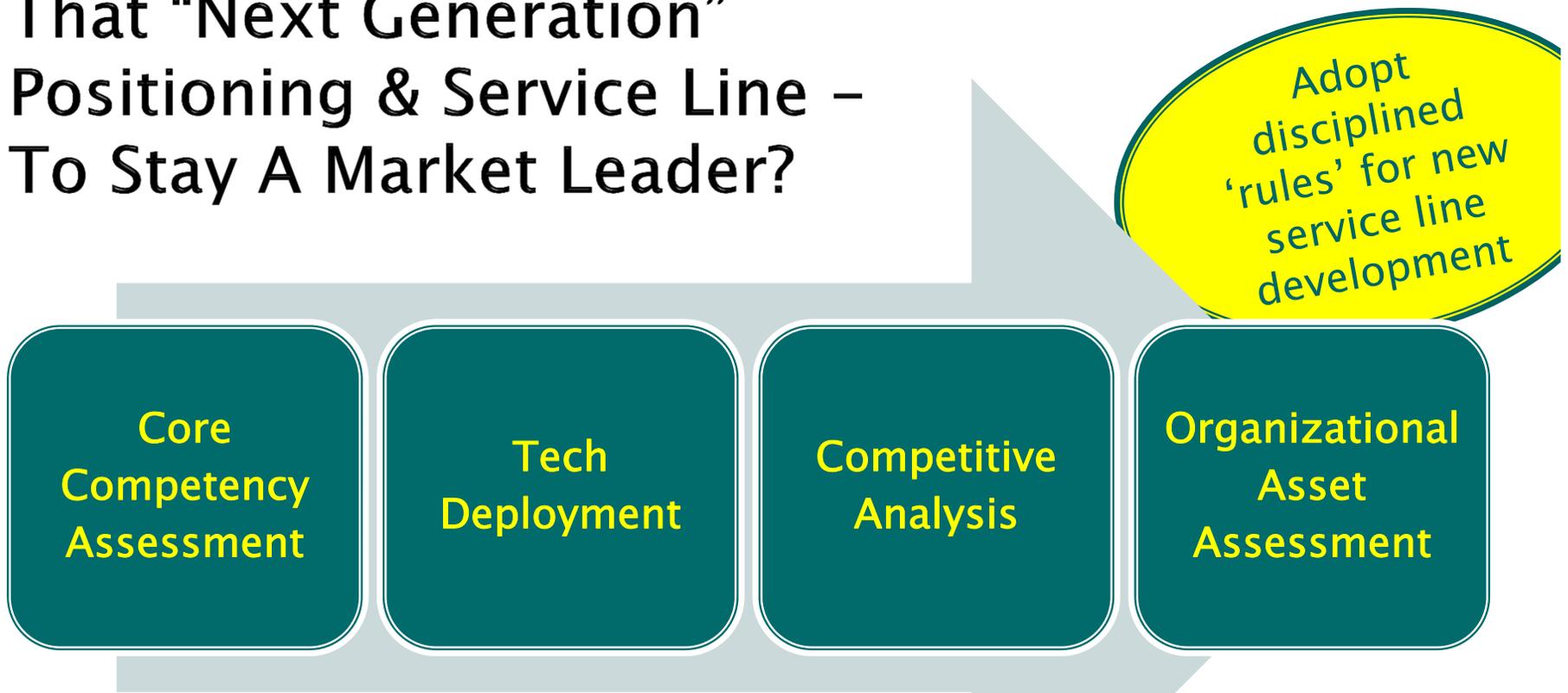
Deploy new neurotech advances – for better outcomes and improved consumer preference

Embrace consumer self-service technology – to reduce costs and improve consumer engagement

Incorporate e-health and remote monitoring – to lower labor costs and improve consumer preference

Use analytics-based decisionmaking – to optimize organizational planning, consumer care management, and financial management

Question #3: How Does Your Organization Select That “Next Generation” Positioning & Service Line – To Stay A Market Leader?



Rule #1. Identify Core Competencies – In Customer-Centric Terms

- Unique capabilities contribute to value and are hard to imitate – the basis of competitive advantage
- Must be valued by customer and sustainable
- Shifts in technology ‘devalue’ some previous market advantages – location, basic knowledge, etc.

Typical Core Competencies in Competitive Advantage

Low cost

Unique service or treatment capability

Regulatory requirements

Convenient and/or easy

Licensure or degree

High value (cost * performance * ease of use)

Facility or physical plant

Unique technology application

Defers or prevents higher expense

Rule #2: Deploy Technology Into New Service Models

1. Automate everything that is automatable
2. Deploy consumer self-service with the patient as your new workforce

The age old question –
Can old dogs really learn new tricks?

Can your team really embrace the possibilities of new technology?

Rule #3. Compare How Your Organization Stacks Up Against the Competition

- Performance
- Reputation
- Customer convenience
- Customer positioning
- Cost

The New Value Equation

$$\frac{\text{Product Benefit} + \text{Brand Equity} + \text{Marketing Benefit}}{\text{Price}} = \text{Value}$$

Rule #4. Assess Realities Of Organization's Assets Available For Repositioning

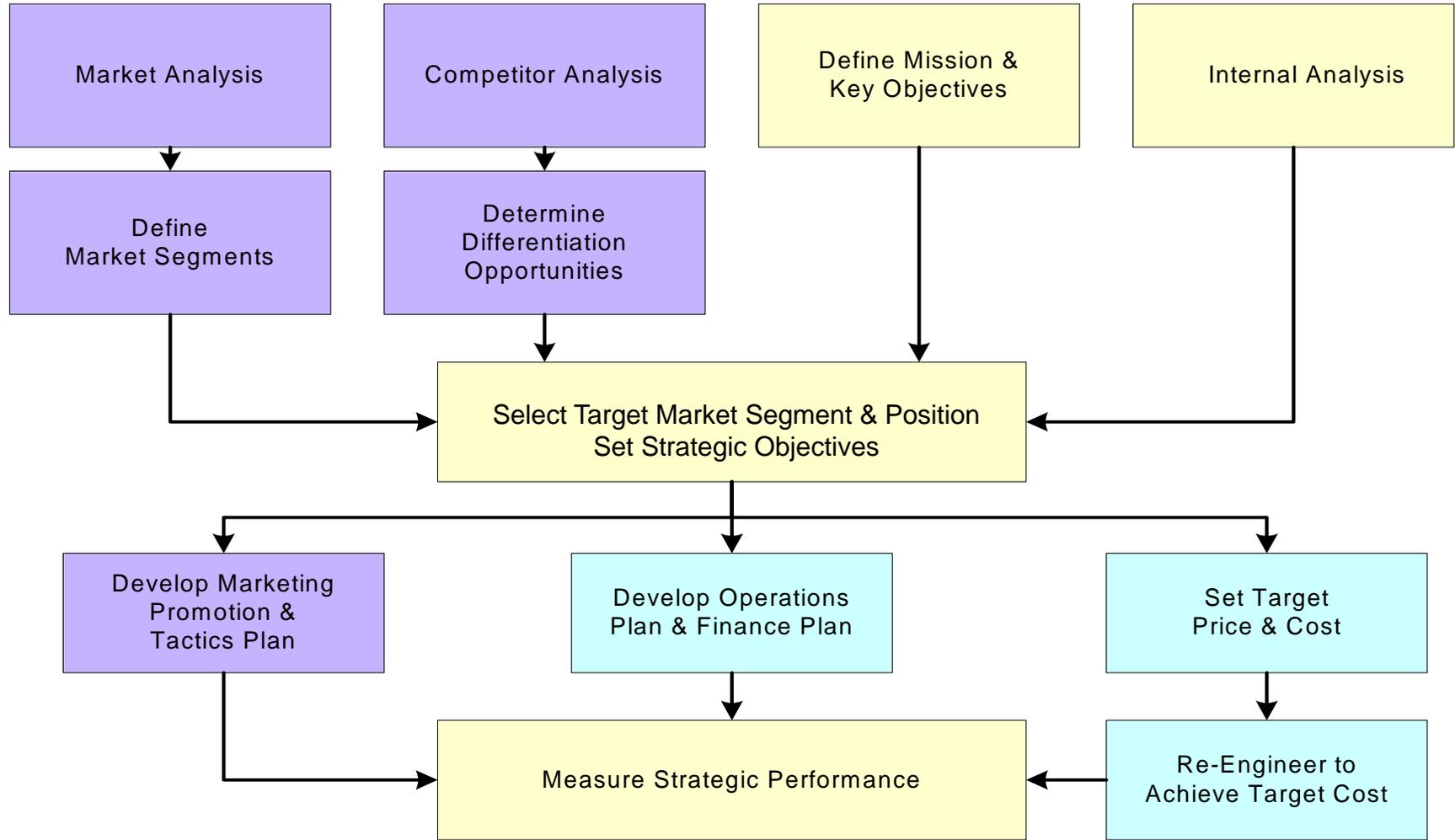
1. Historical mission and vision – organizational charter
2. Regulatory limitations
3. Competition in market
4. Management team competencies and expertise
5. The CEO's leadership qualities
6. Organizational culture
7. Financial resources
8. Time

This assessment – core competencies, competitive benchmarking, and organizational assets – should drive decision making about strategic advantage and positioning



#2: Scenario– Based Strategic Plan Incorporating Alternate Future Positioning Options

Strategic Planning Process



Marketing Strategic Planning Finance

Typical Strategic Plan Outline

- I. Executive Summary
- II. Statement of Annual Goals & Objectives (3 Year)
- III. Summary of Internal Organizational Analysis
- IV. Summary of External Market Research
- V. Possible Environmental Market Scenarios
- VI. Organizational Strategies & Tactics for the Most Likely Strategic Scenario
 - Strategic Issues & Objectives
 - Strategic Initiatives
 - Key Tactical Elements of Each Strategic Initiative
- VII. Implications of Proposed Strategy & Tactics on Operations
 - Marketing & Development Implications of Organizational Strategies
 - Operational & Technology Implications of Organizational Strategies
 - Financial Management Implications of Organizational Strategies
- VIII. Strategic Action Plan: High-Level Implementation Plan for Each Strategic Initiative

III. Components Of Internal Organizational Analysis

1. Service line analysis
2. Organizational portfolio mapping and analysis
3. Stakeholder/SWOT analysis – board, executive team, staff
 - Survey
 - In-depth interviews
 - Focus groups
4. Consumer experience mapping (mystery shopping)



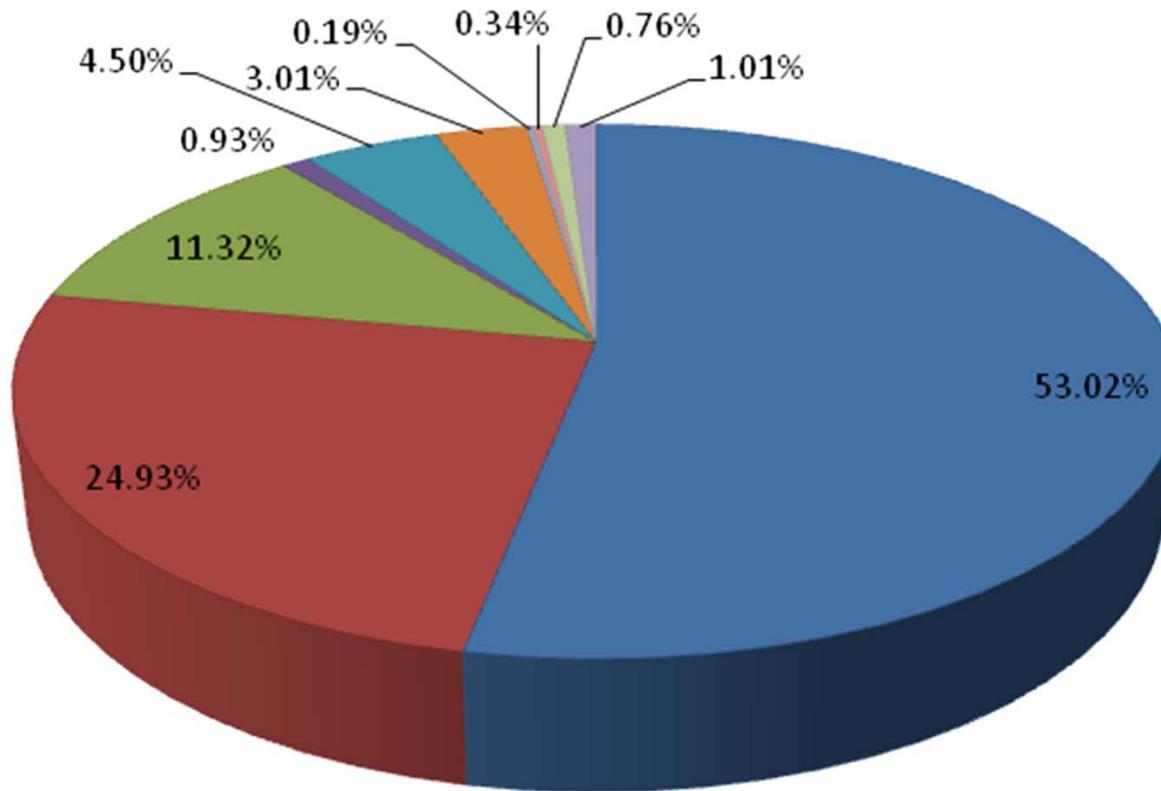
Metrics Needed For Optimal Service Line Analysis

1. Income/revenue, by source and service line
 - Allocated charitable income/revenue, by service line
2. Profit/loss by service line without charitable allocation (if NFP)
3. Total profit/loss by service line
4. Total number of consumers served, by service line and payer
5. Total number of service units delivered, by service unit type, by service line and by payer
6. Staff/facility productivity or yield, by service line and/or operating units
7. Total direct cost per service unit, by service unit type
 - Total indirect cost per service unit
 - Total cost per service unit
8. Profit/loss per service unit
9. Consumer satisfaction and performance, by service line
10. Charity/subsidy as % of total unit cost (if NFP)

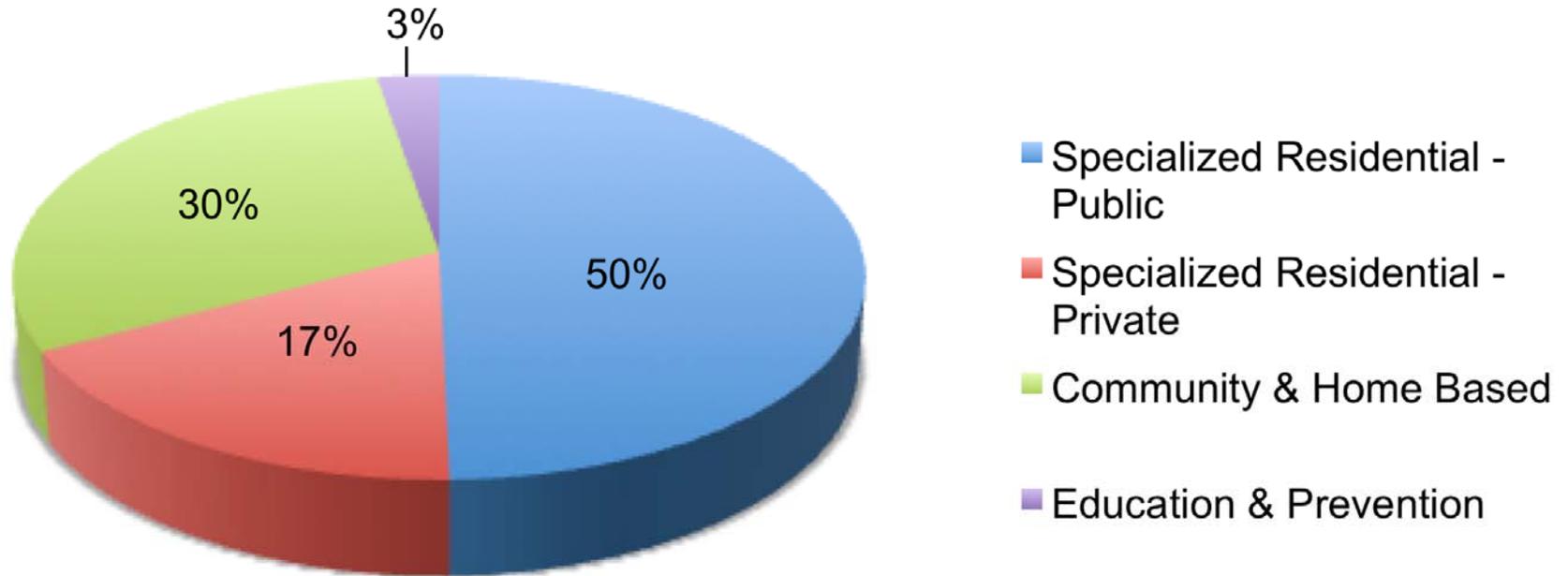


Revenue Mix by Service Line, FY 2010

- Mental Health Services
- Development Services
- Substance Abuse Services
- Prevention Services
- Other Services
- Emergency Services
- Consumer Monitoring
- Wounded Warrior
- Housing and Homeless Services
- Jail Diversion and CIT
- Administrative Services

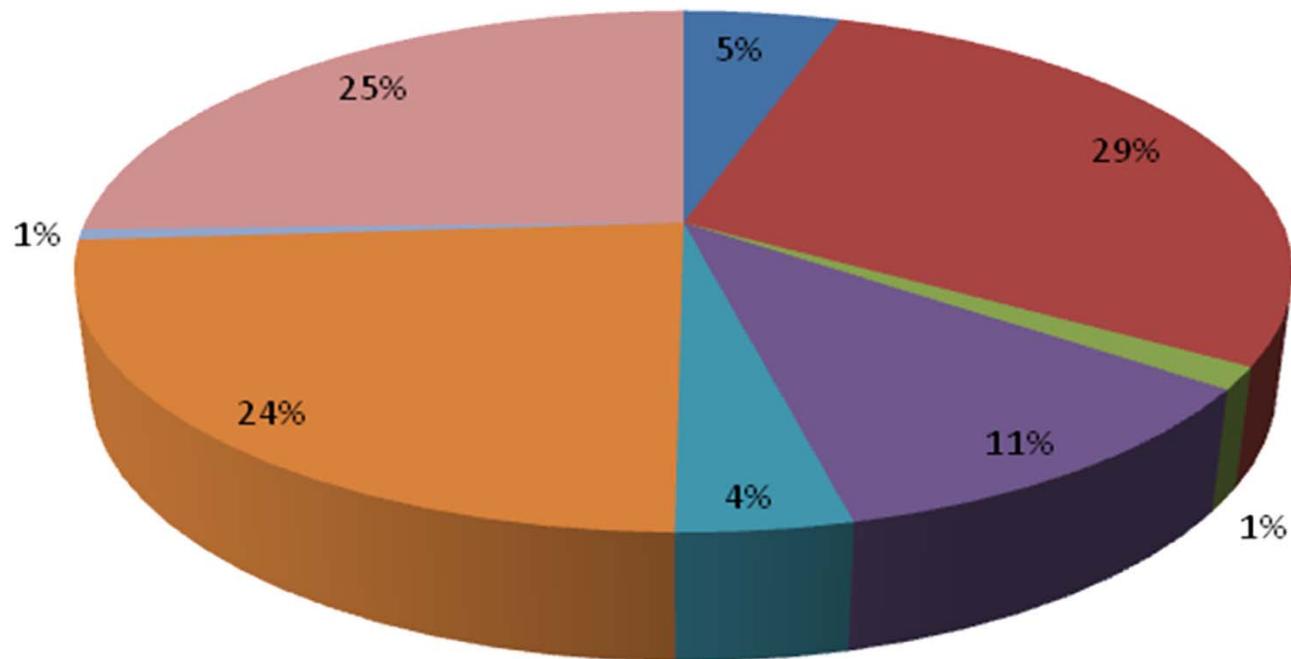


Revenue Mix By Service Line (2009)

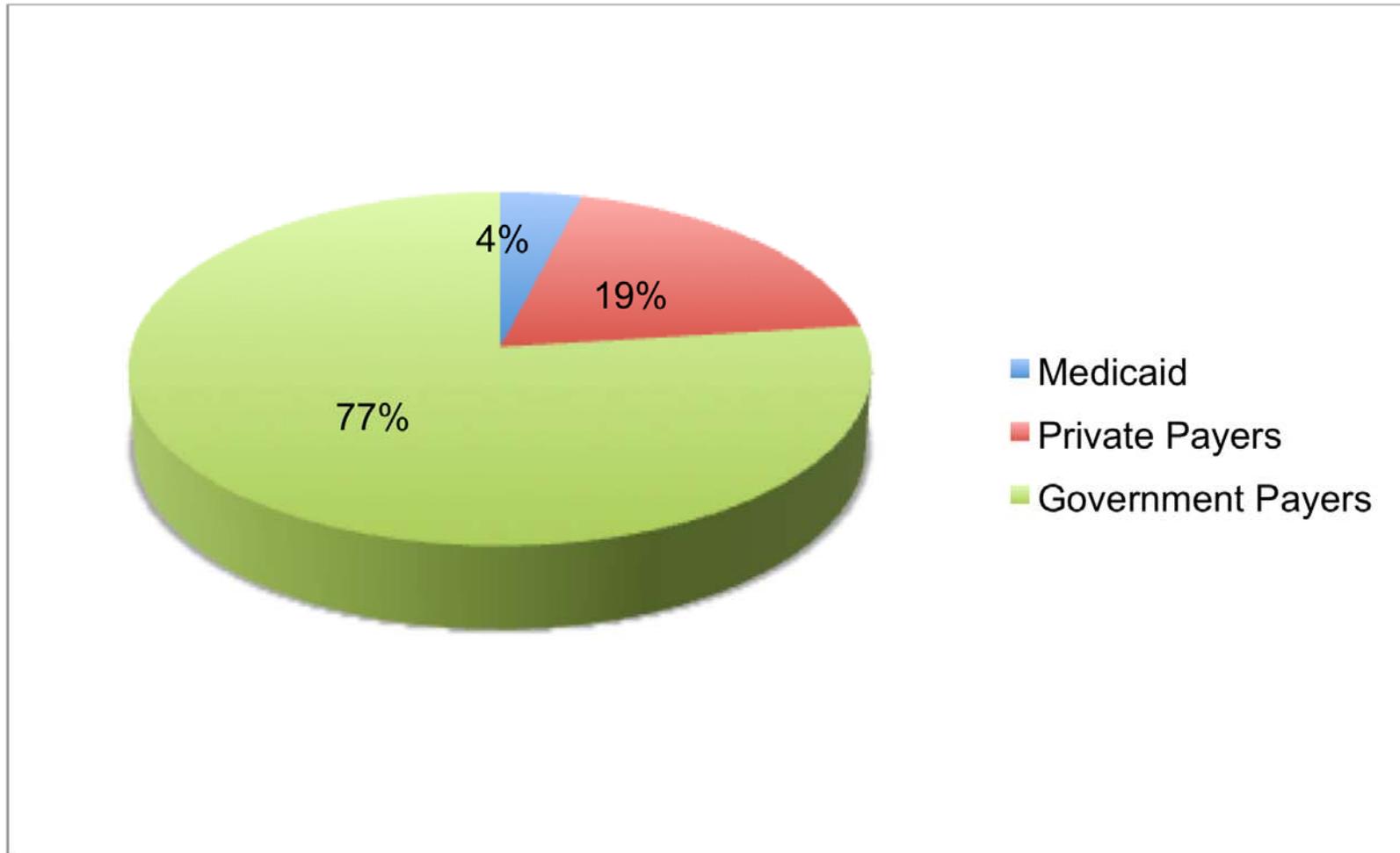


Revenue Mix by Payer, FY 2010

- Medicare and Medicare HMOs
- Commercial Insurances, including HMOs
- Other federal funds or grants
- Other local funds or grants
- Medicaid
- Private pay/self pay
- Other state funds or grants
- Other

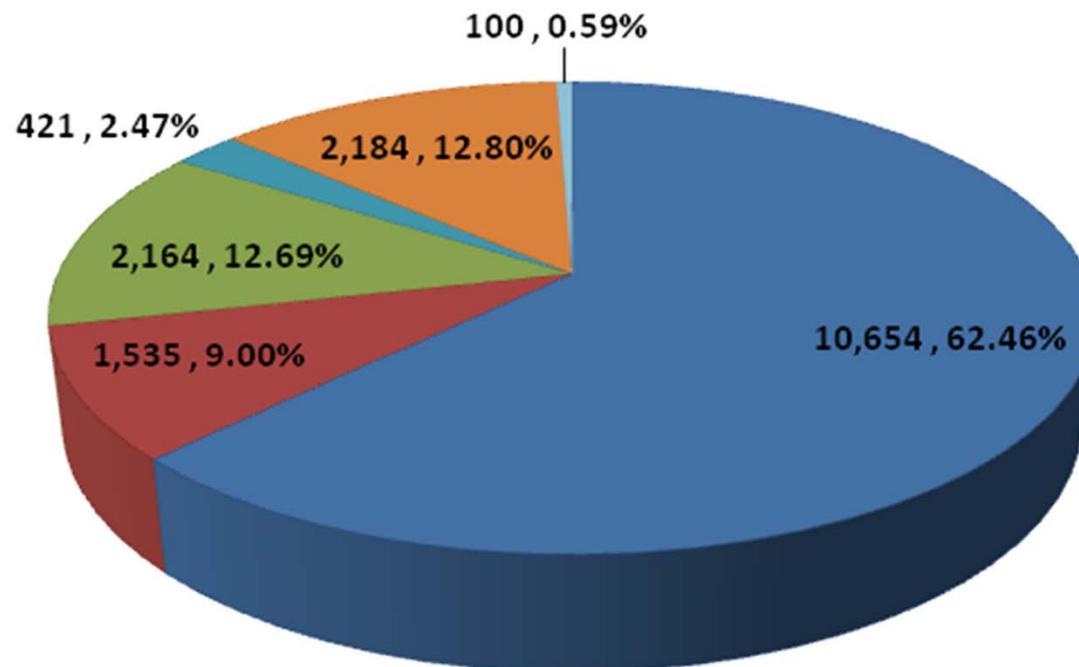


Revenue Mix By Payer (2009)



Number of Consumers Served by Service Line, FY 2010

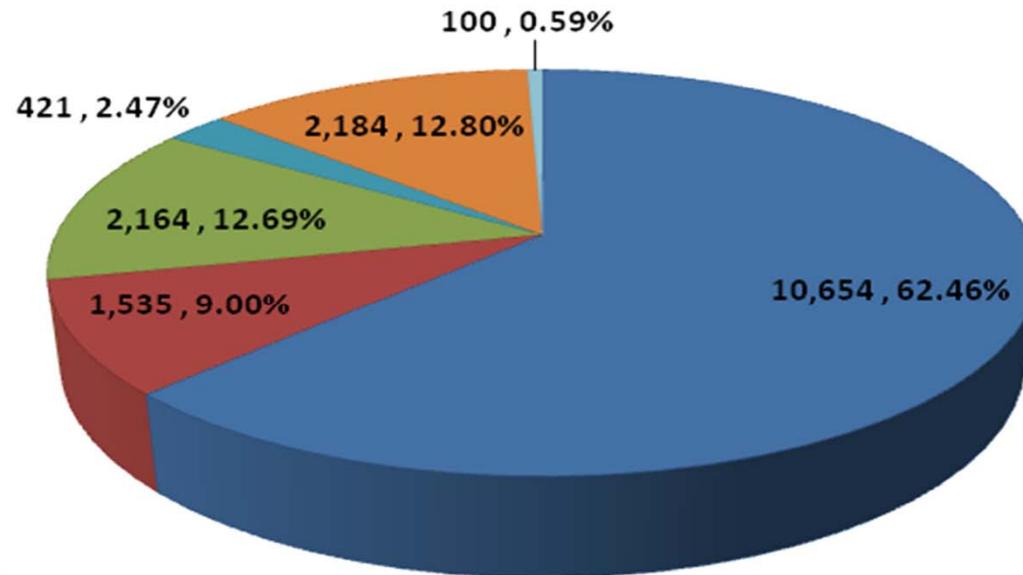
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Profit and Loss by Service Line, 2012

	Revenues	Allocated & Direct Expenses	Percentage of Revenue by Service Line	Profit/Loss (Margin)	Margin (Percentage)	Funding Mix		
						Medicaid	Other state funds/ grants	Other local funds/ grants
Partial Care Services	\$2,387,697	\$2,583,957	12.5%	(\$196,260)	-8.22%	43%	55%	2%
Adult Residential Supported Housing	\$5,400,241	\$5,298,334	28.2%	\$101,907	1.89%	13%	86%	1%
Other Services	\$419,493	\$451,558	2.2%	(\$32,065)	-7.64%		99%	1%
Adult PACT	\$9,589,380	\$9,370,374	50.0%	\$219,006	2.28%	42%	58%	
Adult Intensive Case Management Services	\$364,118	\$428,828	1.9%	(\$64,710)	-0.67%	31%	69%	
PATH	\$410,177	\$401,618	2.1%	\$8,559	0.09%	21%	79%	
Adult Supported Employment	\$600,715	\$576,691	3.1%	\$24,024	6.60%		100%	
Total	\$19,171,821		100.0%					

Unit Cost Data

	Unit of Length	Unit Cost
<i>Mental Health Services</i>		
Acute Psychiatric	Bed Day	\$ 263.71
Outpatient	Hour	\$ 177.80
Assertive Community Treatment (ACT)	Hour	\$ 153.68
Case Management	Hour	\$ 160.76
Day Treatment/Partial Hospitalization	Slot (Encounter)	\$ 48.06
Rehabilitation/Habilitation	Slot (Encounter)	\$ 11.33
Crisis Stabilization	Bed Day	\$ 153.99
Supportive Residential	Hour	\$ 82.52
<i>Development Services</i>		
Case Management	Hour	\$ 209.93
Rehabilitation/Habilitation	Slot (Encounter)	\$ 10.66
Highly Intensive Residential Services	Bed Day	\$ 564.72
Supervised Residential Service	Bed Day	\$ 247.94
Supportive Residential Services	Hour	\$ 36.31

From Metrics To Mapping...

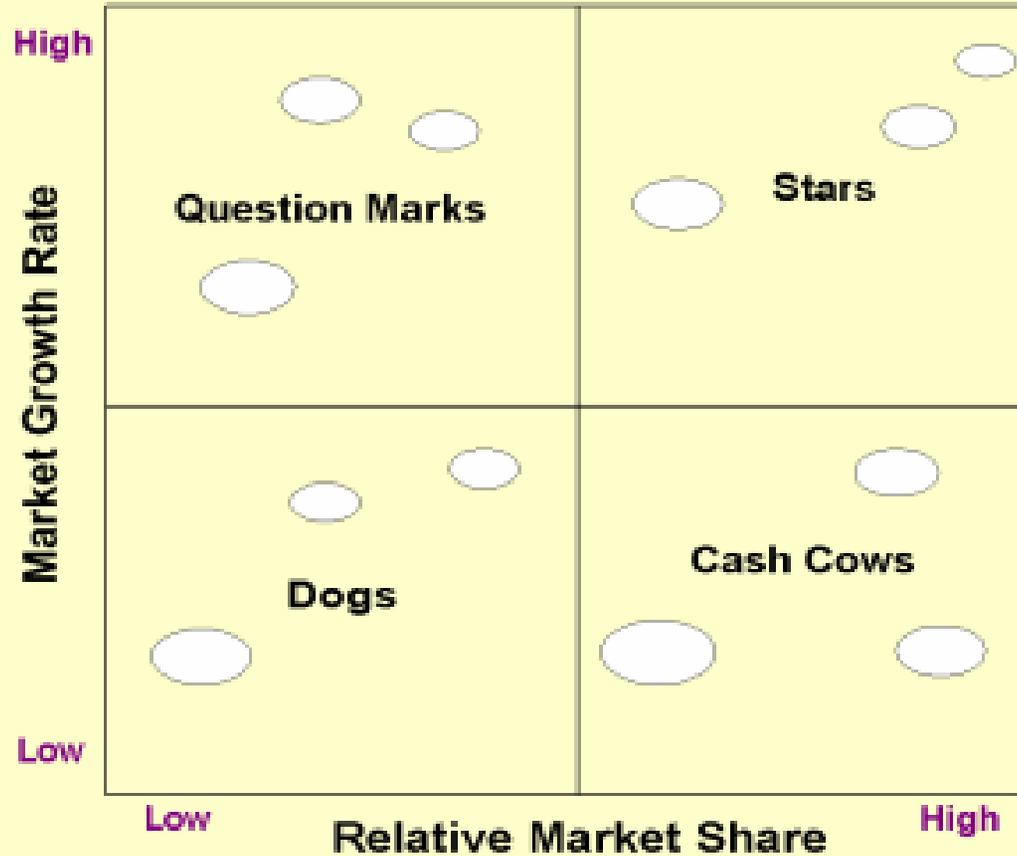
- Portfolio mapping is tool to understand your service “portfolio” from a number of perspectives
- Graphic display of internal and external metrics
- Used in service line planning and repositioning

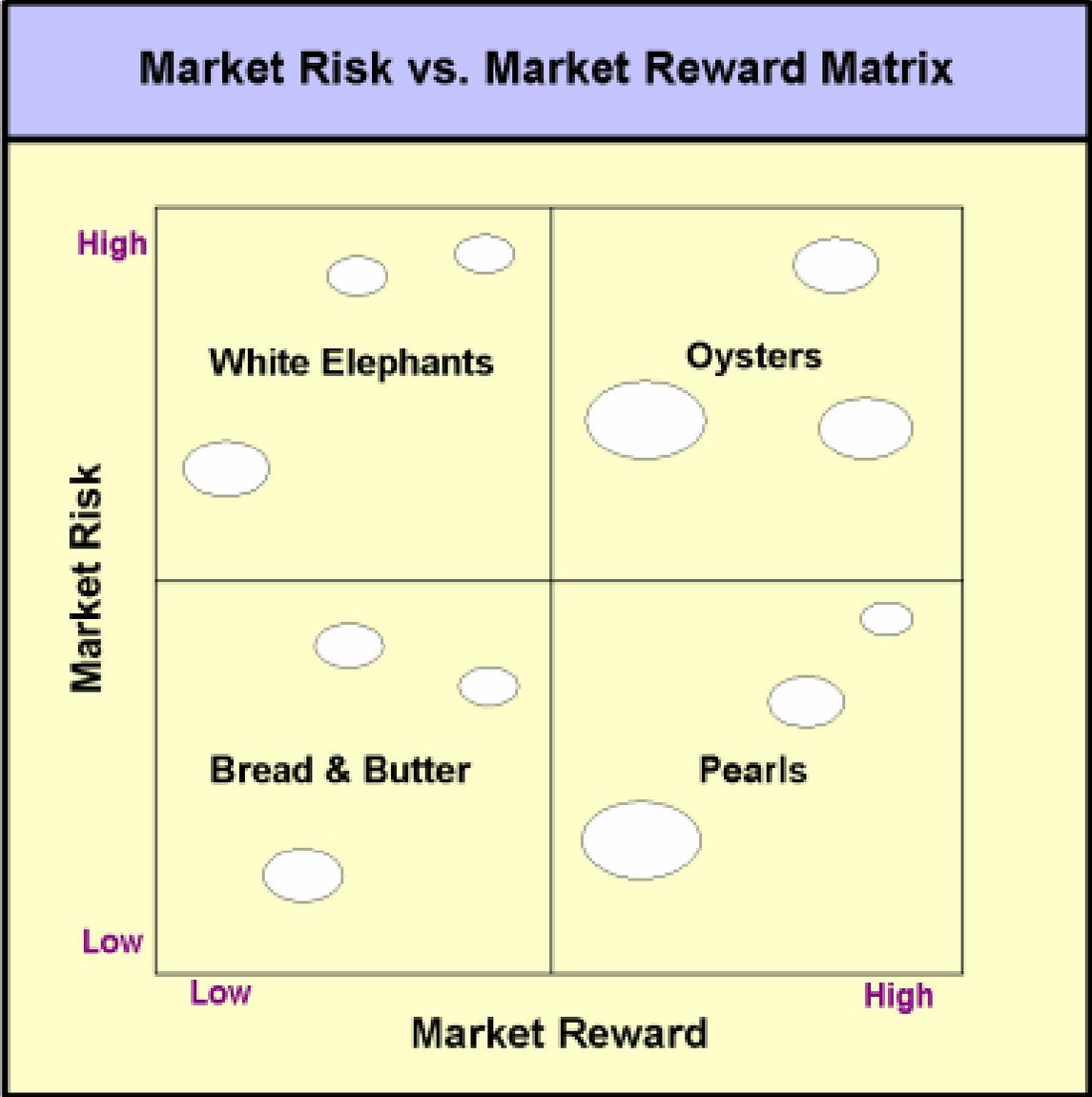
What Is Portfolio Management?

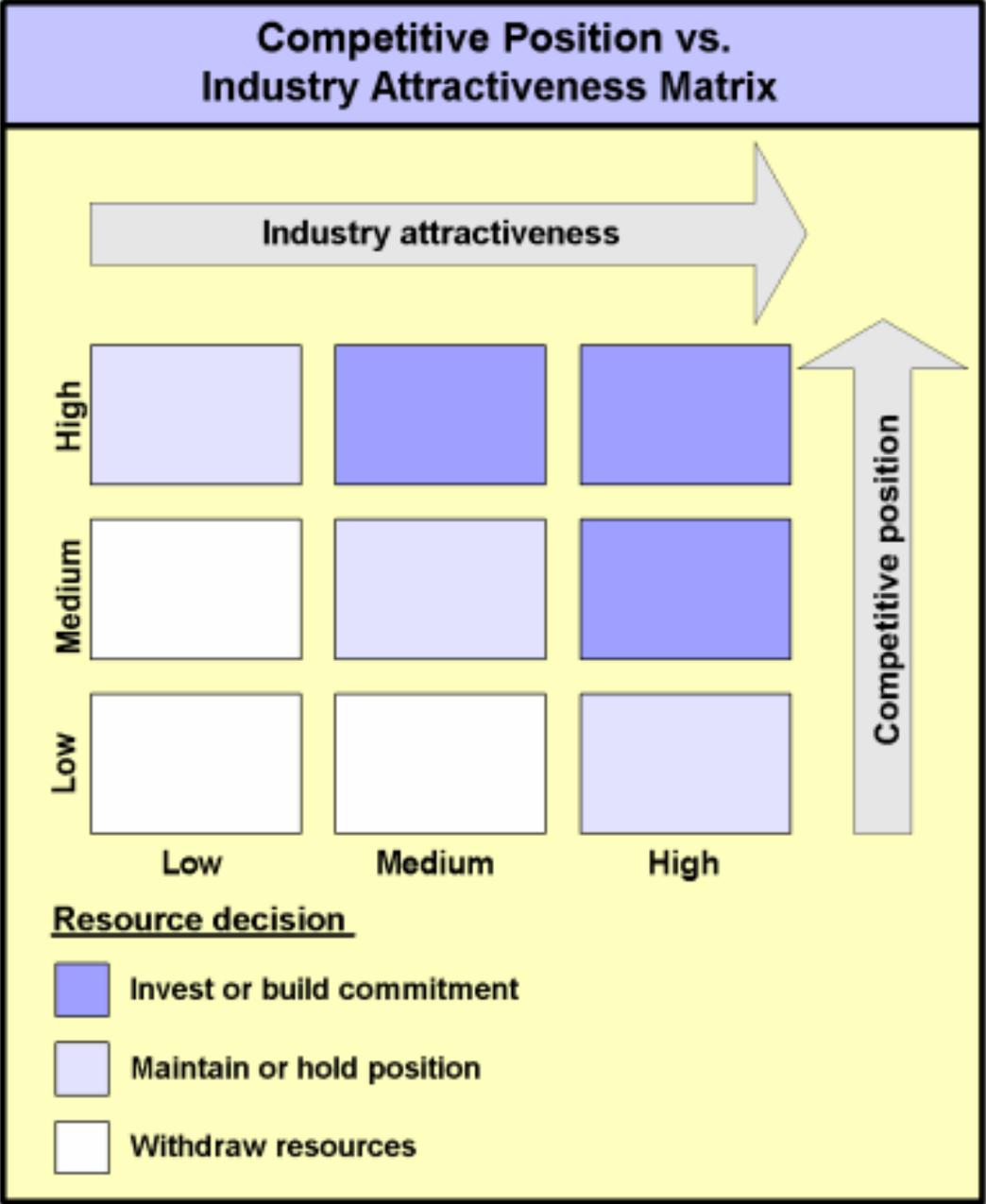
Function dealing with planning for products or services at all stages of the product lifecycle – from concept to retirement with a number of goals:

- Value maximization – optimize ROI on investments
- Balance – high vs. low risk; multiple markets
- Business strategy alignment – alignment of service line investment with long-term organizational strategy
- Pipeline balance – balance between resources needed and resources available
- Sufficiency of current and future revenue

Market Growth vs. Market Share Matrix







Mission vs. Profitability Matrix

Product's Compatibility with Mission	Actively Advances Mission	<p>Seek more donations and/or raise prices and/or improve cost effectiveness and/or selectively reduce scope of operation</p>	<p>Maintain status quo (without allowing it to dominate) or spin off as for-profit corporation</p>
	Neutral	<p>Seek closer ties to Mission and/or improve profitability</p>	
	Negatively Impacts Mission	<p>Phase out promptly</p>	<p>Selectively phase out or sell operation to external buyers</p>
		No Attributable Revenues or Grants	Highly Profitable
		Product's Ability to Cover Costs	

Decisions Made In Service Line Analysis & Portfolio Mapping

1. Revenue and return required for each service line
 - Target costing decisions
2. Closure or phase-out of current services
3. New services for current or new markets for revenue sufficiency or positioning
4. New markets for balance of portfolio
5. Service line/portfolio management decisions
 - Markets to pursue – and service lines to offer
6. Assessment of organizational competencies required for success in specific scenarios

IV. Environmental Analysis Answers

Four Key Questions

- What trends are influencing the market at this time?
 - Shifts in financing, service delivery structure, legislation, or consumer movements
- Who are our “customers” and what do they want?
 - Payers and consumers
 - Image assessment and positioning
 - Value and quality definitions
- How much are payers and consumers willing to pay for services?
 - Acceptable price points
- What other organizations are competing for our payers and consumers?

Elements In Environmental Analysis

- Implications of national and state/market-specific trends and plans
- Payer analysis
 - Payer profiles
 - Payer KOL interviews and/or focus groups
- Consumer market analysis
 - Statistical demographic profile
 - Consumer interviews and/or focus groups
- Competitor analysis



Sample Payer Information

Government Insurers	Total Enrollment (CA)	Enrollment, San Diego	Enrollment, Imperial	Enrollment, Orange	Enrollment, San Bernardino	Enrollment, Riverside	Headquarters Street Address	City	State	Zip	Telephone	Web Site	Behavioral Health Management Organization
Medicare	5,000,198	178,583	2,466	189,292	123,223	152,359						http://www.medicare.gov/	n/a
MediCal	7,339,984	453,494	55,519	469,970	484,988	410,932	1501 Capitol Ave., MS 4400	Sacramento	CA	95814	916-449-5000	http://www.medi-cal.ca.gov/	n/a
Tri-Care/Military (UnitedHealth)		290,219	1,823	20,586	49,946	43,653	425 Market St., 27th Fl.	San Francisco	CA	94105	877-988-9378	uhcmilitarywest.com	Optum Health

Blue Shading indicates plan with enrollment ≥ 1000 - threshold to complete demographic research for this plan
 Note: Medicare Advantage Enrollment data does not include numbers <10 in each county according to Health Plan
 Some Medicare Advantage plans are under same plan name/entity but have a different contract number with CMS, therefore under separate columns (Plan ID included in the last column)

Medicare Advantage	Total Enrollment (CA)	Enrollment, San Diego	Enrollment, Imperial	Enrollment, Orange	Enrollment, San Bernardino	Enrollment, Riverside	Headquarters Street Address	City	State	Zip	Telephone	Web Site	Behavioral Health Management Organization
Aetna Health Of California, Inc	25,452	1,844		2,410	5,837	6,813	P.O. Box 10169	Van Nuys	CA	91410	800-756-7039	http://www.aetnamedicare.com/	Magellan
Anthem Blue Cross Life And He	37,375	4,668	294	7,457	116	2,080	50 Beale Street	San Francisco	CA	94105	415-229-5000	https://www.anthem.com/ca	Anthem Behavioral
Blue Cross Of California	12,251	1,746	16	945	1,420	2,463	50 Beale Street	San Francisco	CA	94105	415-229-5000	https://www.anthem.com/ca	Anthem Behavioral
California Physicians' Service	66,727	569	118	18,124	4,422	2,522	50 Beale Street	San Francisco	CA	94105	415-229-5000	http://www.blueshieldca.com	Magellan
Care1st Health Plan	30,369	7,288		1,075	445	219	601 Potrero Grande Drive	Monterey Park	CA	91755	323-889-6638	https://www.care1st.com/ca/	CompCare
Caremore Health Plan	51,262	27		8,321	3,835		12900 Park Plaza Drive, Suite 150	Cerritos	CA	90703	562-741-4552	http://www.caremore.com	in house
Central Health Plan Of Califom	12,211			748	1,320	31	1540 Bridgegate Drive	Diamond Bar	CA	91765	626-388-2300	https://www.centralhealthplan.com/	in house
Citizens Choice Healthplan	14,388			1,113	1,543	3,271	17315 Studebaker Road, Suite 200	Cerritos	CA	90703	323-728-7232	http://citizenschoicehealth.com/	
Community Health Group	1,221	1,221					740 Bay Blvd	Chula vista	CA	91910	619-498-6589	http://www.chgsd.com	in house
Easy Choice Health Pla Inc.	53,767	1,643	593	7,569	3,220	7,634	180 East Ocean Boulevard, Suite 700	Long Beach	CA	90802	562-343-9713	http://www.easychoicehealthplan.ca	ValueOptions

Sample Consumer Information

Population	
Population, Year 2011 (Most Recent July 1)	2,065,377
Population, Year 2010	2,042,027
% Change, July 1, 2010 to July 1, 2011	1.14%
% Change, Average Annual	
Payer Coverage	
# of Population With Payer: Medicare	232,239
% of Population With Payer: Medicare	11.24%
# of Population With Payer: Medicaid	567,601
% of Population With Payer: Medicaid	27.48%
# of Population With Payer: Employer (Includes TRICARE)	213,240
% of Population With Payer: Employer (Includes TRICARE)	10.32%
# of Population With Payer: Tricare/Military	49,946
% of Population With Payer: Tricare/Military	2.42%
# of Population With Payer: Other Commercial	686,384
% of Population With Payer: Other Commercial	33.23%
# of Population Uninsured	425,973
% of Population Uninsured	20.62%
Population Demographics	
# Female	1,038,137
% Female	50.26%
# Male	1,027,240
% Male	49.74%
# Age Group 0-9	318,590
% Age Group 0-9	15.43%
# Age Group 10-19	342,088
% Age Group 10-19	16.56%
# Age Group 20-59	1,123,275
% Age Group 20-59	54.39%
# Age Group 60+	281,424
% Age Group 60+	13.63%
# White Alone	1,604,912
% White Alone	77.71%
# Black or African American Alone	197,959
% Black or African American Alone	9.58%
# American Indian and Alaska Native Alone	42,066
% American Indian and Alaska Native Alone	2.04%
# Asian Alone	142,344
% Asian Alone	6.89%
# Native Hawaiian and Other Pacific Islander Alone	9,381
% Native Hawaiian and Other Pacific Islander Alone	0.45%
# Two or more races	68,715
% Two or more races	3.33%
Largest Employers	
County of Riverside, Riverside	18,291
Stater Bros. Markets, San Bernardino	18,000
Arrowhead Regional Medical Center, Colton	18,000
County of San Bernardino, San Bernardino	17,395
National Training Center, Fort Irwin	13,805
U.S. Marine Corps Air, Twentynine Palms	12,486
Abbott Vascular, Temecula	12,000
March Air Reserve Base, Moreno Valley	8,750
San Bernardino City Unified School District, San Bernardino	8,574
Ontario International Airport, Ontario	7,510

Sample Competitor Information

County	Riverside
Key Competitors	
	Inland Psychiatric Medical Group
	Oasis Rehabilitation Center
	Loma Linda University Behavioral Medicine Center; Department
	Vista Pacifica Enterprises, Inc.
	Palomar Health
	West End Family Counseling Service
Inland Psychiatric Medical Group	
Headquarters Street Address	1809 W Redlands Blvd.
City	Redlands
State	CA
Zip	92373
Telephone	951-652-8107
Web Site	http://www.inlandpsych.com/
# Of Service Locations	7
Describe Service Locations/Delivery	Adolescent and young adult psychiatry Adult psychiatry Behavioral Health Services Psychiatric Consultation Services Evaluation and Treatment Child, Adolescent and Adult Therapy Board Certified Psychiatrists Licensed Clinical Psychologists Marriage Family Therapists / Licensed Clinical Social Workers 24 Hour On Call Clinicians Bilingual Therapists Same Day Appointments (When available) Evening Appointments Emergency Consultations Lectures and Presentations Psychological Testing Eating and Sexual Problems Stress and Migraine Management Sleeping and Mood Problems
Estimated Service Revenue	
Estimated Service Volume, In Units	
CEO First Name	Syam
CEO Last Name	Kunam, MD
CEO Email Address	kunam@inlandpsych.com
Partnerships & Collaborations	Insurance Accepted: Aetna HMO/PPO Blue Cross Blue Shield P
Payer Contracts & Relationships	

V. Scenario-Based Planning Is Tool For Planning In A Chaotic Market

- Most organizations need to move forward with implementation without “final” information
- Most practical option is concurrent scenario building and planning

A Scenario Is. . .

- An outline of an hypothesized chain of events
- Depictions of a future that are useful to clarify thinking -- not predictions or forecasts of what will happen; rather, a suggestion of what might happen
- Several (usually 3–5) descriptions of hypothetical situations -- interspersed with extrapolations of trends; more useful for understanding options and dealing with uncertainty than in predicting specific events

Scenario-Based Planning Process

1. Build scenarios of likely future situations and high-level implementation plans for each
2. Determine the “common elements” in the scenario implementation plans – common organizational capabilities, resource investments, partnerships, etc.
3. Select the “most likely” scenario to occur as the basis for the strategic plan
4. When building the operational implementation plan, implement the “common elements to all scenarios” first
5. Monitor events to update scenarios and action plans
6. Continuously update both the scenarios and the implementation plans based on new developments

Strategic Tasks In Scenario Plan	Scenario Analysis Model – Common Activities					
	Promotion of Preferred Model	Scenario #1A: Integration – FFS Provider Payment	Scenario #1B: Integration – Subcap Payment	Scenario #2: Statewide Carve-Out – FFS Payment	Scenario #3A: Local-Option Carve Out – FFS Payment	Scenario #3B: Local-Option Carve Out – MBHO Partner
#1 Develop presentation to promote the preferred model.	X					
#7 Determine and manage unit costs of services.		X	X	X	X	X
#9 Establish billing and AR systems for FFS billing within managed care		X		X		X
#15 Develop UM and prospective authorization functions.			X		X	
#5 Present model to other identified stakeholders to solicit endorsement.	X					

Why Scenario-Based Planning?

1. Prevents organizations from focusing on catastrophe, to exclusion of opportunity
2. Allocates resources more prudently
3. Preserves options – anticipates unexpected developments
4. Ensure you're not fighting “the last war” – planning based on future events (not past)
5. Gives the executive team the opportunity to rehearse for “any possibility”

Common Planning Scenarios in Health & Human Service Market Space

Elimination of 'Safety Net' Funding For Uninsured

Decrease of Fee-For-Service Rates

Medicaid or Medicare Coverage of Chronic Populations Moved To Managed Care or ACOs

Expanding Role of Urgent Care Clinics in Community

Payers Increase Coverage of E-Health Services & Remote Monitoring

Increasing Proportion of Health Expenditures Paid By Individuals

Mandatory Adoption of EBP Via Comparative Effectiveness Research

Service Provider Organizations Required To Move To Case Rate Contracting or P4P

Widespread Adoption of New Neurotech (Scans, Avatars, Cognitive Retraining, Etc.)

VI. Common Strategic Challenges

- Revenue maximization (lost opportunities)
 - Expansion of core competencies into new markets and/or core competency leverage through new technologies
- Revenue diversification (overdependence on few payers)
 - Diversification of funding streams for current services
 - Expansion of current services into new markets
- Product life “aging”
 - Creation of new service for current market
 - Creation of new service for new market
- Profitability management (negative margin)
 - Strategy driven by understanding of service line performance metrics, both financial and clinical (service reengineering and value proposition strategy)
 - Management of unit/case costs with thresholds for withdrawal from markets as reimbursement changes (‘last man standing’ strategy)
 - Models for integration, merger, and collaboration (the ‘sugar daddy’ and/or ‘herd’ strategy)

Common Strategic Options For Consideration

1. Closure of services/service lines that are not profitable and/or affordable and/or “good fit”
2. Strategies to improve margins of existing service line
3. Building “value added” products to increase margins
4. Expansion of successful service lines (expansion of geography, new customer base, etc.)
5. Diversification of revenue sources
6. Reconfiguration of services within “value chain”
7. Strategies to address shifting “economy of scale” issues



Case Example: Strategic Initiatives & High-Level Tactics

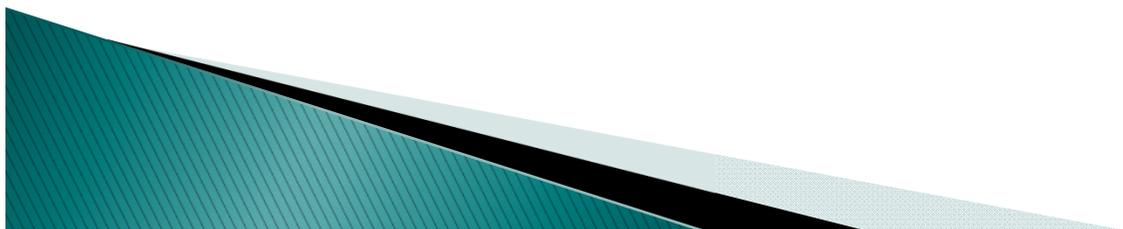
- \$17 million MH specialty services provider in a state that still has “contract” funding for most services
- Key challenges:
 - State shifting to a privatized fee-for-service funding model, with this provider having over half of its funding moving from contract to FFS.
 - Organization has had significant growth in last five years, but little funds have been available to invest in infrastructure and operations.
 - Surveys indicated low staff morale.

Case Example: Strategic Objectives

1. To continue to develop administrative systems to ensure the long-term viability of ABC Provider and its mission in both a fee-for-service reimbursement environment and a managed care environment.
2. To continue to create innovative clinical programs and services that enhance ABC Provider' market position as a preferred provider for public and private payers in the state – including the Medicaid managed behavioral health payer and the emerging care models such as accountable care organizations, medical homes, and disease state management programs.
3. To pursue revenue diversification . . . so that ABC Provider can expand its impact on the individuals, families, and the communities we serve.
4. To make investments in its human capital resources to ensure that ABC Provider recruits, develops, and retains the skilled and diverse workforce needed to achieve its mission.

Case Example: Strategic Objective #1: Enhanced Administrative Operations – Strategic Initiatives

- **Strategic Initiative #1A:** To enhance the unit cost reporting and management and financial reporting systems to ensure the ability of “ABC” provider to set target costs and prices and manage them for all lines of service.
- **Strategic Initiative #1B:** To re-engineer clinical services and operations to operate at competitive costs.
- **Strategic Initiative #1D:** To enhance ABC Provider’s processes for admission, billing, and collection operations to be state-of-the-industry in terms of access to care and efficiency and effectiveness in maximizing the collection of revenues.
- **Strategic initiative #1D:** To leverage ABC Provider’s technology infrastructure to ensure that it supports all administrative and clinical operations as well as the ability to create new revenue and market opportunities.
- **Strategic initiative #1E:** To develop mechanisms to monitor and manage clinical productivity and service utilization.
- **Strategic initiative #1F:** To develop or update ABC Provider’s various business plans to ensure the successful implementation of this strategic plan (business development, technology, clinical operations, financial management, etc.)



Case Example: Strategic Objective #2: Create Clinical Programs For Preferred Provider Status – Strategic Initiatives

- **Strategic Initiative #2A:** To continue expansion of the use of evidence based and emerging best practices
- **Strategic Initiative #2B:** To initiate a formal process for enhancing or developing relationships with public and private payers and for researching evolving key players, including hospital systems, health plans, accountable care organizations, and other health systems and payers
- **Strategic Initiative #2C:** To begin the clinical program and financial modeling to promote and establish ABC Provider as both a preferred ACO behavioral provider and as a behavioral health home provider in order to respond quickly to market developments





**#3: Detailed
Plans –
Marketing,
Financial,
Operational,
Capital, HR, Etc.
– To Implement
Strategy &
Future Vision**

Modification Of Business Unit Plans To Support Strategy Implementation



Marketing and development plan

Technology and communications plan

Operations management plan

Human resource and talent management plan

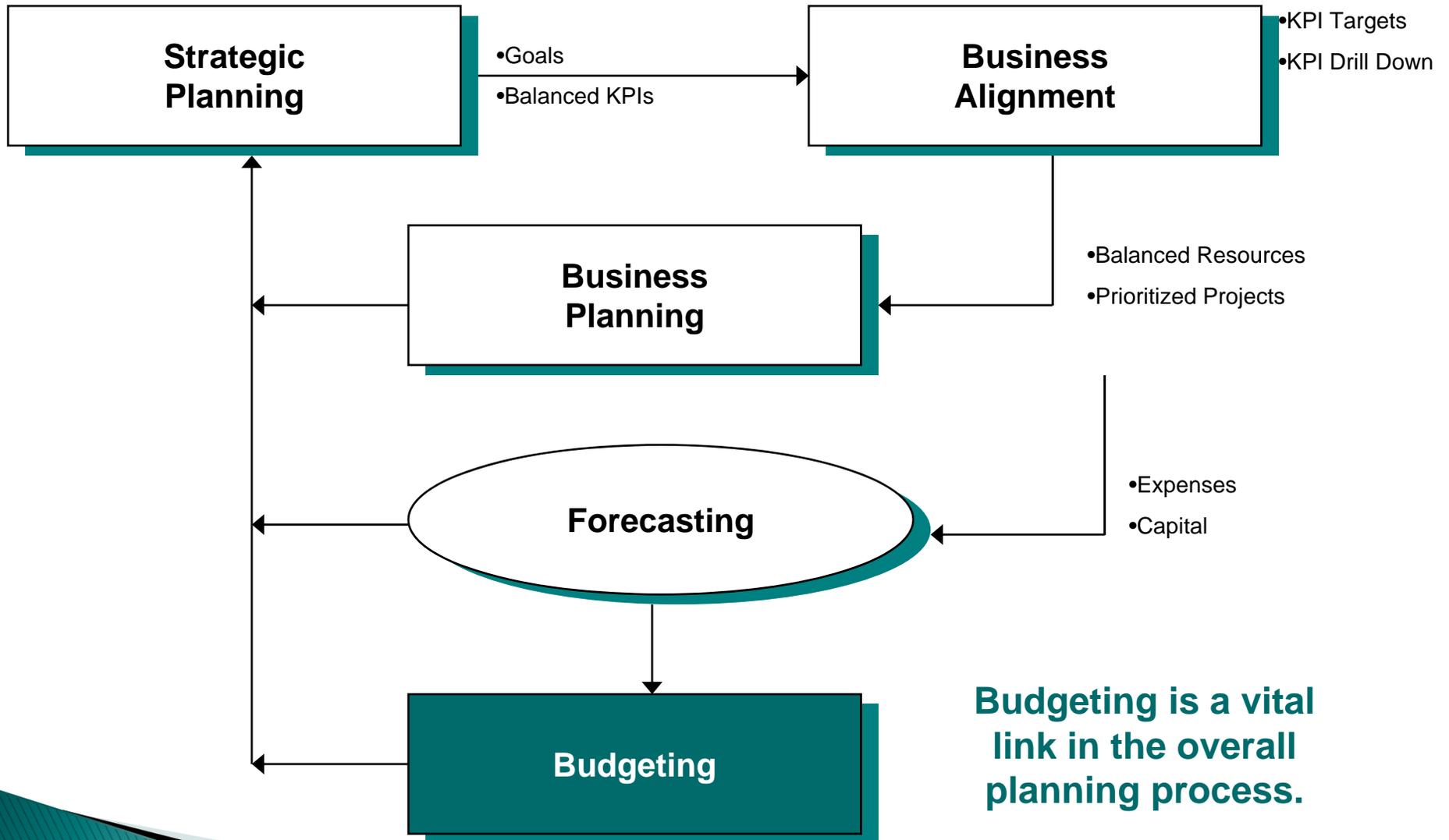
Financial management plan

Organizational and program budgets

Capitalization and capital access strategies

Recommendations regarding organizational structure

Best Practice Budgeting



Factors Contributing To Failed Plan Implementation

1. Poor preparation of line managers
2. Definitions of service lines and operating units not precise
3. Vaguely formulated goals
4. Inadequate information for action planning
5. Badly handled reviews of business unit plans
6. Inadequate linkage of strategic plan with other control systems



#4: Key Performance Metrics & Metrics-Based Management To Track Strategy Implementation (& Allow Mid-Course Adjustments)

Development Of Organizational Key Performance Indicators



Determine critical performance outcomes for success of strategy

Identify leading indicators and metrics that track these performance outcomes

Develop key performance indicator metrics and related specifications

Create an executive team performance dashboard based on these strategy key performance indicators

Process For Building Metrics–Based Management Capability

1. Establish performance standards for each operating unit
2. Develop standard reporting of performance (dashboards, etc.) appropriate to each operating unit
3. Modify management and supervision approach to integrate metrics–based approach
4. Use internal and external benchmarks, where possible, to identify best practices and improve operating processes
5. Within each operating unit, link performance appraisal (and compensation, if possible) to performance



Domain	Metric Category	Metric	January-11		
			Actual	Target	Variance
Quality & Impact Metrics	Number of Individuals Served / Impacted	Residential	-		
		Community –Based	-		
		Educational Institute	-		
	Discharge Outcomes	Completion According to Treatment Plan - Residential	0.00%	0.00%	0.00%
		Completion According to Treatment Plan - Community –Based	0.00%	0.00%	0.00%
		Discharge Placement in Equal or Less Restrictive Level of Care - - Residential	0.00%	0.00%	0.00%
		Discharge Placement in Equal or Less Restrictive Level of Care - - Community –Based	0.00%	0.00%	0.00%
	Other Impact Metrics	Number of Positive Media Mentions	-		
	Financial Metrics	Residential	Average Daily Census (this month)	-	-
Average Daily Net Revenue (this month)			\$ -	\$ -	#DIV/0!
Residential Net Revenue YTD			\$ -	\$ -	#DIV/0!
Community-Based		Foster Care Bed Days	-	-	#DIV/0!
		Community Based Net Revenue YTD	\$ -	\$ -	#DIV/0!
		Structured Transitional Living (STL) Average Daily Census	-	-	#DIV/0!
		Structured Transitional Living YTD Net Revenue	\$ -	\$ -	#DIV/0!
		Support Independent Living (SIL) Total Bed Days for Service	-	-	#DIV/0!
		Support Independent Living YTD Net Revenue	\$ -	\$ -	#DIV/0!
		In-Home Services YTD Net Revenue	\$ -	\$ -	#DIV/0!
Starr Institute		Number of Paid Registrations for Next Conference	-	-	#DIV/0!
		Starr Institute Net Revenue YTD	\$ -	\$ -	#DIV/0!
Grants & Fundraising		Total grants and funds raised YTD	\$ -	\$ -	#DIV/0!
Organization Wide Profit/Loss		Organization Wide Profit/Loss (with contributions and investment income)	\$ -	\$ -	#DIV/0!
	Organization Wide Profit /Loss (without contributions and investment income)	\$ -	\$ -	#DIV/0!	
Operations Metrics	Human Resources	Percentage of Positions Vacant at Month End - Administrative	0.00%		
		Percentage of Positions Vacant at Month End – Non-Administrative Staff	0.00%		
		Average Number of Days Positions Vacant - - Administrative	0.00%		
		Average Number of Days Positions Vacant – Non-Administrative Staff	-		
		Turnover Rate (3-month rolling)	0.00%	0.00%	0.00%
		Number of Staff Development Hours	0.00		
	Information Technology	Number of Help Desk Calls	-		
		Percentage of Help Desk Calls Resolved in Target Timeliness	0.00%	0.00%	0.00%
	Finance	Average Days in Accounts Receivable	-	-	#DIV/0!
		Bad Debt YTD	\$ -		
		% of Claims Denied Payment, Previous Month	0.00%		
		Average Days in Accounts Payable	-		
	Additional Metrics	Average Number of Days for Access To Care – Community-Based	-		
Average Number of Days for Access To Care – Private Residential		-			



**Strategy Is Not Enough
Performance Matters**

**Performance
Management Is The
Key To Maintaining
Strategic Advantage**



**#5: Optimization
Of Current
Operations To
Keep Current
Programs As
Competitive (&
Profitable) As
Possible As Long
As Possible**

Profitability Optimization Strategies

1. Streamline operations and aggressively manage unit costs
2. Revenue maximization initiatives for current services
3. Manage cash aggressively
4. Aggressive business development strategies for current services
5. Set thresholds for discontinuing service lines

**Growth
Demands
Capital &
Profitability
Generates
Cash**

Revenue Maximization

- Ensuring your organization efficiently captures, in cash, all of the revenues it deserves (and only the revenues it deserves) for the services you render
- A cross-departmental proactive initiative
- Many organizations with high volume of transactions now lose 2–5% or revenue or more because of lost data, process inefficiencies, human error, etc.

Revenue Maximization Initiatives For Current Services

- Increase rates
- Increase billing or volume of services provided
- Improve collections on service provided
- Geographic expansion as a diversification strategy
- Repurposing of current services in other markets as a diversification strategy
- Strategic fundraising tactics

Setting Thresholds For Discontinuing Service Lines

- What is timing re: continuation of significant demand for current service models?
- How long to invest in the current service models? In each of the current service lines?
- How much negative margin is acceptable in every service line?





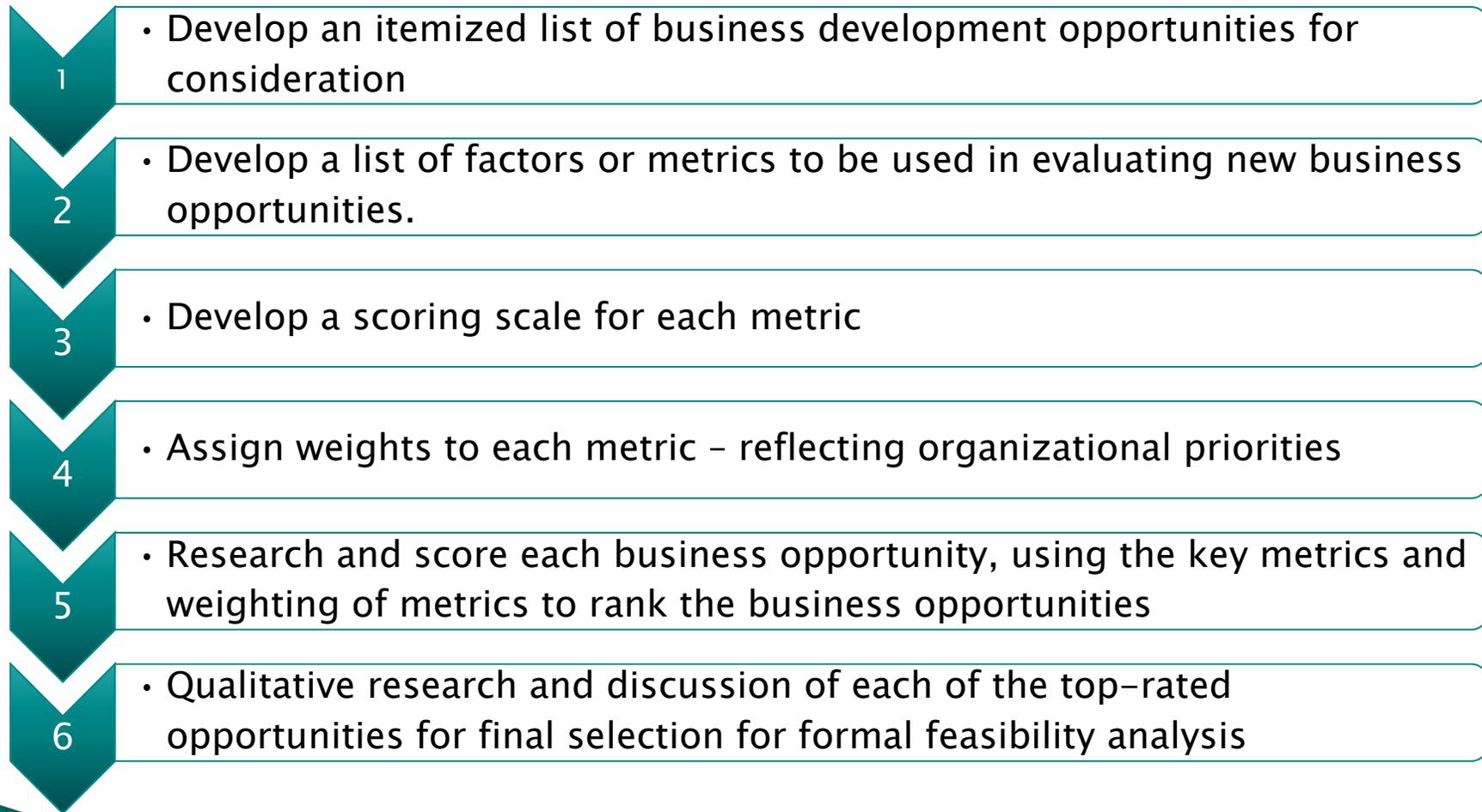
#6: New Service Model Development To Support Future Vision



More Ideas Than Time or Money

- Problem is often there are more ideas for new service lines than time or money to evaluate and implement
- Recommend metrics-based ranking model to evaluate new service line ideas - with the goal of reducing the number that move to service line feasibility analysis and development process

OPEN MINDS Process for Metrics-Based Evaluation of New Business Opportunities



#1. Develop List of Business Development Opportunities for Consideration

- Service line extensions
- New payer for current services
- New markets for current services
- New services for current customers
- New services for new markets

Example: Business Development Opportunities List

New Business Development Initiative
Consider adding an adoption license for foster care operations
Expand foster care operations beyond current counties
Develop a treatment foster care service – in anticipation of October 2011 consent decree requirements
Develop an unsolicited proposal for State of re: Medicaid carve-out for services for foster children (health plan, PIHP, and XXXX) – capitated rate for physical health, mental health, and child welfare services
Expand in-home care services to include contracts with all third-party payers in the 15-county area
Expand in-home care services to include private pay collection capability
Expand intensive in-home care service line offering to include addiction treatment services
Expand intensive in-home care service line offering to integrate e-health services
Develop an in-home substance treatment program for the in-home services program
Develop contracts with other counties for residential diversion program (note: rebranding needed)
Expand day treatment/residential diversion program to include youth with behavioral health diagnoses and/or low IQ
Offer the day treatment/residential diversion program as a respite program and a crisis respite program (Medicaid reimbursable)
Expand suspension center services to more school systems
Increase out-of-state referrals to SRY program
Develop per diem/case rate program for SRY program that includes both residential and community-based treatment for sex offender population
Expand CBTC model (residential/community-based service mix) to JJ systems in other jurisdictions
Increase referrals to emergency shelter care services in
Explore demand for emergency foster care families
Expand range of services that can be offered via in-home service delivery under Medicaid

#2. Develop List of Metrics to Evaluate New Business Opportunities

- Current market potential
- Degree of competition
- Revenue growth opportunities
- Capital and cash flow requirements
- Operational at a profit margin in the short-term
- Operational at a profit margin in the long-term
- Significantly furthers mission
- Improves market positioning
- Other?

Example Of Service Line Evaluation Metrics

Metric
Has considerable market potential and revenue growth opportunities for XXXX
Has minimal capital requirements
Can be operated at a profit/margin in the short-term
Can be operated at a profit/margin in the long-term
Has few competitors or competitors that XXXX can reasonably compete with
Requires core competencies that XXXX has or can reasonably obtain
Has minimal risk of failure
Improves market positioning and revenue diversification strategies
Significantly furthers XXXX mission and target population
Significantly increases XXXX 's "impact" on the number of children, families, and professionals it serves

#3. Develop Scoring Scale for Each Metric

- Each metric needs a scoring measure
 - Maximum (positive) score
 - Minimum (negative) score
- For example, maximum score of 5 and minimum score of 1

#4. Assign Weights to Each Metric – Reflecting Organizational Priorities

- Each score weighted to reflect relative importance of that metric in decisionmaking about new service line investment

Service Line Metrics With Scoring & Metrics Weighting

Metric	Max Score	Weight
Has considerable market potential and revenue growth opportunities for XXXX	3	3
Has minimal capital requirements	3	1
Can be operated at a profit/margin in the short-term	3	3
Can be operated at a profit/margin in the long-term	3	2
Has few competitors or competitors that XXXX can reasonably compete with	3	2
Requires core competencies that XXXX has or can reasonably obtain	3	2
Has minimal risk of failure	3	2
Improves market positioning and revenue diversification strategies	3	3
Significantly furthers XXXX mission and target population	3	3
Significantly increases XXXX 's "impact" on the number of children, families, and professionals it serves	3	1

#5. Score Each Business Opportunity

- Conduct necessary research to evaluate each business opportunity against each metric
 - Industry knowledge of team
 - Secondary market research sources
 - KOL interviews

Example Of “Short List” Based On Rating

Initiative	Total Score
Expand use of e-health services through aftercare/in-home services program	61
Expand range of services that can be offered via in-home service delivery under Medicaid through aftercare/in-home services program	59
Expand foster care operations beyond current counties	58
Develop contracts with other counties for residential diversion program (note: rebranding needed)	58
Increase out-of-state referrals	58
Increase referrals to emergency shelter care services	56
Develop or acquire Medicaid provider license to operate Medicaid outpatient MH and SA services to youth and families in XXXX County	55
Develop third-party payer contracts for aftercare/in-home services program	54
Explore out-of-state demand in for emergency foster care families	53
Develop a treatment foster care service - in anticipation of October 2011 consent decree requirements	52
Expand Residential Transitional Reintegration Support (RTRS)	52
Expand suspension center service for younger students	51
Expand foster care services beyond XXXX County	51
Develop private pay capacity for aftercare/in-home services program	51
Expand supervised independent living program (SIL)	51
Expand intensive O/P substance abuse treatment program	51
Develop or acquire secure residential treatment facility for boys to operate services for XXXX County	50

#6. Final Selection of “Short List” for Formal Feasibility Analysis

- Review the highly-rated ‘short list’
- Additional qualitative research
- Team discussion
- Final selection for formal feasibility analysis

Moving From Idea to Revenue Has Two Phases

- Phase I: Feasibility analysis phase
 - Define the new service line
 - Analyze market and competition for the new service line
 - Financial feasibility analysis
- Phase II: Design & development phase
 - Service line design
 - Service line launch preparation
 - Service line launch management
 - Service line launch and pilot test



**#7: Collaborations
As Needed To
Facilitate New
Market Vision**



The Realities Of An Organization's Assets Available For Repositioning

1. Historical mission and vision – organizational charter
2. Regulatory limitations
3. Competition in market
4. Management team competencies and expertise
5. The CEO's leadership qualities
6. Organizational culture
7. Financial resources
8. Time

This assessment – core competencies, competitive benchmarking, and organizational assets – should drive decision making about strategic advantage and positioning

Collaborative Models

- Mergers and acquisition (M&A) – These actions combine two or more organizations in a model where one organization owns the other(s), and gains all controls, rights, and liabilities.
- Consolidations and "super parent" structures– Unlike M&A, in a consolidation, all participating organizations lose their identities and emerge as a new organization. Participating organizations can spread the "overhead costs" for technology, financing expenses, compliance, marketing, legal counsel, and other core competencies over a larger revenue base. One method to accomplish this is to create a new parent organization (the "super parent") to control both organizations.
- Joint operating agreements – Joint operating agreements are a management agreement, typically between two organizations, that allows the organizations to share management services and some facilities, while retaining a separate board of directors. This is sometimes referred to as a virtual merger.
- Shared services organizations (SSO) and administrative services organizations (ASO) – This is similar in intent to the joint operating agreement, but with the creation of a separate organization to provide management services.
- Purchasing cooperatives – Purchasing cooperatives are focused on a single objective: reducing costs through "volume" purchasing discounts. These can be large, national agreements for purchasing, such as Purchasing Partners of America and Partners in Pharmacy Cooperative. Or the model can be smaller partnerships between two organizations who may join together to save on the purchase of technology or medical supplies.
- Virtual service partnerships – Virtual service partnerships are created between organizations to offer a specific service in the market (or respond to a specific RFP). The organization providing the service is "virtual." It is usually a trade name that operates in the market by organizations that are joined only by a partnership agreement. It is the partnership agreement that spells out proceeds, roles, and responsibilities and ownership of intellectual property.

Don't start the discussion of collaboration with a discussion of structures. . .

Start with the market. . .

What you need to succeed in the market. . .

What assets you need. . .

And the most acceptable collaboration to acquire those assets. . .



Some Closing Thoughts. . .

“The essence of strategy is choosing what not to do.”

Michael E. Porter

“In preparing for battle, I have always found that plans are useless, but planning is indispensable.”

Dwight D. Eisenhower





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